



**TRAFFORD**  
**COUNCIL**

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

**Date: Wednesday, 6 September 2017**

**Time: 6.30 p.m.**

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

<b>A G E N D A</b>	<b>PART I</b>	<b>Pages</b>
6.	<b>EXTERNAL AUDIT 2016/17 FINDINGS REPORT</b>	
	To receive a report of the Council's External Auditor.	1 - 36
8.	<b>APPROVAL OF THE ANNUAL STATEMENT OF ACCOUNTS 2016/17 (ACCOUNTS 2017)</b>	
	To consider a joint report of the Chief Finance Officer and the Head of Financial Management.	37 - 214

**THERESA GRANT**  
Chief Executive

Membership of the Committee

Councillors N. Evans (Chairman), C. Boyes (Vice-Chairman), J. Baugh, B. Brotherton, P. Lally, A. Mitchell and J.A. Wright.

Further Information

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This agenda was issued on **Thursday, 31 August 2017** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH

## **Accounts and Audit Committee - Wednesday, 6 September 2017**

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# The Audit Findings for Trafford Council

# DRAFT

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

Year ended 31 March 2017

September 2017

**Mark Heap**

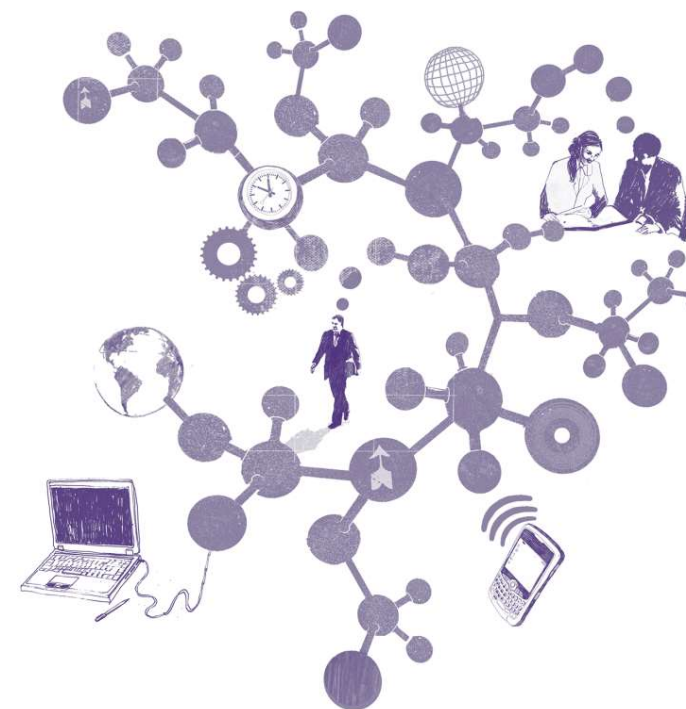
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Agenda Item 6



Private and Confidential

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September 2017

Dear Theresa

### **Audit Findings for Trafford Council for the year ending 31 March 2017**

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Trafford Council, the Accounts and Audit Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

Mark Heap

#### Chartered Accountants

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## Section 1: Executive summary

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

## Purpose of this report

This report highlights the key issues affecting the results of Trafford Council ('the Council') and the preparation of the Group and Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated March 2017. We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable. Our audit is substantially complete although we are finalising our procedures in the following areas:

- transaction testing on journals and employee remuneration
- obtaining some supporting documentation for debtors, creditors and operating expenses
- assessing pension guarantees
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- review of revised versions of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

We will give a verbal update at the meeting on the areas above.

## Key audit and financial reporting issues

### Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements by 30 September 2017. We have worked closely with the Council's finance team and are pleased to report that:

- as last year, the draft accounts were prepared to a good standard and were supported by comprehensive working papers
- we were able to commence our audit as previously planned and agreed with the Council
- there are no significant amendments to the accounts as a result of our audit.

We have not identified any adjustments affecting the Council's reported financial position. The Council delivered an underspend of £4.319 million on its service income and expenditure and the audited financial statements for the year ended 31 March 2017 record net cost of services expenditure of £136.1 million.

We have agreed a small number of adjustments to improve the presentation of the financial statements.

In addition we identified from our work a school building on the asset register with a value of £3.1m which should be impaired to nil. The land for the school is held as an asset for sale at a value of £1m and a new school was built on a different site in September 2016. Management have not adjusted for the impairment of school in the final accounts.

Further details are set out in section two of this report

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix A).

### Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

## Controls

### Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

### Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.



### **Value for Money**

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further details of our work on Value for Money are set out in section three of this report.

### **Other statutory powers and duties**

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

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### **Grant certification**

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to the Accounts and Audit Committee which is due in February 2018.

### **The way forward**

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

### **Acknowledgement**

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

**Grant Thornton UK LLP**  
September 2017

## Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

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## Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £8,143,000 (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £407,000. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

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Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	All transactions made by the Council affect the cash balance and it is therefore considered to be material by nature.	Material by nature
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

# Audit findings against significant risks

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

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Trafford Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Trafford Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>As part of our audit work we have completed a review of:</p> <ul style="list-style-type: none"> <li>• entity controls</li> <li>• the journal entry process and selection of unusual journal entries for testing back to supporting documentation</li> <li>• accounting estimates, judgements and decisions made by management</li> <li>• unusual significant transactions.</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

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"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Employee remuneration</b>	<p>Payroll expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>Employee remuneration accruals understated (Remuneration expenses not correct)</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding</li> <li>substantive testing of a sample of employee remuneration, to confirm that employees exist, are paid correctly and are recorded in the general ledger. This included enhancements and employer contributions.</li> <li>tested payroll reconciliations to confirm that payroll totals are accurately and completely recorded in the general ledger.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<b>Operating expenses</b>	<p>Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>Creditors understated or not recorded in the correct period (Operating expenses understated)</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding</li> <li>substantive testing of a sample of operating expenses and year-end testing of balances and new-year payments to source documents. This was to ensure valid spend and appropriate categorisation within the net cost of services headings in the comprehensive income and expenditure statement</li> <li>testing of creditor reconciliations</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

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"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

# Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Welfare benefit expenditure</b>	<p>Welfare benefit expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified welfare benefit expenditure as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>Welfare benefit expenditure improperly computed</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding</li> <li>substantive testing of welfare benefits paid in year to ensure these are accurate and reflect eligibility</li> <li>verifying the reconciliation between the financial ledger and the housing benefits system</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<b>Changes to the presentation of local authority financial statements</b>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented and evaluated the process for recording the required financial reporting changes to the 2016/17 financial statements</li> <li>reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure</li> <li>reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS)</li> <li>tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES</li> <li>tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger</li> <li>tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements</li> <li>reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>

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## Audit findings against other risks continued

### Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK&I) 570).

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that it is appropriate to prepare the accounts on a going concern basis.

# Group audit scope and risk assessment



ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Trafford Leisure Community Interest Company (CIC) Ltd	No	Analytical	N/A	Desktop review performed by GT UK	Our audit work has not identified any issues in respect of the Group consolidation of the CIC.



# Accounting policies, estimates and judgements

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

Accounting area	Summary of policy	Comments	Assessment
<p><b>Revenue recognition</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 15</p>	<ul style="list-style-type: none"> <li>Business rates and council tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of revenue can be measured reliably.</li> <li>Government grants and third party contributions and donations are recognised as due to the Council 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.</li> <li>Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Revenue recognition policies are in line with the requirements of the Code of Practice on Local Authority Accounting and accounting standards</li> <li>The main elements of the Council's revenue is predictable and there is minimal judgement required from the Council</li> <li>We have undertaken substantive testing of grants and other revenues and based on our work to date are satisfied that the Council has recognised income in accordance with its accounting policies</li> <li>The accounting policies are appropriately disclosed.</li> </ul>	<p style="text-align: center;"> <b>Green</b></p>
<p><b>Judgements and estimates</b></p>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>Useful lives of property, plant and equipment</li> <li>Pension fund valuations and settlements</li> <li>Revaluations and impairments</li> <li>Provisions and accruals</li> <li>Fair value of financial instruments, and</li> <li>Valuation of investment in Manchester Airport</li> </ul>	<ul style="list-style-type: none"> <li>The Council's accounting policies for key estimates and judgements are appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code)</li> <li>The accounting policies are appropriately disclosed in note 1 to the financial statements</li> <li>Our audit testing of key estimates and judgements has considered the extent of judgement involved, the potential impact of different assumptions and the range of possible outcomes</li> </ul>	<p style="text-align: center;"> <b>Green</b></p>



**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Judgements and estimates (continued)</b>		<ul style="list-style-type: none"> <li>We are satisfied that the key estimates and judgements are appropriate and adequately disclosed and reliance on experts is taken where appropriate</li> <li>The Council has appropriately relied on the work of experts for asset revaluations, pension fund valuations, insurance provisions, financial instrument fair values, and the valuation of its investment in the Manchester Airport Group</li> </ul>	
<b>Going concern</b>  Page 16	The Chief Finance s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future.  Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	 <b>Green</b>
<b>Other accounting policies</b>	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	The Council's accounting policies are appropriate and consistent with previous years.	 <b>Green</b>

**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

## Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Accounts and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We obtained positive direct confirmations from PWLB, and other banks for loans and short term investment balances. All requested confirmations were provided.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements</li> </ul>
7.	<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>We are required to report on a number of matters by exception in a number of areas: We have not identified any issues we would be required to report by exception in the following areas</li> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit</li> <li>The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading.</li> </ul>
8.	<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold of £350 million we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <ul style="list-style-type: none"> <li>Note that work is not yet completed but is scheduled for completion by end of September.</li> </ul>

# Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p><b>SAP – Excessive access to modify SAP table data</b></p> <p>We found an excessive number of users with access to sensitive database table editing SAP transaction codes. Access to these transactions under certain conditions can allow customised or standard SAP financial data tables to be edited directly, potentially resulting in unauthorised entries or data integrity problems in the SAP system.</p>	<ul style="list-style-type: none"> <li>• The issues raised were further followed up by Internal Audit with IT Services and a follow up internal audit report was issued in October 2016. Findings were that such access was limited as although at the time of the audit there were a large number of users (24 at the time of the audit), they were only able to access one table dependant on their role as appropriate restrictions are in place. This means that users are only able to access tables that have been allocated to them. Trafford has since created bespoke transaction codes that were not reviewed as part of the original audit.</li> <li>• There was also a full license review performed in December 2016 that has resulted in a full review of all roles.</li> <li>• Further to this, Internal audit work undertaken in August 2017 found that users have restricted authorisations. Details will be fully reported in a further follow up audit with a draft report to be shared with IT Services in September 2017.</li> </ul>
2.	✓	<p><b>SAP - Segregation of Duties Conflicts</b></p> <p>Segregation of duties is a fundamental principle of control. It requires that record keeping, custody of assets, authorisation and reconciliation processes are not performed by the same person.</p> <p>We performed a review of the access rights, known as responsibilities, assigned to users within the SAP system and found a number of user access segregation conflicts.</p>	<ul style="list-style-type: none"> <li>• As confirmed in an internal audit report issued in October 2016, ICT services agreed that an annual reconciliation of access rights would be undertaken to ensure they are appropriate, and processes have been put in place to peer check 100% of all SAP Master Data changes, with a 10% supervisor check. Further compensating controls are also in place to prevent fraudulent payments being made.</li> <li>• Following further audit work, undertaken in August 2017, it was confirmed that the SAP manager has further improved controls by ensuring that the two members of staff with full access perform their duties in the development rather than live production environment, with a formal access request process in place if access to production is required. There is also a log produced that highlights all users that have performed a key action in production.</li> </ul>

**Assessment**  
 ✓ Action completed  
 X Not yet addressed

## Adjusted misstatements

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

### Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000
<b>1 Page 19</b> <b>Group Balance sheet</b>			
Compensating error between short term debtors and creditors			
Short term debtors		<i>Dr</i> 3,100	nil
Short term creditors		<i>Cr</i> 3,100	
<b>Overall impact</b>		<b>£0</b>	

## Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Accounts and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement/MIRS £'000	Balance Sheet £'000	Reason for not adjusting
<b>1 Fixed assets (PPE) - Impairment to Brentwood school</b>			
- Fixed assets		<i>Cr</i> 3,690,341	No net impact
- Revaluation reserve		<i>Dr</i> 535,626	
- Capital adjustment account		<i>Dr</i> 3,154,715	
- Impairment of PPE in cost of services	<i>Dr</i> 3,154,715		
- Revaluation losses on PPE adjustment through MIRS	<i>Cr</i> 3,154,715		
- (Surplus)/deficit on revaluation of PPE	<i>Dr</i> 535,626		
- Adjustment through MIRS	<i>Cr</i> 535,626		
<b>Overall impact</b>	<b>£0</b>	<b>£0</b>	<b>No overall net impact</b>

## Misclassifications and disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	n/a	Note 54 Prior period adjustments (note 54)	Note updated to reflect the adjustments to comparatives within the Comprehensive Income and Expenditure (CI&E) cost of services
2 Disclosure	n/a	Financial Instruments (notes 18 & 52)	Various amendments to the note including: <ul style="list-style-type: none"> <li>incorrect comparative for Trade debtors (restated to £5,210,000)</li> <li>fair value hierarchy of the Airport (page 78) restated to Level 2</li> <li>clarification of the wording with the fair value of assets and liabilities carried at amortised cost (page 79)</li> <li>details of credit risk exposure (in note 52) amended to £35k (originally included in error as £353,000)</li> <li>correction to the upper limits on fixed interest rates (per note 52)</li> </ul>
3 Disclosure	n/a	Capital Commitments – PPE (note 14)	Removal of the £5,008,000 commitment for Depot Relocation as the legal agreement for the new depot was finalised after the year end, in April 2017
4 Disclosure	n/a	Contingent liabilities (note 50)	Additional details added to provide clarity on potential pensions guarantee costs
5 Disclosure	n/a	Group Accounts	As the Group accounts are statutory statements these have been included within the main statements. They were originally included within the supplementary statements.
6 Disclosure	n/a	Narrative report	Some additional details included in the narrative report to provide further clarity on the performance of the Council.
7 Disclosure	n/a	Property, plant and equipment (PPE) (note 14)	Corrections to details within the PPE note; <ul style="list-style-type: none"> <li>revaluation adjustment line corrected due to compilation errors</li> <li>valuation of non current assets at fair value updated to reflect accurate analysis</li> </ul>
8 Disclosure	n/a	Various	Various other corrections to minor cross referencing and typing errors

## Section 3: Value for Money

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



## Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

## Risk assessment

We carried out an initial risk assessment in February 2017 and identified the following significant risk, which we communicated to you in our Audit Plan dated March 2017.

### Medium term financial position

Future budgets remain challenging with further austerity reductions and increasing demand and costs. The Council's 3 year budget strategy to 2019/20 identifies the need to address a gross budget deficit of £47.7m.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We completed the following risk based work as part of our assessment:

- monitored the Council's progress in updating its medium term financial strategy and projected savings and efficiencies requirements
- examined financial and budget reporting to Members
- assessed the out-turn position for 2016/17 and the budget plans from 2017/18 onwards
- met with key officers to discuss key strategic challenges and the Council's proposed response.

In addition we reviewed the project management and risk assurance frameworks established by the Council to establish how it is identifying, managing and monitoring its risks.

### Significant qualitative aspects

ACN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- future required savings challenges in the medium term. The Budget Proposals 2017/18 and Medium Term Financial Strategy 2018/19 to 2019/20 requires the Council to make savings and efficiencies of £47.7 million over the three years from 2017/18 to 2019/20. A significant proportion of this falls in 2017/18 and is currently estimated at over £25 million.

The Council has set a balanced budget for 2017/18. The Council are planning to meet the £25.4 million budget gap with a combination of further income and transformational savings (£15.6 million) and additional funding and use of reserves (£9.8 million). There remain significant financial challenges ahead and the Council recognise that it is becoming increasingly difficult to identify efficiencies to close anticipated future funding shortfalls. The MTFs identifies further savings to deliver in order to maintain a balanced budget in each of the next two years. The Council is considering all options at an early stage, to ensure robust savings proposals can be developed in order to bridge the residual budget gap of over £19 million over the next two years.

The Council is developing its 'Together Trafford Vision 2031' in partnership with key agencies and by engaging with stakeholders. This aims to shape a longer term vision for Trafford and create a place where people want to live, stay and invest. The Vision consists of a number of major programmes including, public service reform, health and social care intervention, social care sustainability and investment and place shaping. These are underpinned by short to medium term priorities (or interventions) which align to the Council's Annual Delivery Plan.

The Council has appropriate arrangements in place to develop financial priorities and redesign services within available resources, to ensure they are used effectively. The Council continues to explore and review its strategies to reflect local and national changes and is progressing with actions aimed to meet the future financial challenges.

### Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix B.

**Key findings**

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p><b>Medium term financial position</b></p> <p>Future budgets remain challenging with further austerity reductions and increasing demand and costs.</p> <p>The Council's 3 year budget strategy to 2019/20 identifies the need to address a gross budget deficit of £47.7m.</p>	<p>We assessed the out-turn position for 2016/17 and examined the Council's arrangements for putting together and agreeing its budget plans from 2017/18 onwards.</p> <p>This included considering savings and efficiency plans, mitigating actions and contingencies.</p>	<p>The Council achieved a £4.32 million underspend on revenue activity and has general fund and earmarked reserves of £ 45.6 million at 31 March 2017. It achieved savings of £15.5 million against a revised target of £16.10 million. The Council reduced its general fund reserve by £1.89 million as part of its budget strategy. The general fund balance is now £6 million which is the Council's approved risk-assessed minimum level. The Council plans to maintain the general fund reserve at this level and maintain earmarked reserves to support future budgets to 2019/20. The Council has projected total earmarked reserves of £18 million by 2019/20 which include a budget support reserve of £3.5 million to help smooth future budget reductions.</p> <p>The final capital outturn for 2016/17 was £28.21 million against a revised budget of £42.44 million. The underspend of £14.23 million was mainly due to planned re-profiling of some schools projects, a review of Leisure strategy assets and re-phasing of £5 million of the contribution to the Metrolink extension into 2017/18.</p> <p>The Council agreed its 2017/18 budget and MTFS to 2019/20 in February 2017 after a process of consultation with stakeholders, scrutiny and with approval by the Executive. The 2017/18 budget sets out a requirement to balance a budget gap of £25.4 million with a combination of further income and transformational savings (£15.6 million) and additional funding and use of reserves (£9.8 million).</p> <p>The 2017/18 budget forms the first year of medium term planning through to 2019/20 using latest economic projections on funding and cost pressures. The MTFS to 2019/20 requires the Council to make savings and efficiencies in excess of £47.7 million over the three years from 2017/18 to 2019/20. The Council has balanced the 2017/18 budget but is currently considering options to ensure robust savings proposals can be developed in order to bridge the residual budget gap of over £19 million over the next two years.</p>

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**Key findings**

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p><b>Medium term financial position (continued)</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 26</p>		<p>The Council continues to review its strategy and is developing a longer term vision for Trafford. During 2016/17 the Council and partners have agreed a number of major programmes and projects within its ‘Together Trafford Vision 2031’ which aim to create a place where people want to live, work and invest. This Vision reflects local and national changes including devolution, future financial challenges, Greater Manchester Public Service Reform and integration. It is underpinned with a number of key priorities which have been aligned to the Council’s Annual Delivery Plan. The Council will regularly report progress against these to the Executive.</p> <p>The Council is also developing an Investment Strategy to fund projects that will deliver economic development and regeneration and generate additional income streams to support the revenue budget. This will help support and maintain the provision of services in future years.</p> <p>Continuing uncertainty regarding the Council’s medium term financial position and developments with Together Trafford Vision 2031 are both identified as key risks on the Council’s Strategic Risk Register.</p> <p>Quarterly strategic risks monitoring is reported to the Transformation, Performance and Resources Group, Corporate Management Team and the Accounts &amp; Audit Committee.</p> <p>The Council continues to develop future opportunities for Trafford in the context of the challenging financial landscape. It has a track record of meeting its revenue budget and identifying alternative measures and mitigating actions where planned efficiency measures are not delivering the required levels of savings.</p> <p><b>We concluded from our review of medium term financial and strategic planning that the Council has proper arrangements to plan and monitor finances effectively to support the delivery of its strategic priorities.</b></p>

### **Significant difficulties in undertaking our work**

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

### **Significant matters discussed with management**

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

### **Any other matters**

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

## Section 4: Fees, non-audit services and independence

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

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

## Fees

	Proposed fee £	Final fee £
Council audit	118,192	118,192
Grant certification	11,498	11,498
<b>Total audit fees (excluding VAT)</b>	<b>129,690</b>	<b>129,690</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

## Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

## Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table below summarises all other services which were identified.

## Fees for other services

Service	Fees £
<b>Audit related services:</b>	
• Teachers pension return	4,200
<b>Non-audit services</b>	<b>nil</b>

## Section 5: Communication of audit matters

01. Executive summary

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**05. Communication of audit matters**

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# Communication to those charged with governance

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

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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

# Appendices

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A. Audit Opinion



# A: Audit opinion

**We anticipate we will provide the Group with an unmodified audit report**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAFFORD COUNCIL**

We have audited the financial statements of Trafford Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Cash Flow Statement, the Group Cash Flow Statement, the Collection Fund Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority and Group as at 31 March 2017 and of the Authority's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

### Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

### Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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

#### Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

### Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2017. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Mark Heap  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP  
4 Hardman Square  
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Manchester  
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September 2017



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## TRAFFORD COUNCIL

**Report to:** Accounts & Audit Committee  
**Date:** 6 September 2017  
**Report for:** Decision  
**Report of:** Chief Finance Officer

### Report Title

**Approval of the Final Accounts 2016/17 (Accounts 2017)**

### Summary

The pre-audited 2016/17 accounts were approved by the Chief Finance Officer on 16 June 2017. On 30 June 2017 the accounts were submitted to the Council's external auditors, Grant Thornton, and placed on deposit for public inspection for 30 working days.

Attached are the redrafted Final Accounts for 2016/17, accommodating changes currently agreed with Grant Thornton during their audit. As the audit is yet to be concluded Members are requested to review and note the Accounts as they currently stand. The majority of changes relate to "Disclosure" changes such as formatting, enhancements to improve readability and typographical errors. Full details are shown in the External Audit 2016/17 Findings Report, Item 6 on this Agenda.

There is one unadjusted error relating to the former Brentwood School building which has been replaced by a new school. The site is now classed as an Asset Held for Sale however the old building should have been impaired (written out) to a NIL value. This accounting adjustment is immaterial to the results of the Council and a decision has been made to adjust for this in the new financial year.

### Recommendation

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

Approval be delegated to the Chairman of Accounts and Audit Committee and the Chief Finance Officer to approve the Final Accounts for 2016/17, on or before the statutory deadline of 30 September 2017.

**Contact person for access to background papers and further information:**

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

Background Papers: None

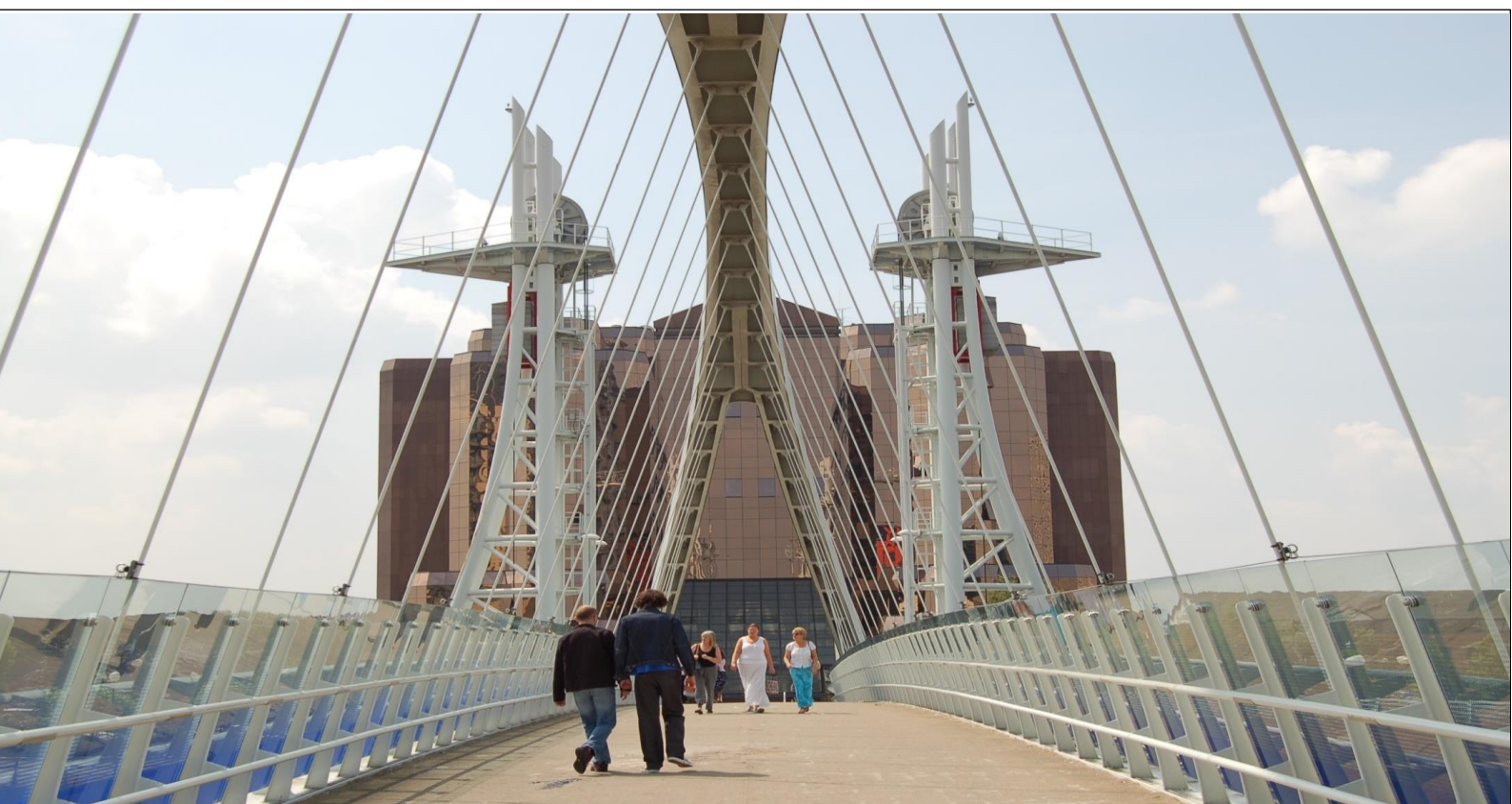
Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Failure to approve the accounts in a proper format would be contrary to the Accounts and Audit Regulations.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report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





TRAFFORD  
COUNCIL

# Statement of accounts



# 2017

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war shapes lives

Retail and catering deliveries  
Pedestrian zone  
5

AGAINST THE ODDS  
AGAINST THE ODDS  
AGAINST THE ODDS

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# Narrative Report

This document provides the detail behind the Council's financial performance for the year 1 April 2016 to 31 March 2017.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015. The regulations require the accounts to be prepared in accordance with proper accounting practices and these primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom in 2016/17 (the Code), supported by International Financial Reporting Standards (IFRS).

In complying with the requirements and standards of the Chartered Institute of Public Finance and Accountancy (CIPFA) in preparing the accounts, they aim to provide all stakeholders including partners, elected councillors and residents of the Borough and other interested parties an understanding of the financial position of the Council in 2016/17, confidence that public money has been accounted for correctly and that the financial position of the Council is robust.

This Narrative Report provides information about Trafford, its objectives and achievements whilst also providing a summary of the financial position at 31 March 2017 and key issues that have affected the accounts during the year.

## Trafford the Borough

Trafford has a robust economy with over 13,000 businesses, ranging from cutting edge digital and creative companies to advanced manufacturing and green technology. The 230,000 strong population of Trafford is one of the most highly skilled and educated in the North West of England with 49% qualified at NVQ4 and above. The Gross Value Added (GVA) for Trafford is £7 billion p.a. which represents one of the highest productivity levels in Greater Manchester.

Trafford has over 7.6m visitors per year, mainly due to the prestigious attractions that reside here including the Intu Trafford Centre, one of the largest indoor shopping centres in the UK and visited by over 40 million people per year. Trafford Wharfside is a leading visitor destination, home to Manchester United FC,

Lancashire County Cricket Club, Coronation Street and the award winning Imperial War Museum North.

## Trafford Council

Trafford's evolving long term vision is that ***no one will be held back and no one left behind.*** To ensure this ambition is met we need to make sure we have a highly effective Council working in partnership with the community, businesses and the voluntary and social enterprise sector.

To meet our vision the Council is working to a number of priorities which are reflected across the whole business and are resident in every decision we make. The Council's Corporate Strategy sets out these priorities that help shape Trafford as a great place to live, learn, work and relax:

- Low Council Tax and Value For Money
- Economic Growth and Development
- Safe Place to Live – Fighting Crime
- Services Focused on the Most Vulnerable People
- Excellence in Education
- Reshaping Trafford Council

Trafford is one of the lowest spending Council's in the UK, has the lowest council tax in Greater Manchester and yet is proud to be delivering effective high quality services. Through both direct service delivery and effective partnership working the Council has maintained performance and quality standards. Examples of the high level of delivery include:

- Our children's services were rated by OFSTED as good with outstanding features citing 'many examples of innovation, hard work and determination demonstrated by elected members, officers and workers at all levels to ensure that vulnerable children and families get the best possible service'.
- 95.1% of Trafford pupils attend schools which are rated as "good" or "outstanding" which puts us in the top 10 local authorities nationally at both primary and secondary level.
- Maintaining income by achieving the highest rate of council tax collection rate in Greater Manchester.

Work is continuing to implement the strategic frameworks for all the town centres including the Stretford Masterplan, Sale Town Centre Improvement Plan and Altrincham Strategy.

The Council is committed to the sustainability of its main town centres and has completed the first phase of the comprehensive public realm improvement works in Altrincham, while the second phase (phase 2a) encompassing Stamford New Road to Regent Road will be completed in 2017. The first phase of exciting proposals for public realm improvements in Stretford Town Centre commenced in March 2017. The Council supported 6 new businesses to take vacant premises in the town centres through the innovative Town Centres Loan Scheme, which levered c.£293,000 of private sector investment and created 35 jobs. Through these efforts, the overall vacancy rates in the town centres fell to 10.6% (March 2017).

The Council delivered, in partnership with the private sector, the borough's first Business Improvement District for Altrincham which will generate c.£1.5 million over 5yrs to support business growth and attract spend and investment.

The Council also, in partnership with the Manufacturing Institute, Trafford College and Trafford Housing Trust, delivered the borough's first Trafford Fab Lab to encourage residents and businesses to utilise technology, develop prototypes and products, start businesses and develop skills.

Through direct service delivery and effective partnership working the Council has maintained performance and quality standards even at a time of significant change, increasing demand and reducing resources:-

- Supported 173 residents into employment through the innovative Trafford Pledge, matching unemployed people with local employers.
- Directly supported 205 local businesses to access advice and support from a range of local, sub-regional and national organisations.
- Successfully delivered local elections and the Referendum in 2016.
- Maintained 'Bronze' status under the government's homelessness gold standard challenge (i.e. the first step in the process)

and has completed and submitted the next challenges to be awarded 'Silver' standard.

- Reduced average major planning application processing times by half.

## Devolution

Trafford continues to influence and shape its role within Greater Manchester to support the Greater Manchester Combined Authority (GMCA) to exercise its powers of devolution following the devolving of functions from central control in line with the Cities and Local Government Devolution Act in April 2016. Since then a further devolution agreement was signed that included working with Greater Manchester to devolve criminal justice powers, devolving control over the adult education budget and supporting the development of a Life Chances Investment Fund.

The key issues that are shaping the devolution agenda that will affect the operational and financial environment of the Council as well as its approach to addressing financial challenges are:

- Health and Social Care Integration and the on-going work to establish an Integrated Commissioning Organisation with Trafford Clinical Commissioning Group (CCG) and local health and social care providers.
- Greater Manchester Spatial Framework which will manage the supply of land for jobs and new homes across Greater Manchester along with identifying the infrastructure (such as roads, rail, Metrolink and utility networks) required to achieve this.
- 100% Business Rates Retention with Greater Manchester operating a pilot scheme from 2017/18 to provide a stable funding stream while incentivising economic growth.

## Brexit

Following the referendum result on 23 June 2016 which meant that the United Kingdom was to leave the European Union (EU), the Prime Minister triggered Article 50 on 29 March 2017 which formally began this process. The implications of leaving the EU are not fully known but there could be a potential impact for the Borough due the potential impact on the economy, a change in interest rates, an increase in expenditure and an increase in the cost of basic goods which could impact on residents. The Council has already seen a reduction in investment income as a result of interest rate uncertainty. As there is still a degree of doubt, the risk associated with leaving the EU is not measurable. The impact will be closely monitored and any adverse effect considered and reported through the appropriate channels within the Council's governance structure.

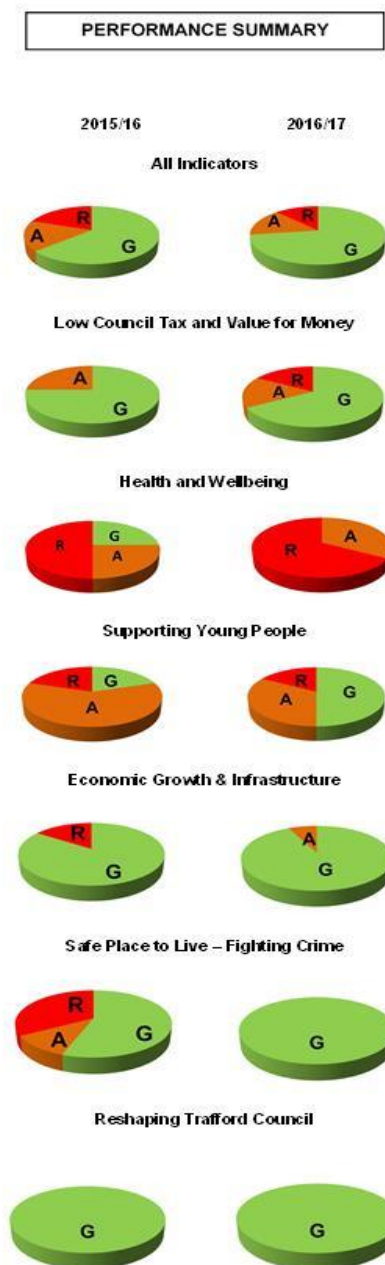
## Performance Monitoring

The Council monitors and reports on its performance against a suite of key performance indicators (KPIs) designed to measure progress against the Council's priorities as outlined above. This helps to ensure that our scarce resources are targeted in the most efficient way.

The indicators consist of 36 individual measures. Full details of all the indicators and direction of travel can be found on the Council's website, however for illustration, a sample of the type of indicator within each theme is given below

Theme	Sample Measure
Low Council Tax and Value for Money	Percentage of Council Tax collected
Health and Wellbeing	Delayed Transfers of Care attributable to Adult Social Care per 100,000 pop 18+
Supporting Young People	% of disadvantaged pupils achieving 5 A*-C GCSE including English and Maths
Economic Growth and Development	Value of major developments obtaining planning consent (£m)
Safe Place to Live - Fighting Crime	Position of Trafford in GM in terms of Total Crime Rate

Reshaping Trafford Council	Number of third sector organisations receiving intensive support
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Overall performance in 2016/17 shows that 81% of indicators are being delivered close to target or above (Green – G and Amber – A in the chart above) and this represents a small improvement on 2015/16 (80%).

The Council is aware of the areas it needs to improve and its Annual Delivery Plan clearly identifies where these are. The Corporate Director sets out a detailed improvement plan



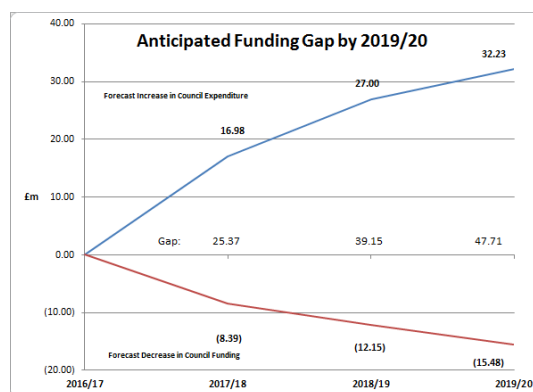
to address these, which are monitored on a quarterly basis, for the Council continues to face pressure to reduce the number of permanent admissions of older people to residential/nursing care and delayed transfers of adult care from the NHS into local authority care.

### The Revenue Budget 2016/17

The financial year 2016/17 presented the biggest financial challenge since austerity began seven years earlier in 2010. Throughout this period the Council has been committed to delivering value for money services and a low Council Tax and this can only be achieved by a strong culture of financial management across all services. The Council also has a strong ethos of collaboration and working in partnership to strengthen our local and organisational resilience. On 17 February 2016 the Executive recommended the Council approve an overall net revenue budget of £147.320m following a budget process that involved consultation with stakeholders, the Final Local Government Finance Settlement and following detailed scrutiny. This was adjusted to £146.70m on 22 February 2017 following budget realignments in preparation of the introduction of the 100% business rate pilot in Greater Manchester.

There was no increase in Council Tax in April 2016 for Trafford services although a 2% increase was made in respect of the adult social care precept to support adult social care costs. This increased the Band D Council Tax for the first time in six years to £1,127.33. This Band D Council Tax increased to £1,343.41 when precepts for the Police and Crime Commissioner for Greater Manchester and Greater Manchester Fire and Rescue Authority are included, making Trafford the 17th lowest in the country.

In setting a balanced and robust budget for 2016/17, a budget gap of £22.6m, created by reductions in Government funding of £10.6m and cost pressures of £12.0m, had to be addressed and this was met by new income of £6.2m and efficiency and policy choice related savings of £16.4m. At the time of setting the budget for 2017/18 the overall funding gap for the next three years stood at nearly £48m taking into account rising demand for adult and children's social care services and updated funding announcements.



The major factors contributing to the future budget shortfall continue to be the anticipated reductions in central government funding and cost pressures which include demographic pressures in social care, national living wage and other inflationary pressures. The future requirement to make savings remains a major issue particularly in the context of the £113m of savings delivered since 2010/11. As a consequence the continuing uncertainty regarding the Council's medium term financial position remains a major risk within the Council's strategic risk register.

### Outturn Performance

Reference is made to the Council's net revenue outturn, available on the Council's web site, which contains more detail on financial performance against budget. In-year service savings and one-off income increases (including the Manchester Airport dividend) led to an overall Council service underspend of £4.319m. This underspend has been used to support the pressure on business rates caused by an unprecedented increase in business rates valuation appeals of £4.298m. This has resulted in a final net revenue outturn underspend of £21k.

There is also reconciliation between the revenue outturn, or management accounts, and the statutory accounts in a later section.

Revenue Budget	Revised Budget £m	Actual Exp £m	Variance £m	%
Children's Services	29.742	31.501	1.759	5.9
Adult Services (incl. Public Health)	47.191	46.787	(0.404)	(0.9)
Economic Growth, Environment and Infrastructure	31.941	31.526	(0.415)	(1.3)
Transformation and Resources	16.842	15.299	(1.543)	(9.2)
<b>Directorate Budgets</b>	<b>125.716</b>	<b>125.113</b>	<b>(0.603)</b>	<b>(0.5)</b>
Council-wide Budgets	20.981	17.265	(3.716)	(17.7)
<b>Net Service Expenditure Outturn</b>	<b>146.697</b>	<b>142.378</b>	<b>(4.319)</b>	<b>(2.9)</b>
<b>Financed by:</b>				
Council Tax	(83.247)	(83.247)	-	-
Business Rates	(38.311)	(34.013)	4.298	11.2
Revenue Support Grant	(22.989)	(22.989)	-	-
Collection Fund Surplus	(0.300)	(0.300)	-	-
General Reserve	(1.850)	(1.850)	-	-
<b>Funding variance</b>	<b>(146.697)</b>	<b>(142.399)</b>	<b>4.298</b>	<b>2.9</b>
<b>Net Revenue Outturn</b>	<b>0</b>	<b>(21)</b>	<b>(21)</b>	<b>(0.0)</b>

Major variances included :-

- Increases in Children's client care package costs £1.8m and savings in adult social care £0.4m;
- Net savings in corporate budgets of £1.5m including the recovery of council tax and housing benefits overpayments and savings on treasury management budgets. In addition further savings of £2.2m were achieved from additional dividend from the Manchester Airport Group (MAG), £1.4m and release of contingency budgets, £0.8m, which were transferred to an earmarked reserve during the year due to the pressure on funding from business rates (see below);
- Vacancy management across all Directorates, £1.2m;
- New and increased income generated £0.8m of additional funding;
- Business Rates – net funding shortfall of £4.3m (comprising shortfall in retained business rates £6.6m offset by a reduced AGMA levy payment of £2.3m) primarily due to an increase in the level and cost of business rate appeals which has been offset by the service outturn savings.

## General Reserve

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

The balance at the start of the year was £7.894m and following a number of authorised transfers to support projects and initiatives, the balance at the end of the year is £6m. This is the minimum level agreed by the Council on 22 February 2017 to be maintained for 2017/18.

The level of earmarked reserves has increased by £9.6m mainly as a consequence of the need to cover the Council's share of the deficit in retained business rates caused by higher than anticipated business rate appeals. A reserve of £6.6m was created to cover this shortfall financed from service expenditure savings, additional MAG dividend and savings in business rate levy costs. In addition a specific Investment Fund Reserve was created following a review of the Council's policy on debt repayment and in year savings of £2.5m was transferred to this reserve, together with other reserve movements of £0.5m. The Investment Reserve will only be used on measures that provide sustainable benefits to the budget in future years.

In order to directly support future years budgets the level of a number of reserves were reviewed and where appropriate transferred to the Budget Support Reserve. The level of the reserve at the year-end was £5.6m, of which £3.1m is required to support the budget in 2017/18.

## Capital Investment

The Capital Programme for 2016/19 was approved at the Council meeting of 17 February 2016 and provided the framework within which the Council's capital investments plans were to be delivered. The value of the three year Capital Programme, covering 2016/17 to 2018/19, was set at £90.68m, with £43.70m originally programmed for 2016/17.

Financing of the investment proposals was predominantly made up of grants and contributions of £54.27m relating to specific areas of investment e.g. schools and highways; capital receipts of £17.87m generated from the disposal of assets and prudential borrowing of £18.54m which is only undertaken where the investment is linked to revenue savings and it is affordable and sustainable to do so. In setting the 3 year programme all potential resources were fully utilised.

Investment across the 3 years included:

- The continued provision of in excess of 3,000 additional school places to meet demand along with a programme to ensure schools met suitability and sustainability standards.
- Town centre regeneration with major projects being completed in Altrincham and started in Stretford.
- Continued improvement of the highways and footways infrastructure and integrated transport initiatives including the extension of the metrolink and cycling facilities.
- Continuing development of the Council's ICT systems to ensure an improved customer experience and seamless service delivery across internal and external partners.

As 2016/17 progressed, the initial plans were revised to incorporate expenditure re-profiled from the previous year, new assumptions, approvals and scheme updates, as information became available giving rise to an adjusted budget of £42.44m.

The Council spent £28.21m on its Capital Programme in 2016/17 compared to the budgeted spend of £42.44m. Details of which can be found on pages 122 to 123. The capital expenditure incurred during the year and financing of this expenditure is shown in the table below.

Capital Programme	Budget £m	Actual Exp £m	Variance £m
Schools Investment	9.87	6.48	(3.39)
Supporting Infrastructure	6.27	1.77	(4.50)
Regeneration Projects	4.05	3.80	(0.25)
Highways Improvements	15.17	12.00	(3.17)
Social Services	2.96	2.80	(0.16)
ICT Investment	2.66	0.99	(1.67)
Recreation & Culture	1.46	0.37	(1.09)
	<b>42.44</b>	<b>28.21</b>	<b>(14.23)</b>
<b>FINANCED BY:</b>			
Grants and Contributions	(23.33)	(13.91)	9.42
Capital Receipts	(7.62)	(3.83)	3.79
Earmarked Reserves	(0.48)	(0.15)	0.33
Borrowing	(11.01)	(10.32)	0.69
	<b>(42.44)</b>	<b>(28.21)</b>	<b>14.23</b>

The variance between the budgeted capital expenditure and the final outturn for the year was £14.23m and this will require re-profiling into 2017/18 and later years along with the associated financing. Therefore this does not present any financial issues for the Council. The major reasons for the variance included some planned re-profiling and an extension of the time taken to reach agreement on a number of grant funded projects. More details of the variance can be found at : <http://www.trafford.gov.uk/about-your-council/budgets-and-accounts/docs/Outturn-Summary-Report-2016-17.pdf>

## Treasury Management

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

Throughout 2016/17 the Council complied with its legislative and regulatory requirements, including compliance with all treasury management prudential indicators.

**Debt** - at 31 March 2017 the Council's total level of debt was £105.2m compared to £104.2m at 1 April 2016. The increase of £1.0m is a result of planned debt repayments of £3.8m together with receipt of £4.8m of debt from Salix Finance which is ring-fenced for use on the

Council's Street Lighting programme. The Council continues to remain in a deliberate position of being under borrowed in order to counteract the continuing uncertain economic climate and as a result of this action, debt interest has been saved.

The average external rate of interest payable during the year was 5.67%, which compares favourably with 6.02% in 2015/16. The following table provides further details, including the interest loan rate at the beginning and end of the financial year.

	as at 1.4.16	as at 31.3.17
Average weighted maturity of long term loans (in years)	27.3	27.0
Number of loans	32	28
Value of loans	£104.2m	£105.2m
Loan rate	5.79%	5.47%

### Investments

The Council operates its own trading function for the investment of any temporary surplus cash. The Council's money market investments, excluding cash at bank, totalled £82.4m as at 31 March 2017 and this compares to £81.8m as at 31 March 2016. In 2016/17 an average investment rate of 0.87%, 0.67% above the market benchmark (London Inter-bank BID 7 day rate), was achieved. This compares with an average return of 0.84%, in 2015/16 which was 0.51% above the LIBID 7 day rate.

### Schools

At the end of 2016/17 the Council maintained 59 primary schools, 6 secondary schools and 4 special schools (69 in total) for which the year-end balances were included within the Council's balance sheet. Four of the Council's schools carried over a deficit budget at the end of the year. Schools may carry forward any surplus/deficit in expenditure for the year from one financial year to the next. School balances for 2016/17 decreased by £0.332m when compared to 2015/16, to £7.509m, after taking into account the effect of closing the Special Purposes Fund which was worth just under £1.1m.

Schools with balances that exceed the recommended maximum (8% primary and special schools, 5% secondary schools) are requested to submit information detailing how

they have accrued balances and how they intend to utilise them.

During 2016/17, one primary school converted to academy status bringing the total number of academy schools to 22.

At the end of 2016/17 a central DSG reserve of £0.724m was carried forward and this will be held in reserve to cover expenditure pressures within the high needs block.

### Key Features in the Accounts

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

#### ***Comprehensive Income & Expenditure Statement (CIES):***

- the deficit on the provision of services on the CIES is £16.5m (2015/16 at £7.7m). However, the management accounts declare an outturn underspend of £0.021m (2015/16 £5.6m). The differences between these two statements of financial performance relate to the differences in accounting practices applied, which are adjusted for in the MiRS, and a summary reconciliation between the two outturns is provided later in the Narrative Report;
- the total balance on the CIES has moved from a £68.1m surplus to a £3.6m surplus. The movement in the CIES of £64.5m primarily relates to:
- changes in the valuation of net pension liability of £60.6m.
- a revaluation of Manchester Airport Shares resulted in an increase in valuation of £3.9m compared to a £1.2m negative movement in 2015/16.
- An increase in other operating expenditure from £31.8m in 2015/16 to £33.1m in 2016/17 due to an increase in levy costs and capital items;
- plus other net movements of £(2.5)m.

#### **Balance Sheet:**

There has been a net £3.6m or 2% increase in the value of the balance sheet, with the key movements being:

- An increase in the value of long term assets of £11.2m relating to new capital expenditure, depreciation, revaluation

adjustments and disposals and a revaluation of the Manchester Airport shares.

- An increase in current assets of £0.5m
- An increase in current liabilities of £1.6m
- An increase in long term liabilities of £6.4m primarily due to an increase in the pension liability of £5.3m and provisions.
- An increase in usable reserves of £9.4m, including an increase in general and earmarked reserves of £6.5m required to support the deficit on the collection fund financed by savings in service expenditure and AGMA levy payments and increase in capital grant reserves.

### Net Pensions Asset / Liability

The Council participates in three pension schemes: the Local Government Pension Scheme, administered by Tameside Metropolitan Borough Council; the Teachers' Pension Scheme, administered by the Department for Education (DfE) and; the NHS Pension Scheme (since 1 April 2013), administered by NHS Pensions. At 31 March 2017 the Council had a net liability for pensions of £231.4m, which compares with £226m at 31 March 2016. This increase in net liability of £5.4m is mainly due to more less favourable financial assumptions, particularly relating to a higher net discount rate, 2.6% compared to 3.5% in 2015/16.

Further details on the Council's overall net pensions asset/liability are included in notes 48 and 49 on pages 127 to 128.

### Collection Fund – Council Tax:

The Council collects Council Tax on behalf of itself, the Police and Crime Commissioner for GM, the GM Fire and Rescue Authority (GMFRA), and Partington Town Council. It also collects business rates and shares this revenue in a prescribed manner with the Government and GMFRA.

A total of £99.3m of Council Tax was collected in respect of 2016/17, a performance of 98.2% (97.9% in 2015/16). Details of the Collection Fund can be found on page 148, which shows an overall surplus of £2.54m. This surplus is apportioned to the Council, the Police and Crime Commissioner for GM and the GM Fire and Rescue Authority on a proportionate basis. Trafford's share of the surplus is £2.1m which is planned to support future budgets and is

included along with Trafford's share of business rates deficit £5.89m in note 27 (vi) (page 98).

- Council Tax collection rates were strong and in year collection rates were marginally better than expected at 98.2% compared to a target of 98.0%. Furthermore, the collection of older debt was better than anticipated by £0.270m.
- The introduction of the Council Tax Support Scheme, now in its fourth year continues to progress well, with a further drop in the number of claimants resulting in costs being lower than budget by £0.515m.
- Continued growth in our council tax base has been partially offset by on-going successful council tax property valuation appeals, resulting in an in year surplus of £0.516m.
- After taking into account the brought forward collection fund surplus of £1.842m and the planned budget support of £0.356m, the net impact of the above has resulted in a year end surplus of £0.604m and a cumulative surplus of £2.54m. Of this £1.55m is committed to support the 2017/18 budgets of all precepting authorities.

### Collection Fund - Business Rates

- The level of business rate income for the year after discounts, reliefs, cost of collection and provisions was £156.550m compared with an estimated income of £170.102m, resulting in an in-year deficit of £13.552m largely as a result of an increase in the level of business rate appeals. This deficit will be collected from the Council, the Government and the Greater Manchester Fire & Rescue Authority over the next two years.
- The accumulated deficit on the NDR element of the collection fund carried forward as at 31<sup>st</sup> March 2017 was £12.02m and this will be recovered from the relevant precepting bodies (Central Government 50%, GM Fire and Rescue Authority 1%) in 2017/18 and 2018/19 (the Council's share (49%) is £5.89m See page 154.
- Trafford continues to be part of the Greater Manchester & Cheshire business rates pool, consisting of the ten Greater Manchester councils plus Cheshire East, Cheshire West and Chester. The aim of

pool is to maximise the retention of locally generated business rates and to ensure that it further supports the economic regeneration of the region. The Pool is not liable to pay any levy on business rate growth to central government and retains this locally because in aggregate the Pool is a net top-up area.

- As a consequence, Trafford's levy payable on the business rate growth of £0.084m was made directly to the pool rather than being passed directly to Central Government. Under the pool agreement, Trafford negotiated a further rebate of 33.33%, resulting in income of £0.028m in 2016/17.

### Reconciliation between Statutory Accounts and Management Accounts

The Council's management accounts outturn position is an underspend of £0.021m (analysed above), whereas the Surplus/Deficit on the Provision of Services in the CIES on pages 15 to 16 shows an overspend of £16.526m.

The differences between the CIES and the Council's management accounts are adjusted for in the Movement in Reserves Statement (MIRS) (pages 19 to 20) and further analysed in the new Expenditure and Funding Analysis. (page 23). The MIRS statement reconciles the surplus on provision of services in the CIES to the movement in the General Fund and Earmarked Balances (first two columns of the MiRS, with detail in note 9).

The net increase in the General Fund and Earmarked Reserves is £6.5m, as detailed below

CIES account reconciled to outturn	£m
<b>CIES Account Deficit on Service Provision</b>	<b>16.5</b>
<b>Accounting adjustments in MiRS:</b>	
- Capital charges and Capital Grants	(7.4)
- Pensions	(9.5)
- Collection Fund and Other Adjusts	(6.2)
<b>Total Accounting adjustments</b>	<b>(23.1)</b>
<b>Net Transfers to/(from) reserves</b>	
-Net transfer to/(from) schools reserves	(1.2)
-Net transfer to/(from) Other earmarked reserves	9.6
-Net transfer to/(from) General Reserve	(1.9)
<b>Total Net transfers to/(from) earmarked reserves</b>	<b>6.5</b>
<b>Total Management Outturn (under)/Overspend *</b>	<b>(0.0)</b>

\* exact figure is £0.021m (Table 1 of the Revenue Budget Outturn report) and has been transferred to the Budget Support Reserve held within Earmarked Reserves and will be carried forward into 2017/18.

### Future Budgets

Information on the planned future expenditure and the financial environment of the Council can be found in the Council's 2017/18 Revenue Budget and 2017/20 Capital Programme Report, which can be found on the Council's website.

### Receipt of Further Information

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

*Nicola Bishop ACA CPFA  
Chief Finance Officer  
6<sup>th</sup> September 2017*

## Explanation of the Financial Statements

Please note that a glossary of terms can be found on page 166.

A description of the responsibilities of the Council regarding the Accounts 2017 is provided at page 12, and the Audit certificate can be found on page 13.

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

There can be choices in accounting conventions and/or treatment that would be more practical for a given organisation in order for it to show a truer reflection of economic activity or value. The Council's choices are outlined in detail in the Accounting Policies (note 3) on pages 31 to 46.

The main financial statements that make up the Accounts (pages 15 to 21) are: the Comprehensive Income and Expenditure Statement (CIES); Balance Sheet; Movement in Reserves Statement (MiRS) and, Cash Flow Statement. These are explained in summary below, with a full explanation included with each statement in the main accounts.

**The Comprehensive Income and Expenditure Statement** (page 15 to 16) 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 2016 to 31 March 2017. However, the Council is required to set its budget and raise Council Tax on a different accounting basis than the Code, the main differences being:

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

The variations in accounting treatment between the Council's management accounts and (financial) Accounts 2017 are adjusted for within the Movement in Reserves Statement on pages 19 to 20, with more detail in note 9 on pages 51 to 58. A summary reconciliation between the CIES net gain and the management accounts net declared underspend position is provided in the narrative report.

**The MiRS** (pages 19 to 20) also shows the movements in reserves of the Council for the year split between usable and unusable reserves. Unusable reserves relate to accounting adjustments for the differences between management and financial accounting treatment and are not 'cash backed' and cannot be used to support service activity.

The total net worth of the Council, total assets less total liabilities, as a statement of value is listed on the Balance Sheet on pages 17 to 18.

**The Cash Flow statement** (page 21) provides summary figures on the total movements in cash for the year and how it has been applied on three types of financial activity: inflows and outflows caused by core business operations, changes in equipment, assets or investments related to investing activities and changes in debt, loans or dividends from financing activities.

Explanatory notes to the primary statements are provided on pages 31 to 147. These notes expand on the figures, providing greater detail and information as prescribed or as necessary. Included within these notes is a statement on 2016/17 capital expenditure and how this was financed on pages 122 to 123.

The Council has the responsibility for collecting all Council Tax due in the Borough on behalf of itself, the Police and Crime Commissioner for Greater Manchester, the GM Fire and Rescue Authority and Partington Town Council. It also has the responsibility for collecting all Non-Domestic Rates (Business Rates) on behalf of itself, the GMFRA and the Government. The financial activity relating to local taxation is contained in the Collection Fund statement, pages 148 to 154.

## **Main Changes to the Core Statements and Significant Transactions in 2016/17**

### **Pensions Comments**

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the Balance Sheet have increased by £5.3m during the year, mainly as a result of changes to the financial assumptions used by the pension fund Actuary (Hymans-Robertson). The main change relates to the reduction in the discount rate used by the Actuary to discount the future cash flows of the fund. These assumptions are determined by the Actuary and represent the market conditions at the reporting date. The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation. Further details are given in Note 49.

### **Changes in Disclosure notes**

Following the "Telling the Story" changes to the CIPFA Code of Practice on Local Authority Accounting 2016/17 a number of amendments have been made to the Council's core financial statements and supporting disclosure notes. This includes a simplified Movement in Reserves Statement and a Comprehensive Income and Expenditure Statement presented in the Council's reporting format where previously the Net Cost of Services has been reported by SeRCOP classification. The addition of a further statement called an Expenditure and Funding Analysis (see Note 1) provides a reconciliation between the Comprehensive Income and Expenditure Statement and the Council's management accounts. In line with International Financial Reporting Standards the 2015/16 Comprehensive Income and Expenditure Statement has been represented within the 2016/17 Statement of Accounts. Note 2 also shows details of expenditure and income on a subjective basis (by Nature).

### **Academy School Transfer of Assets**

During 2016/17 one school transferred to Academy status, this has resulted in a loss on disposal of £3.95m as the associated assets are removed from the Council's Balance Sheet and the full amount is recognised as a loss in the Financing and Investment Income and Expenditure line of the CIES. Further details can be found in Notes 7 & 12.

### **Group Accounts**

From October 2015 the services provided by Trafford Community Leisure Trust were transferred into a Community Interest Company (CIC), Trafford Leisure CIC Ltd., wholly owned by the Council. Due to the material size of the CIC turnover, the Council has produced Group Accounts for 2016/17, (with comparator figures provided for 2015/16). Please see pages 155 to 165 for the core group statements and relevant disclosure notes.



## Statement of responsibilities for the statement of accounts

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### The Council's Responsibilities

The Council is required to:

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

### Responsibilities of the Chief Finance Officer

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

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

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

The Chief Finance Officer has also:

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

### Certification

#### By the Chief Finance Officer

I certify that the Statement of Accounts set out on the following pages gives a true and fair view of the financial position of Trafford Borough Council at 31 March 2017, and its expenditure and income for the year ended 31 March 2017.

*Nicola Bishop ACA CPFA  
Chief Finance Officer  
6<sup>th</sup> September 2017*

By Chairman of the Accounts & Audit Committee

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

*Councillor Nathan Evans  
Chairman of the Accounts & Audit Committee  
6th September 2017*

## **Audit opinion**

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



## Comprehensive income and expenditure statement

### About this Statement

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

2015/16 (restated)			Year ended 31 March		2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Service	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
185,858	(147,841)	38,017	Children's Services		186,338	(146,798)	39,540
84,787	(36,882)	47,905	Adults Services		87,286	(39,407)	47,879
38,728	(10,120)	28,608	Economic Growth, Environment & Infrastructure		34,769	(9,363)	25,406
29,971	(11,165)	18,806	Transformation & Resources		31,118	(11,894)	19,224
65,044	(65,690)	(646)	Council-wide		67,968	(63,882)	4,086
<b>404,388</b>	<b>(271,698)</b>	<b>132,690</b>	<b>Cost of Services</b>		<b>407,479</b>	<b>(271,344)</b>	<b>136,135</b>
32,900	(1,102)	31,798	Other Operating Expenditure	11	36,575	(3,487)	33,088
43,465	(30,908)	12,557	Financing and Investment Income and Expenditure	12	38,705	(27,657)	11,048
	(169,359)	(169,359)	Taxation and Non-Specific Grant Income and Expenditure	13/40		(163,745)	(163,745)
		<b>7,686</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>16,526</b>

NB: The new format above is now based on the Council's management accounts format and therefore excludes the impact of internal support service recharges. This adjustment, together with the treatment of some reserve adjustments in those services, has been reflected in the 2015/16 gross expenditure and income analysis. Overall, however, there is no impact on the level of net expenditure.

## Comprehensive income and expenditure statement (continued)

2015/16			Year ended 31 March		2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Service	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
		7,686	<b>(Surplus) or Deficit on Provision of Services</b>				16,526
		(12,472)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	14			(12,206)
		1,385	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets	27(ii)			(3,825)
		(64,656)	Re-measurement of Net Defined Benefit / Liability	27(v)			(4,129)
		<b>(75,743)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(20,160)</b>
		<b>(68,057)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(3,634)</b>

## Balance sheet

### About this Statement

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

31 March 2016 £000		Notes	31 March 2017 £000
438,041	Property, Plant & Equipment	14	445,348
1,014	Heritage Assets	15	1,008
34,879	Investment Property	16	34,399
2,846	Intangible Assets	17	3,057
44,615	Long Term Investments	18	48,440
14,447	Long Term Debtors	21	14,759
<b>535,842</b>	<b>Long Term Assets</b>		<b>547,011</b>
39,464	Short Term Investments	18	58,648
7,097	Assets Held for Sale	23	8,521
78	Inventories	19	92
27,167	Short Term Debtors	21	23,879
46,726	Cash and Cash Equivalents	22	29,937
<b>120,531</b>	<b>Current Assets</b>		<b>121,077</b>
(4,683)	Short Term Borrowing	18	(4,738)
(63,198)	Short Term Creditors	24	(60,676)
(12,277)	Short Term Provisions	25	(17,059)
(733)	Grants Receipts in Advance (Revenue)	40	(573)
(2,463)	Grants Receipts in Advance (Capital)	40	(1,957)
<b>(83,354)</b>	<b>Current Liabilities</b>		<b>(85,003)</b>

## Balance sheet (continued)

31 March 2016 £000		Notes	31 March 2017 £000
(36)	Long Term Creditors	24	(36)
(6,493)	Provisions	25	(7,523)
(102,874)	Long Term Borrowing	18	(103,737)
(2,724)	Revenue Grants & Contributions – Long-Term Receipts in Advance (REFCUS)	40	(2,724)
(8,661)	Grant Receipts in Advance (Capital)	40	(8,156)
(226,011)	Other Long Term Liabilities – Pensions	27/49	(231,355)
(9,789)	Other long-term liabilities – Deferred	24	(9,490)
<b>(356,588)</b>	<b>Long Term Liabilities</b>		<b>(363,021)</b>
<b>216,431</b>	<b>Net assets</b>		<b>220,064</b>
(7,894)	General Fund Balance	9/10	(6,000)
(31,211)	Earmarked General Fund Reserves	9/10/26	(39,625)
(9,250)	Capital Receipts Reserve	9/26	(8,523)
(19)	Revenue Grants Unapplied (REFCUS)	9	(99)
(7,285)	Capital Grants Unapplied	9	(10,836)
<b>(55,659)</b>	<b>Usable Reserves</b>	<b>26</b>	<b>(65,083)</b>
(37,869)	Revaluation Reserve	27	(45,267)
(29,401)	Available For Sale Financial Instruments Reserve	27	(33,225)
(326,487)	Capital Adjustment Account	27	(320,730)
5,402	Financial Instruments Adjustment Account	27	5,134
226,011	Pensions Reserve	27/49	231,355
(2,312)	Collection Fund Adjustment Account	27	3,752
3,884	Accumulated Absences Account	27	4,000
<b>(160,772)</b>	<b>Unusable Reserves</b>		<b>(154,981)</b>
<b>(216,431)</b>	<b>Total Reserves</b>		<b>(220,064)</b>

Nicola Bishop ACA CPFA  
Chief Finance Officer  
6<sup>th</sup> September 2017

## Movement in reserves statement

### About this Statement

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance as at 31 March 2016	(7,894)	(31,210)	(39,104)	(9,251)	(19)	(7,284)	(55,658)	(160,774)	(216,432)
<b>MOVEMENT IN RESERVES DURING 2016/17</b>									
(Surplus) or deficit on the provision of services	16,526	0	16,526	0	0	0	16,526	0	16,526
Other Comprehensive Income and Expenditure					0	0	0	(20,159)	(20,159)
<b>Total Comprehensive Income and Expenditure</b>	<b>16,526</b>	<b>0</b>	<b>16,526</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,526</b>	<b>(20,159)</b>	<b>(3,633)</b>
Adjustments between accounting basis & funding basis under regulations (note 9) *	(23,046)	0	(23,046)	727	(80)	(3,551)	(25,950)	25,950	0
<b>Net (Increase)/Decrease before transfers to Earmarked Reserves</b>	<b>(6,520)</b>	<b>0</b>	<b>(6,520)</b>	<b>727</b>	<b>(80)</b>	<b>(3,551)</b>	<b>(9,424)</b>	<b>5,790</b>	<b>(3,634)</b>
Transfers (to)/from Earmarked Reserves (note 10)	8,414	(8,414)	0	0	0	0	0	0	0
<b>(Increase)/Decrease in 2016/17</b>	<b>1,894</b>	<b>(8,414)</b>	<b>(6,520)</b>	<b>727</b>	<b>(80)</b>	<b>(3,551)</b>	<b>(9,424)</b>	<b>5,790</b>	<b>(3,634)</b>
Balance as at 31 March 2017	(6,000)	(39,624)	(45,624)	(8,524)	(99)	(10,835)	(65,082)	(154,984)	(220,066)



## Movement in reserves statement (continued)

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance as at 31 March 2015	(7,871)	(35,278)	(43,149)	(11,540)	(36)	(17,390)	(72,115)	(76,260)	(148,375)
<b>MOVEMENT IN RESERVES DURING 2015/16</b>									
(Surplus) or deficit on the provision of services	7,686	0	7,686	0	0	0	7,686	0	7,686
Other Comprehensive Income and Expenditure			0	0	0	0	0	(75,743)	(75,743)
<b>Total Comprehensive Income and Expenditure</b>	<b>7,686</b>	<b>0</b>	<b>7,686</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,686</b>	<b>(75,743)</b>	<b>(68,057)</b>
Adjustments between accounting basis & funding basis under regulations (note 9) *	(3,641)	0	(3,641)	2,289	17	10,106	8,771	(8,771)	0
<b>Net (Increase)/Decrease before transfers to Earmarked Reserves</b>	<b>4,045</b>	<b>0</b>	<b>4,045</b>	<b>2,289</b>	<b>17</b>	<b>10,106</b>	<b>16,457</b>	<b>(84,514)</b>	<b>(68,057)</b>
Transfers (to)/from Earmarked Reserves (note 10)	(4,068)	4,068	0	0	0	0	0	0	0
<b>(Increase)/Decrease in 2015/16</b>	<b>(23)</b>	<b>4,068</b>	<b>4,045</b>	<b>2,289</b>	<b>17</b>	<b>10,106</b>	<b>16,457</b>	<b>(84,514)</b>	<b>(68,057)</b>
Balance as at 31 March 2016	(7,894)	(31,210)	(39,104)	(9,251)	(19)	(7,284)	(55,658)	(160,774)	(216,432)

\* Lines in note 9 do not sum in total due to accumulated roundings.

## Cash flow statement

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### 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.

2015/16 £000	Year Ended 31 March	2016/17 £000
7,686	Net (surplus) or deficit on the provision of services	16,526
(22,688)	Adjustments to net surplus or deficit on the provision of services for non-cash movements ( <b>note 28a</b> )	(43,428)
12,905	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities ( <b>note 28b</b> )	18,361
<b>(2,097)</b>	<b>Net cash flows from Operating Activities (note 28c)</b>	<b>(8,541)</b>
14,861	Investing Activities (note 29)	25,952
(12,897)	Financing Activities (note 30)	(623)
<b>(133)</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>16,788</b>
(46,593)	Cash and cash equivalents at the beginning of the reporting period	(46,726)
<b>(46,726)</b>	<b>Cash &amp; cash equivalents at the end of reporting period (note 22)</b>	<b>(29,937)</b>

# Notes to the accounts

## 1. Expenditure and Funding Analysis

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### About this Statement

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

1. (a) Expenditure and Funding Analysis

2016/17	As reported for Management Accounts Outturn £000	Adjustments to arrive at the net amount chargeable to the General Fund (note 1b) £000	Net Expenditure Chargeable to General Fund Balances £000	Adjustments between the Funding and Accounting Basis (note 1b) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Children's Services	31,501	1,588	33,089	6,451	39,540
Adults Services	46,787	329	47,116	764	47,880
Economic Growth, Environment & Infrastructure	31,526	(13,840)	17,686	7,719	25,405
Transformation & Resources	15,298	2,372	17,670	1,554	19,224
Council-wide	17,266	(13,843)	3,423	663	4,086
<b>Net Cost of Services</b>	<b>142,378</b>	<b>(23,394)</b>	<b>118,984</b>	<b>17,151</b>	<b>136,135</b>
General Fund Financing	(142,399)	142,399	0	0	0
Other Operating Expenditure		30,803	30,803	2,285	33,088
Financing & Investment Income & Expenditure		(1,331)	(1,331)	12,380	11,049
Taxation and Non Specific Grant Income		(154,975)	(154,975)	(8,770)	(163,745)
<b>Total Other Income and Expenditure</b>	<b>(142,399)</b>	<b>16,896</b>	<b>(125,503)</b>	<b>5,894</b>	<b>(119,609)</b>
<b>(Surplus) or Deficit</b>	<b>(21)</b>	<b>(6,499)</b>	<b>(6,520)</b>	<b>23,046</b>	<b>16,526</b>

The table below shows the comparative information for 2015/16 restated in the new required format.

2015/16	As reported for Management Accounts Outturn £000	Adjustments to arrive at the net amount chargeable to the General Fund (note 1b) £000	Net Expenditure Chargeable to General Fund Balances £000	Adjustments between the Funding and Accounting Basis (note 1b) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Children's Services	28,654	1,780	30,434	7,583	38,017
Adults Services	45,750	552	46,302	1,604	47,906
Economic Growth, Environment & Infrastructure	32,159	(13,624)	18,535	10,071	28,606
Transformation & Resources	15,233	2,512	17,745	1,061	18,806
Council-wide	21,545	(12,021)	9,524	(10,169)	(645)
<b>Net Cost of Services</b>	<b>143,341</b>	<b>(20,801)</b>	<b>122,540</b>	<b>10,150</b>	<b>132,690</b>
General Fund Financing	(148,899)	148,899			
Other Operating Expenditure		30,355	30,355	1,443	31,798
Financing & Investment Income & Expenditure		440	440	12,118	12,557
Taxation and Non Specific Grant Income		(149,289)	(149,290)	(20,070)	(169,359)
<b>Total Other Income and Expenditure</b>	<b>(148,899)</b>	<b>30,404</b>	<b>(118,495)</b>	<b>(6,509)</b>	<b>(125,004)</b>
<b>(Surplus) or Deficit</b>	<b>(5,558)</b>	<b>9,603</b>	<b>4,045</b>	<b>3,641</b>	<b>7,686</b>

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

Movement in General Fund	2015/16 £000	2016/17 £000
Opening General Fund as at 1 April	(43,150)	(39,105)
(Surplus) or Deficit on the General Fund in year	4,045	(6,520)
<b>Closing General Fund as at 31 March</b>	<b>(39,105)</b>	<b>(45,625)</b>

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

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

2016/17 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Levies and Precepts reported at Directorate Level/ GF Financing £000	Interest Payable, receivable, Other Investment Income and Trading profit reported at Directorate Level £000	Tax and Non Specific Grants and general funding reported at Directorate Level/ GF Financing £000	Investment Property Income and Expenditure reported at Directorate Level £000	Reserve Movements reported at Directorate Level/ GF Financing £000	Total Adjustments to arrive at the net amount chargeable to the General Fund £000
Children's Services		(33)	77		1,544	1,588
Adults Services			129		200	329
Economic Growth, Environment & Infrastructure	(14,496)	(68)	65	1,513	(854)	(13,840)
Transformation & Resources		(28)	1,521		879	2,372
Council-wide	(16,241)	(52)	6,020		(3,569)	(13,842)
<b>Net Cost of Services</b>	<b>(30,737)</b>	<b>(182)</b>	<b>7,812</b>	<b>1,513</b>	<b>(1,800)</b>	<b>(23,393)</b>
General Fund Financing	(66)		147,264		(4,799)	142,399
Other Operating Expenditure	30,803					30,803
Financing & Investment Income & Expenditure		182		(1,513)		(1,331)
Taxation and Non Specific Grant Income			(155,075)		100	(154,975)
<b>Total Other Income and Expenditure</b>	<b>30,737</b>	<b>182</b>	<b>(7,811)</b>	<b>(1,513)</b>	<b>(4,698)</b>	<b>16,896</b>
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (surplus) or deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,499)</b>	<b>(6,499)</b>

<b>Adjustments between Accounting Basis and Funding Basis 2016/17</b>				
<b>2016/17 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement</b>	<b>Adjustments for capital purposes £000 (i)</b>	<b>Net change for pension adjustment £000 (ii)</b>	<b>Other differences £000 (iii)</b>	<b>Total adjustments between accounting &amp; funding basis £000</b>
Children's Services	6,403	(52)	101	6,452
Adults Services	798	(9)	(24)	765
Economic Growth, Environment & Infrastructure	7,751	(4)	(27)	7,720
Transformation & Resources	1,424	(17)	146	1,553
Council-wide	(883)	1,624	(79)	662
<b>Net Cost of Services</b>	<b>15,493</b>	<b>1,542</b>	<b>117</b>	<b>17,152</b>
General Fund Financing				
Other Operating Expenditure	2,285			2,285
Financing & Investment Income & Expenditure	4,448	7,931		12,379
Taxation and Non Specific Grant Income	(14,834)		6,064	(8,770)
<b>Total Other Income and Expenditure</b>	<b>(8,101)</b>	<b>7,931</b>	<b>6,064</b>	<b>5,894</b>
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (surplus) or deficit</b>	<b>7,392</b>	<b>9,473</b>	<b>6,181</b>	<b>23,046</b>

<b>2015/16 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement</b>	<b>Levies and Precepts reported at Directorate Level/ GF Financing £000</b>	<b>Interest Payable, receivable, Other Investment Income and Trading profit reported at Directorate Level £000</b>	<b>Tax and Non Specific Grants and general funding reported at Directorate Level/ GF Financing £000</b>	<b>Investment Property Income and Expenditure reported at Directorate Level £000</b>	<b>Reserve Movements reported at Directorate Level/ GF Financing £000</b>	<b>Total Adjustments to arrive at the net amount chargeable to the General Fund £000</b>
Children's Services		(18)	99		1,699	1,780
Adults Services			152		400	552
Economic Growth, Environment & Infrastructure	(13,616)	(68)	94	35	(69)	(13,624)
Transformation & Resources		313	1,515		684	2,512
Council-wide	(16,678)	(702)	6,729		(1,370)	(12,021)
<b>Net Cost of Services</b>	<b>(30,294)</b>	<b>(475)</b>	<b>8,589</b>	<b>35</b>	<b>1,344</b>	<b>(20,801)</b>
General Fund Financing	(60)		140,767		8,193	148,899
Other Operating Expenditure	30,354					30,355
Financing & Investment Income & Expenditure		475		(35)		440
Taxation and Non Specific Grant Income			(149,356)		66	(149,289)
<b>Total Other Income and Expenditure</b>	<b>30,294</b>	<b>475</b>	<b>(8,589)</b>	<b>(35)</b>	<b>8,259</b>	<b>30,404</b>
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (surplus) or deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,603</b>	<b>9,603</b>



2015/16 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Adjustments between Accounting Basis and Funding Basis 2015/16			
	Adjustments for capital purposes £000 (i)	Net change for pension adjustment £000 (ii)	Other differences £000 (iii)	Total adjustments between accounting & funding basis £000
Children's Services	5,190	2,735	(341)	7,584
Adults Services	1,021	614	(31)	1,604
Economic Growth, Environment & Infrastructure	9,773	313	(16)	10,070
Transformation & Resources	891	177	(7)	1,061
Council-wide	(3,774)	(6,376)	(19)	(10,169)
<b>Net Cost of Services</b>	<b>13,101</b>	<b>(2,537)</b>	<b>(414)</b>	<b>10,150</b>
General Fund Financing				
Other Operating Expenditure	1,442		1	1,443
Financing & Investment Income & Expenditure	3,102	9,016	(7,608)	12,118
Taxation and Non Specific Grant Income	(12,462)			(20,070)
<b>Total Other Income and Expenditure</b>	<b>(7,918)</b>	<b>9,016</b>	<b>(7,607)</b>	<b>(6,509)</b>
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (surplus) or deficit</b>	<b>5,183</b>	<b>6,479</b>	<b>(8,021)</b>	<b>3,641</b>

### **(i) Adjustments for Capital Purposes**

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

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;
- **Finance and investment income and expenditure** – the statutory charges for capital financing, i.e. Minimum Revenue Provision (MRP) and other revenue contributions, are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices (GAAP);
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under GAAP. Revenue grants are adjusted from those receivable during the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied within the year.

### **(ii) Net Change for Pension Adjustments**

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

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

### **(iii) Other Differences**

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

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

## 2. Expenditure and Income Analysed by Nature

	2015/16 £000	2016/17 £000
<b>Expenditure</b>		
Employee benefit expenses	150,759	153,191
Other service expenses	240,056	239,606
Depreciation, amortisation & impairment	15,659	15,499
Interest payments	6,092	6,310
Precepts and levies	30,355	30,803
Loss on the disposal of assets	1,442	2,285
Loss on transfer of schools to academy status	8,211	3,953
Pension interest costs	27,077	27,129
Change in fair value of investment property	-	495
<b>Total expenditure</b>	<b>479,651</b>	<b>479,271</b>
<b>Income</b>		
Fees, charges and other service income	(36,031)	(38,718)
Interest and investment income	(5,289)	(6,157)
Income from Council Tax and Business Rates	(118,248)	(118,210)
Government grants and contributions	(277,090)	(265,893)
Other grants and contributions	(12,121)	(14,569)
Pension expected return on assets	(18,061)	(19,198)
Change in fair value of investment property	(5,125)	-
<b>Total income</b>	<b>(471,965)</b>	<b>(462,745)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>7,686</b>	<b>16,526</b>

### 3. Accounting Policies

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#### (a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, 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 2016/17 (the Code), supported by International Financial Reporting Standards (IFRS).

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

#### (b) Accruals of Income and Expenditure

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

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

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

### Non Domestic Rates (NDR)

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

### Council Tax

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

## **(d) Acquisitions and Discontinued Operations**

There are no acquisitions or discontinued operations to report.

## **(e) Cash and Cash Equivalents**

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

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

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

## **(f) Exceptional Items**

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

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

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

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

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

## **(h) Charges to Revenue for Non-Current Assets**

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

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

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

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

## (i) Employee Benefits

### Benefits Payable During Employment

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

### Termination Benefits

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

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

### Post Employment Benefits

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

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

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

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

## The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (based on the indicative rate of return on a basket of high quality corporate bonds, Government gilts and other factors).

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

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

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

### Service cost comprising:

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

### Remeasurement comprising:

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



## Contributions paid to the Greater Manchester Pension Fund:

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

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

## Discretionary Benefits

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

### **(j) Events After the reporting Period**

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

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

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

### **(k) Financial Instruments**

#### Financial Liabilities (Debt and Interest Charges)

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

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

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

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

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

## Financial Assets

Financial Assets are classified into three types:

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

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

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

Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on derecognition of the asset are credited or debited to the CIES, along with any accumulated gains or losses previously recognised in the Available for Sale Reserve.

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

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

## **(l) Foreign Currency Translation**

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

## **(m) Government Grants and Contributions**

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

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

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

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

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

## **(n) Heritage Assets**

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

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

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

### Trafford Town Hall Collection

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

### Historic Buildings

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

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

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

### Heritage Assets not reported on the balance sheet

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

### **(o) Intangible Assets**

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

## **(p) Interests in Companies and Other Entities**

The Council owns minority interests in a small number of companies, mainly arising from the dissolution of the former Greater Manchester County Council. In the Council's accounts, the interest in companies and other entities are recorded as financial assets at cost, less any provisions for losses. In addition, two community interest companies (CIC's) were established during 2015/16 for the provision of leisure and youth services but were not considered material in 2015/16. However, whilst Trust Youth Trafford is still considered as immaterial in terms of transaction value Trafford Leisure CIC Ltd. has been included in group accounts in 2016/17.

## **(q) Inventories and Long-Term Contracts**

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

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

## **(r) Investment Property**

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

They are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from a market participant's perspective. These properties are not depreciated but assessed annually for changes in fair value with any change being recognised in the Financing and Investment section of the Comprehensive Income and Expenditure Statement. Statutory arrangements do not allow any gains or losses to have an impact on the General Fund Balance and are therefore reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

## **(s) Jointly Controlled Operations and Jointly Controlled Assets**

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

## **(t) Leases**

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

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

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

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

## The Council as Lessee

### *Operating Leases*

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

## The Council as Lessor

### *Operating Leases*

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

### **(u) Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service. 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.

### **(v) Property, Plant and Equipment (PPE)**

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

### Recognition

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

### Measurement

Assets are initially measured at cost comprising:

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

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

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

- infrastructure, community and assets under construction – depreciated historical cost;

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

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

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

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

## Depreciation

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

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

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

- vehicles, plant and equipment between 3 and 8 years;
- all other property, including infrastructure and community assets between 10 and 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. Resultant gains or losses following the transfer of schools to academy status are included under financing and investment income and expenditure.

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

## Capital Receipts

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

### **(w) Schools**

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

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

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

### **(x) 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.

## **(y) 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.

### **(z) Reserves**

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

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

## Insurance

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

### **(aa) Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

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

### **(ab) VAT**

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

### **(ac) Fair Value Measurement**

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

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

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

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The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change as a result of a new standard that has been issued but not yet adopted. The 2017/18 Code includes:-

- IFRS9 – Financial Instruments (Implementation 1 April 2018)
- IFRS15 – Revenue from contracts with customers (Implementation 1 April 2018)
- IFRS16 – Leases (Implementation 1 January 2019)

The Code requires implementation in future years and there is therefore no impact on the 2016/17 Statement of Accounts.

#### **5. Critical Judgements in Applying Accounting Policies**

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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 judgement has been based upon the degree to which the lease transfers the risks and rewards of ownership to the Council in accordance with IAS 17. It has been determined that all current lease arrangements are operating leases, with the exception of the PFI for Sale Waterside.

- Group accounts - arrangements with partners and third party bodies have been reviewed to assess the extent to which the Council is able to influence decisions or exert control over their operations. The CIPFA Code of Practice requires that where a Council has material financial interests and a significant level of control over one or more entities, it should prepare Group Accounts. From October 2015 the services provided by Trafford Community Leisure Trust were transferred into a Community Interest Company (CIC), Trafford Leisure CIC Ltd, wholly owned by the Council. Due to the material size of the CIC turnover, the Council has produced Group Accounts for 2016/17, (with comparator figures provided for 2015/16). Please see pages 155 to 165 for the core group statements and relevant disclosure notes. A similar CIC, called Trust Youth Trafford was also established on 11<sup>th</sup> March 2016 for the provision of Youth Services, however is not materially significant to include in group accounts.
- Liabilities – liabilities have been reviewed and the appropriate accounting treatment applied based on a determination on the ability to estimate the amount, and also the level of certainty. Liabilities have been included accordingly in the accounting statements as either accruals, provisions or contingent liabilities.
- Transfer of Schools to Academy Schools - When a school that is held on the Council's balance sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration, on the date that the school converts to Academy status, rather than as an impairment on the date approval was granted. Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council charges the cost of construction against Revenue Financed from Capital Under Statute (REFCUS) in the year in which costs are incurred.
- Component assets - where an asset value exceeds £1m a review is undertaken to determine whether any major components comprising plant, equipment and services exist and these components are depreciated separately.
- Accounting for Schools – Balance Sheet Recognition of Schools - The Council recognises schools in line with the provisions of 'the Code'. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the schools land and buildings on its Balance Sheet where it directly owns the assets, the school or school Governing Body own the assets or rights to use the assets have been transferred from another entity.

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

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

Type	Number
Community schools	42
Voluntary Controlled (VC) schools	1
Voluntary Aided (VA) schools	23
Foundation schools	3
<b>Sub-Total Maintained Schools</b>	<b>69</b>
Academies	22
<b>Total Number of Schools</b>	<b>91</b>

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

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

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Treasury management risk is considered in note 52.

There are no items in the Council's Balance Sheet at 31 March 2017 for which there is considered a significant risk of material adjustment in the forthcoming financial year. The following items are considered in further detail as potential risk:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates	Following the introduction of the Business Rate Retention Scheme in April 2013, the Council is now responsible for a share of the cost of successful appeals by businesses against their rateable value. A provision has therefore been included for the cost of appeals as at 31 March 2017 of £19.590m based on VOA office data on appeals.	If the cost of appeals settled exceeds the provision then this will be charged against future business rate income and the cost of which will be financed, in part, 49% by the Council.
Provisions	<b>Insurance Claims:</b> Annually the Council reassesses the amount to be set aside to cover the cost of outstanding liability claims. As at 31 March 2017 the provision stands at £3.439m.	In the event that the cost of insurance claims exceeds this amount then the excess will be met from the insurance reserve.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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.
Long Term Assets – Manchester Airport Group	The Council's shareholding in Manchester Airport Group is 3.22% as at 31 March 2017. The asset is valued using the earnings based method resulting in the asset being valued at fair value rather than historic cost, therefore requiring an annual valuation. A firm of financial experts and valuers have been engaged by the Council to provide an independent valuation which includes reviewing the financial performance, stability and business assumptions of the Manchester Airport Group.	The valuation provided is based on estimations and assumptions and therefore should the Council sell its shareholding the value held in these statements may not be realised. As at 31 March 2017 the Council's valuers advised of an increase of £3.9m in the fair value Council share from £39.8m to £43.7m which has been reflected in the financial statements.
Property, Plant & Equipment – Funding implications	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase in these circumstances.	If funding streams were reduced, in so far that it results in the reduction of service delivery or closure of facilities, this could result in the impairment of assets due to obsolescence. However, the Council has determined that the level of uncertainty at this time is not sufficient to indicate this course of action.
Arrears	At 31 March 2017, the Council had a balance on trade debtors of £6.2m. Impairment of doubtful debts was reviewed and an appropriate provision determined.	If collection rates were to deteriorate by 5%, this would require an estimated additional provision of £0.3m

## **7. Material Items of Income and Expense (Comprehensive Income & Expenditure Statement page 15)**

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During 2012/13, Manchester Airport Group acquired Stansted Airport, resulting in a change of structure. The Council's shareholding in Manchester Airport Group (MAG) reduced from a 5% holding to 3.22% 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 2017 is shown at fair value. The Council at this point in time is to retain these shares. The value of the shareholding as at 31 March 2017 is £43.7m representing an increase of £3.9m and this increase is reflected in the Available for Sale Financial Instruments Reserve. The valuation provided is based on estimations and assumptions and therefore should the Council sell its shareholding, the value held in these statements may not be realised. In addition a share dividend of £4.006m was received (£3.245m in 2015/16).

The Comprehensive Income and Expenditure Statement includes a net loss of £6.303m on the sale of assets. This comprises gains on the sale of a number of assets of £0.957m and losses of £7.260m. Included in this figure is a loss of £3.954m relating to the disposal of a school that transferred to academy status during the year.

There are some significant items in the Comprehensive Income and Expenditure Statement related to revenue expenditure funded from capital under statute (REFCUS); these items are detailed within Note 42 Capital Expenditure and Capital Financing.

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

## **8. Events After the reporting Period**

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The financial statements and notes have not been adjusted for the following events which took place after 31 March 2017 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date.

On 1 April 2017 the Council entered into an agreement with the Greater Manchester Pension Fund to make an upfront investment of £36.3m equivalent to three years employers pension fund contributions on the basis of generating more favourable returns on investment compared with other money market alternatives.

## 9. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2016/17	Usable Reserves 2016/17						2016/17	
	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT:</b>								
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Charges for depreciation, impairment and downward revaluations on non-current assets.	(13,244)	0	(13,244)	0	0	0	0	13,244
Revaluation losses on Property, Plant & Equipment.	(1,711)	0	(1,711)	0	0	0	0	1,711
Movements in the fair value of Investment Properties.	(495)	0	(495)	0	0	0	0	495
Amortisation of intangible assets.	(545)	0	(545)	0	0	0	0	545
Capital grants and contributions applied.	0	0	0	0	0	0	0	0
Movement in the Donated Assets Account.	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute.	(1,226)	0	(1,226)	0	0	0	0	1,226
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.	(6,239)	0	(6,239)	(3,308)	0	0	0	9,547
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment.	1,025	0	1,025	0	0	0	0	(1,025)
Voluntary provision above MRP	0	0	0	0	0	0	0	0
Capital expenditure charged against the General Fund balance.	148	0	148	0	0	0	0	(148)



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

2016/17	Usable Reserves 2016/17 (continued)							2016/17
	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	14,834	0	14,834	0	0	0	(14,834)	0
Application of grants to capital financing transferred to the Capital Adjustment Account.	0	0	0	0	0	(80)	11,283	(11,203)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure.	0	0	0	3,827	0	0	0	(3,827)
Use of the Capital Receipts Reserve to repay Debt.	(209)	0	(209)	209	0	0	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals.	0	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	0	0	0	0	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	0	0	0	0	0	0	0	0
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>								
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	0	0	0	0	0	0	0

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

2016/17	Usable Reserves 2016/17 (continued)							2016/17
	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<b>Adjustment primarily involving the Major Repairs Reserve:</b>								
Reversal of Notional Major Repairs Allowance credited to the HRA.	0	0	0	0	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure.	0	0	0	0	0	0	0	0
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	269	0	269	0	0	0	0	(269)
<b>Adjustments primarily involving the Pension Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 49).	(25,507)	0	(25,507)	0	0	0	0	25,507
Employer's pension contributions and direct payments to pensioners payable in the year.	16,034	0	16,034	0	0	0	0	(16,034)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>								
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements: Council Tax	593	0	593	0	0	0	0	(593)
NDR	(6,657)	0	(6,657)	0	0	0	0	6,657

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

2016/17	Usable Reserves 2016/17 (continued)							2016/17
	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<b>Adjustments primarily involving the Equal Pay Adjustment Account:</b>								
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements.	0	0	0	0	0	0	0	0
<b>Adjustments primarily involving the Accumulated Absences Account:</b>								
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.	(117)	0	(117)	0	0	0	0	117
<b>Total Adjustments</b>	<b>(23,047)</b>		<b>(23,047)</b>	<b>728</b>	<b>0</b>	<b>(80)</b>	<b>(3,551)</b>	<b>25,950</b>

## 9. Adjustments between Accounting Basis and Funding Basis under Regulations

2015/16	Usable Reserves 2015/16							2015/16
	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT:</b>								
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Charges for depreciation, impairment and downward revaluations of non-current assets.	(13,536)	0	(13,536)	0	0	0	0	13,536
Revaluation losses on Property, Plant & Equipment.	(1,710)	0	(1,710)	0	0	0	0	1,710
Movements in the fair value of Investment Properties.	5,124	0	5,124	0	0	0	0	(5,124)
Amortisation of intangible assets.	(413)	0	(413)	0	0	0	0	413
Capital grants and contributions applied.	0	0	0	0	0	0	0	0
Movement in the Donated Assets Account.	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute.	(1,545)	0	(1,545)	0	0	0	0	1,545
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.	(9,654)	0	(9,654)	(879)	0	0	0	10,533
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment.	3,483	0	3,483	0	0	0	0	(3,483)
Voluntary provision above MRP	0	0	0	0	0	0	0	0
Capital expenditure charged against the General Fund balance.	337	0	337	0	0	0	0	(337)

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

2015/16	Usable Reserves 2015/16 (continued)							2015/16
	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	12,462	0	12,462	0	0	0	(12,462)	0
Application of grants to capital financing transferred to the Capital Adjustment Account.	0	0	0	0	0	17	22,567	(22,584)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure.	0	0	0	3,167	0	0	0	(3,167)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals.	0	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(1)	0	(1)	1	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	0	0	0	0	0	0	0	0
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>								
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	0	0	0	0	0	0	0

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

2015/16	Usable Reserves 2015/16 (continued)							2015/16
	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<b>Adjustment primarily involving the Major Repairs Reserve:</b>								
Reversal of Notional Major Repairs Allowance credited to the HRA.	0	0	0	0	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure.	0	0	0	0	0	0	0	0
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>								
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.	268	0	268	0	0	0	0	(268)
<b>Adjustments primarily involving the Pension Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 49).	(22,287)	0	(22,287)	0	0	0	0	22,287
Employer's pension contributions and direct payments to pensioners payable in the year.	15,808	0	15,808	0	0	0	0	(15,808)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>								
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements: Council Tax	896	0	896	0	0	0	0	(896)
NDR	6,712	0	6,712	0	0	0	0	(6,712)

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

		Usable Reserves 2015/16 (continued)						2015/16
2015/16	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<b>Adjustments primarily involving the Equal Pay Adjustment Account:</b>								
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements.	0	0	0	0	0	0	0	0
<b>Adjustments primarily involving the Accumulated Absences Account:</b>								
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.	414	0	414	0	0	0	0	(414)
<b>Total Adjustments</b>	<b>(3,641)</b>	<b>0</b>	<b>(3,641)</b>	<b>2,289</b>	<b>0</b>	<b>17</b>	<b>10,106</b>	<b>(8,771)</b>

## 10. Transfers to/from Earmarked Reserves (Balance Sheet page 17)

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 2016/17.

	Balance as at 1 April 2015 £000	Movements Out 2015/16 £000	Movements In 2015/16 £000	Balance at 31 March 2016 £000	Movements Out 2016/17 £000	Movements In 2016/17 £000	Balance at 31 March 2017 £000
<b>General Fund</b>	<b>(7,871)</b>	2,077	(2,100)	<b>(7,894)</b>	1,894	0	<b>(6,000)</b>
<b>Earmarked Reserves:</b>							
<b>Balances held by schools under a scheme of delegation</b>	<b>(9,265)</b>	7,012	(6,363)	<b>(8,616)</b>	7,733	(6,567)	<b>(7,450)</b>
<b>Other Earmarked Reserves:</b>							
<b>Synthetic Pitch Replacement Reserve</b>							
This will be used towards replacing one synthetic pitch within the Borough.	<b>(135)</b>	132	(15)	<b>(18)</b>	0	(15)	<b>(33)</b>
<b>Training Reserve</b>							
To undertake corporate training across the Council.	<b>(587)</b>	0	(8)	<b>(595)</b>	595	(5)	<b>(5)</b>
<b>Insurance Reserve</b>							
Funds earmarked for future claims and to carry out various risk management initiatives.	<b>(3,069)</b>	655	0	<b>(2,414)</b>	1,000	(725)	<b>(2,139)</b>
<b>Delegated Service Budgets</b>							
Revenue budget under/overspends to be carried forward as part of the Council's Medium Term Financial Plans.	<b>(3,644)</b>	1,459	(3,766)	<b>(5,951)</b>	3,279	(1,441)	<b>(4,113)</b>
<b>ICT Development</b>							
Investment in new ICT to improve efficiency Council-wide.	<b>(742)</b>	6	0	<b>(736)</b>	44	0	<b>(692)</b>
<b>Dedicated Schools Grant (DSG)</b>							
Government grant specifically for the funding of schools and schools' related services.	<b>(1,326)</b>	1,326	(787)	<b>(787)</b>	787	(724)	<b>(724)</b>



## 10. Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2015 £000	Movements Out 2015/16 £000	Movements In 2015/16 £000	Balance at 31 March 2016 £000	Movements Out 2016/17 £000	Movements In 2016/17 £000	Balance at 31 March 2017 £000
<b>Economy Contingency Reserve</b>							
To cover potential adverse effects of economic conditions on the Council's finances, such as reduced income streams.	(20)	0	0	(20)	20	0	0
<b>Elections Reserve</b>							
To smooth the elections budget across the 4 year Municipal cycle.	(224)	0	0	(224)	76	(18)	(166)
<b>Transformation Reserve</b>							
Money set aside to pump prime the achievement of the next stage of efficiencies through the Transformation Programme.	(860)	963	(762)	(659)	766	(253)	(146)
<b>Communities Families and Wellbeing</b>							
Money set aside to pump prime to manage the delivery of savings programme within CFW.	(461)	461	0	0	0	0	0
<b>Interest Rate Reserve</b>							
To smooth the effect on the Council's budget of volatile movements in interest rates.	(150)	0	(322)	(472)	180	(50)	(342)
<b>Waste Levy Reserve</b>							
To smooth the effects on the Council's budget of movements in the waste levy over the medium term.	(1,003)	0	(585)	(1,588)	0	(551)	(2,139)
<b>Long Term Accommodation Decant Reserve</b>							
To cover the cost of accommodation changes arising from the Long Term Accommodation Project.	(354)	0	(116)	(470)	0	0	(470)
<b>Employment Rationalisation Reserve</b>							
To cover the cost of rationalising the employment of staff by the Council.	(3,106)	1,252	(442)	(2,296)	400	0	(1,896)

## 10. Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2015 £000	Movements Out 2015/16 £000	Movements In 2015/16 £000	Balance at 31 March 2016 £000	Movements Out 2016/17 £000	Movements In 2016/17 £000	Balance at 31 March 2017 £000
<b>Capital Reserve</b>							
Investment in disabled facility schemes.	(185)	175	0	(10)	0	0	(10)
<b>LAA Performance Reward Grant Reserve</b>							
Revenue element of grant to be allocated to schemes via the Trafford Partnership.	(410)	161	0	(249)	82	0	(167)
<b>Prepaid Revenue Grants Reserve</b>							
To hold revenue grants included in the Comprehensive Income and Expenditure Statement which are paid in advance and which no conditions exist.	(254)	67	0	(187)	100	0	(87)
<b>Winter Maintenance Reserve</b>							
To provide emergency funds to cover the costs of highway & footway maintenance during periods of adverse weather conditions.	(120)	0	0	(120)	0	0	(120)
<b>NDR Deficit Reserve</b>							
Reserve established towards meeting Trafford's share of the NDR Deficit.	(7,672)	7,672	0	0	0	(6,640)	(6,640)
<b>NDR Levy Reserve</b>							
Reserve established to manage the timing differences between accounting for and payment of NDR Levy on business rates growth (Levy is payable immediately, however growth is only released based on prior year estimate).	863	376	(855)	384	0	(8)	376
<b>Local Welfare Assistance Reserve</b>							
Smoothing reserve established from prior year under commitments of Local Welfare Assistance grant ring fenced to meet future costs.	(403)	403	0	0	0	0	0

## 10. Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2015 £000	Movements Out 2015/16 £000	Movements In 2015/16 £000	Balance at 31 March 2016 £000	Movements Out 2016/17 £000	Movements In 2016/17 £000	Balance at 31 March 2017 £000
<b>Economic Development Reserve</b>							
Reserve set aside to earmarked grant specifically for economic development related projects (previously held within Service Earmarked Reserve).	(444)	24	(71)	(491)	44	(528)	(975)
<b>Troubled Families Reserve</b>							
Reserve set aside to strengthen the team and provide an opportunity for Partner agencies to develop integrated services.	(468)	468	(200)	(200)	200	(164)	(164)
<b>Better Care Fund</b>							
Reserve established to accommodate potential financial risks within the Better Care Fund.	(400)	400	0	0	0	0	0
<b>Manchester Airport Dividend Smoothing Reserve</b>							
2015/16 Dividend received above budget to be used to support the 2016/17 Revenue Budget.	0	0	(1,245)	(1,245)	0	0	(1,245)
<b>Budget Support Reserve</b>							
To smooth out potential volatility in Revenue Budget funding and the significant level of savings required over the medium term.	0	0	(2,800)	(2,800)	0	(2,842)	(5,642)
<b>Investment Fund Reserve</b>							
To be used on measures that provide sustainable benefits to the budget in future years.	0	0	0	0	0	(2,481)	(2,481)
<b>Other Reserves</b>							
Other amounts earmarked for specific purposes.	(841)	(337)	(269)	(1,447)	361	(1,069)	(2,155)
<b>Total Earmarked Reserves (incl. Schools)</b>	<b>(35,280)</b>	<b>22,675</b>	<b>(18,606)</b>	<b>(31,211)</b>	<b>15,667</b>	<b>(24,081)</b>	<b>(39,625)</b>
<b>Total Reserves</b>	<b>(43,151)</b>	<b>24,752</b>	<b>(20,706)</b>	<b>(39,105)</b>	<b>17,561</b>	<b>(24,081)</b>	<b>(45,625)</b>

## 11. Other Operating Expenditure (Comprehensive Income & Expenditure Statement page 15)

2015/16 £000		2016/17 £000
60	Parish council precepts (i)	66
30,295	Levies (ii)	30,737
1	Payments to the Government Housing Capital Receipts Pool	0
2,320	Amount written off on disposal of non-current assets	5,593
(878)	Sale proceeds from disposal of non-current assets	(3,308)
<b>31,798</b>	<b>Total</b>	<b>33,088</b>

(i) Partington Town Council at its meeting on 12 October 2015 elected to keep the level of Band D Council Tax at £42.50, the same as in 2015/16. With a 2016/17 Parish Tax Base of 1,555 (1,422 in 2015/16) the precept was £66,088 (£60,435 in 2015/16). The Council also agreed to provide grant of £10,000 to support the 2016/17 precept, the same as in 2015/16, in addition to the Parish Council grant of £26,048 (£25,537 in 2015/16), both of which are contained within the Cost of Services.

(ii) Included are levies as follows:

2015/16 Expenditure £000		2016/17 Expenditure £000
135	Flood Defence	137
13,617	Waste Disposal Authority	14,496
16,543	GM Combined Authority	16,104
<b>30,295</b>	<b>Total</b>	<b>30,737</b>

## 12. Financing and Investment Income and Expenditure (Comprehensive Income & Expenditure Statement page 15)

2015/16 £000		2016/17 £000
6,093	Interest payable and similar charges	6,309
(18,061)	Interest income on plan assets (pensions)	(19,198)
27,077	Interest cost on defined benefit obligation (pensions)	27,129
(2,044)	Interest receivable and similar income (i)	(2,135)
(5,160)	Income and expenditure in relation to investment properties and changes in their fair value (ii)	(1,018)
(314)	Residual (Surplus)/deficit on trading undertakings (iii)	29
(3,245)	Other investment income (iv)	(4,022)
8,211	(Profit)/Loss on Disposal of Academy non-current assets (v)	3,954
<b>12,557</b>	<b>Total</b>	<b>11,048</b>

(i) During 2016/17 the average amount invested in the money market was £105.6m, at an average interest rate of 0.87%. Investment interest generated for the year was £2.135m, including £1.043m 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 2015/16 the average amount invested was £106.6m at an average rate of 0.84%, producing £2.044m of investment interest, including £1.043m from the Airport.

(ii) Includes increase/(decrease) in the fair value of investment properties £0.495m/(£5.124)m in 2015/16). Net expenditure/(income) on investment properties is £(1.512)m, (£(0.036)m in 2015/16), also included in note 16.

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

(iv) During 2016/17 a share dividend of £4.006m was received from Manchester International Airport (£3.245m in 2015/16) and in 2016/17 MaST LIFTCo issued a share dividend of £0.016m for the first time.

(v) During 2016/17 a net loss on the disposal of assets was realised of £3.954m (£8.211m loss in 2015/16). This arises where the value of proceeds received, which is zero in the case of school academy transfers, is less than the value of those assets held on the balance sheet.

### 13. Taxation and Non-Specific Grant Income (Comprehensive Income & Expenditure Statement page 15)

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2015/16 £000		2016/17 £000
(81,572)	Council Tax income	(84,205)
(36,676)	Non domestic rates*	(34,005)
(38,649)	Non ring-fenced government grants*	(30,701)
(12,462)	Capital grants and contributions*	(14,834)
<b>(169,359)</b>	<b>Total</b>	<b>(163,745)</b>

\* Further detail on grants is shown in note 40.

#### 14. Property, Plant and Equipment (Balance Sheet page 17) Movements on Balances 2016/17:

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total £000
<b>COST OR VALUATION:</b>							
<b>As at 1 April 2016</b>	<b>295,626</b>	<b>20,821</b>	<b>201,638</b>	<b>21,736</b>	<b>10,970</b>	<b>16,475</b>	<b>567,266</b>
Additions	6,537	319	12,961	446	56	764	<b>21,083</b>
Disposals (incl. adj. for academy school transfers)	(11,323)				(13)		<b>(11,336)</b>
Reclassification to Assets Held for Sale	(2,705)						<b>(2,705)</b>
Other Reclassifications	11,321	54	2,995	307	(288)	(14,440)	<b>(51)</b>
Accumulated depreciation and impairment written out on revaluation adjustment	(10,005)	(9)			(1,003)		<b>(11,017)</b>
Revaluation increases/(decreases) recognised in the revaluation reserve	12,185	(24)			45		<b>12,206</b>
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services							
<b>As at 31 March 2017</b>	<b>301,636</b>	<b>21,161</b>	<b>217,594</b>	<b>22,489</b>	<b>9,767</b>	<b>2,799</b>	<b>575,446</b>

## 14. Property, Plant and Equipment (continued):

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total £000
<b>DEPRECIATION AND IMPAIRMENTS:</b>							
<b>As at 1 April 2016</b>	<b>(48,590)</b>	<b>(18,327)</b>	<b>(55,288)</b>	<b>(4,589)</b>	<b>(2,430)</b>		<b>(129,224)</b>
Depreciation charged to CIES (ii)	(8,024)	(591)	(4,185)	(453)			(13,253)
Revaluation downwards charged to CIES	(1,709)						(1,709)
Impairment written off to Revaluation Reserve							
Revaluation Reserve							
Disposals	3,071						3,071
Reclassifications							
Accumulated depreciation and impairment written out on revaluation adj.	10,005	9			1,003		11,017
Revaluations							
<b>As at 31 March 2017</b>	<b>(45,247)</b>	<b>(18,909)</b>	<b>(59,473)</b>	<b>(5,042)</b>	<b>(1,427)</b>		<b>(130,098)</b>
<b>NET BOOK VALUE:</b>							
<b>Balance Sheet amount as at 31 March 2017</b>							
<b>Nature of Asset Holding</b>							
Owned	244,444						
Finance Lease							
PFI (i)	11,945						
<b>Total</b>	<b>256,389</b>	<b>2,252</b>	<b>158,121</b>	<b>17,447</b>	<b>8,340</b>	<b>2,799</b>	<b>445,348</b>



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

<b>Movement in PFI Asset Value</b>	<b>£000</b>
<b>Opening Value 1 April 2016</b>	<b>12,132</b>
Additions	2
Less Depreciation	(189)
Less Impairment	
<b>Closing Value 31 March 2017</b>	<b>11,945</b>

(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:-

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

There are no changes to depreciation methods used between 2015/16 and 2016/17.

## Comparative Movements in 2015/16:

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total £000
<b>COST OR VALUATION:</b>							
<b>As at 1 April 2015</b>	<b>298,564</b>	<b>20,647</b>	<b>197,155</b>	<b>20,827</b>	<b>10,827</b>	<b>4,746</b>	<b>552,766</b>
Additions	4,613	94	3,959	873	706	13,811	<b>24,056</b>
Disposals (incl. adj. for academy school transfers)	(12,096)				(853)		<b>(12,949)</b>
Reclassification to Assets Held for Sale	(102)				(747)		<b>(849)</b>
Other Reclassifications	252	40	524	36	(112)	(2,082)	<b>(1,342)</b>
Accumulated depreciation and impairment written out on revaluation adjustment	(6,854)	(34)					<b>(6,888)</b>
Revaluation increases/(decreases) recognised in the revaluation reserve	11,249	74			1,149		<b>12,472</b>
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services							
<b>As at 31 March 2016</b>	<b>295,626</b>	<b>20,821</b>	<b>201,638</b>	<b>21,736</b>	<b>10,970</b>	<b>16,475</b>	<b>567,266</b>

## Comparative Movements in 2015/16 (Continued):

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total £000
<b>DEPRECIATION AND IMPAIRMENTS:</b>							
<b>As at 1 April 2015</b>	<b>(49,890)</b>	<b>(17,212)</b>	<b>(51,136)</b>	<b>(4,160)</b>	<b>(1,435)</b>		<b>(123,833)</b>
Depreciation charged to CIES (ii)	(7,775)	(1,149)	(4,152)	(429)			(13,505)
Revaluation downwards charged to CIES	(715)				(995)		(1,710)
Impairment written off to Revaluation Reserve							
Revaluation Reserve							
Disposals	2,936						2,936
Reclassifications							
Accumulated depreciation and impairment written out on revaluation adj.	6,854	34					6,888
Revaluations							
<b>As at 31 March 2016</b>	<b>(48,590)</b>	<b>(18,327)</b>	<b>(55,288)</b>	<b>(4,589)</b>	<b>(2,430)</b>		<b>(129,224)</b>
<b>NET BOOK VALUE:</b>							
<b>Balance Sheet amount as at 31 March 2016</b>	<b>247,036</b>	<b>2,494</b>	<b>146,350</b>	<b>17,147</b>	<b>8,540</b>	<b>16,475</b>	<b>438,042</b>
<b>Nature of Asset Holding</b>							
Owned	234,904	2,494	146,350	17,147	8,540	16,475	425,910
Finance Lease							
PFI (i)	12,132						12,132
<b>Total</b>	<b>247,036</b>	<b>2,494</b>	<b>146,350</b>	<b>17,147</b>	<b>8,540</b>	<b>16,475</b>	<b>438,042</b>

## 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 were carried out by Mr David Enston, FRICS, who is employed by Amey Consulting, a company which provides property services to the Council as part of the One Trafford Partnership. The basis for valuation is set out in the statement of accounting policies.

	Other land & buildings £000	Vehicles, plant & equipment £000	Surplus assets £000	Investment Assets £000	Total £000
Held at historic cost		2,252			2,252
Valued at current value in:					
Current Year (1 April 2016)	149,783	0	8,340	34,399	192,522
Previous year (1 April 2015)	37,368	0	0	0	37,368
Two years ago (1 April 2014)	28,154	0	0	0	28,154
Three years ago (1 April 2013)	25,338	0	0	0	25,338
Four years ago (1 April 2012)	15,746	0	0	0	15,746
<b>Total</b>	<b>256,389</b>	<b>2,252</b>	<b>8,340</b>	<b>34,399</b>	<b>301,380</b>

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

## Significant commitments under capital contracts as at 31 March 2017

As at 31 March 2017 the Council was contractually committed to capital expenditure which amounted to approximately £36.13m. Major contracts included the following schemes:

	£000
Metrolink extension into Trafford Park	20,000
Broadheath Primary School, Altrincham	3,342
LED Replacement Programme	2,108
Altrincham - Library / Community Facility	1,737
Stretford Town centre - Public Realm Works	1,409
Park Road Primary School, Sale	1,343
Customer Relationship Management System Upgrade	1,185
<b>Total at 31 March 2017</b>	<b>31,124</b>

## 15. Heritage Assets (Balance Sheet page 17)

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

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

<b>Movement in Heritage Asset Value</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Opening Value 1 April	1,019	1,014
Additions		
Reclassifications	1	
Disposals		
Less Depreciation	(6)	(6)
Less Impairment		
<b>Closing Value 31 March</b>	<b>1,014</b>	<b>1,008</b>

## 16. Investment Properties (Balance Sheet page 17)

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

	2015/16 £000	2016/17 £000
<b>Balance at start of year</b>	<b>30,497</b>	<b>34,879</b>
Additions:		
Purchases		
Construction		
Subsequent expenditure		
Disposals		
Net gains/losses from fair value adjustments	5,124	(495)
Transfers:		
to/from Inventories	(1,571)	
to/from Property, Plant & Equipment	853	
Other changes	(24)	15
<b>Balance at end of year</b>	<b>34,879</b>	<b>34,399</b>

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

The Council's 4.64% interest in land held at Manchester airport has been valued at £8.67m and has also been assessed as Level 1 in the fair value hierarchy.

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

	2015/16 £000	2016/17 £000
Rental income from investment property	(2,120)	(2,301)
Direct operating expenses arising from investment	2,084	789
<b>Net (gain)/loss</b>	<b>(36)</b>	<b>(1,512)</b>

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.

## 17. Intangible Assets (Balance Sheet page 17)

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

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

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

None of the software are internally generated.

The carrying amounts of intangible assets is amortised on a straight-line basis. The amortisation of £0.545m charged to revenue in 2016/17 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:

	2015/16			2016/17		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
<b>Balance at start of year:</b>						
Gross carrying amounts		3,456	3,456		4,556	4,556
Accumulated amortisation		(1,297)	(1,297)		(1,710)	(1,710)
<b>Net carrying amount at start of year</b>		<b>2,159</b>	<b>2,159</b>		<b>2,846</b>	<b>2,846</b>
Additions:						
Internal development						
Purchases		1,099	1,099		706	706
Transfer from Assets under Construction					50	50
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		(413)	(413)		(545)	(545)
Other changes		1	1			
<b>Net carrying amount at end of year</b>		<b>2,846</b>	<b>2,846</b>		<b>3,057</b>	<b>3,057</b>
Comprising:						
Gross carrying amounts		4,556	4,556		5,312	5,312
Accumulated amortisation		(1,710)	(1,710)		(2,255)	(2,255)
		<b>2,846</b>	<b>2,846</b>		<b>3,057</b>	<b>3,057</b>

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

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



## 18. Financial Instruments

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

	Long Term 31 March 2016 £000	Short Term 31 March 2016 £000	Long Term 31 March 2017 £000	Short Term 31 March 2017 £000
<b>FINANCIAL ASSETS</b>				
<b>Available For Sale Financial Assets</b>				
Manchester Airport Group (MAG) Shareholding (See note on "Interest in Companies" on page 78)	39,800	0	43,700	0
<b>Church Commissioner Local Authority Fund:</b>				
Principal	4,815	0	4,740	0
Accrued Interest	0	68	0	60
<b>Sub-total – Available For Sale Financial Assets</b>	<b>44,615</b>	<b>68</b>	<b>48,440</b>	<b>60</b>
<b>Loans &amp; Receivables – Other Investments</b>				
Principal	0	39,300	0	58,400
Accrued Interest	0	96	0	187
<b>Sub-total – Other Investments</b>	<b>0</b>	<b>39,396</b>	<b>0</b>	<b>58,587</b>
<b>Sub-Total Investments</b>	<b>44,615</b>	<b>39,464</b>	<b>48,440</b>	<b>58,647</b>
<b>Loans &amp; Receivables - Cash and cash equivalent:</b>				
Cash at Bank	0	9,007	0	10,634
Principal	0	37,700	0	19,300
Accrued interest	0	19	0	3
<b>Sub-total Cash and Cash equivalent</b>	<b>0</b>	<b>46,726</b>	<b>0</b>	<b>29,937</b>
<b>Loans &amp; Receivables – Other Financial Instruments</b>				
MAG Loans (included within Long term debtors)	8,693	0	8,693	0
Homestep Loans (included within Long term debtors)	1,131	0	1,100	0
Local Authority Mortgage Scheme and Lancashire County Cricket Club (included within Long & Short term debtors)	3,000	0	3,483	2,076
Section 106 debtors (included within Short term debtors)	0	697	0	599
Trade Debtors (included within Short term debtors)	0	5,210	0	6,176
<b>Sub-total</b>	<b>12,824</b>	<b>5,907</b>	<b>13,276</b>	<b>8,851</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>57,439</b>	<b>92,097</b>	<b>61,716</b>	<b>97,435</b>

	Long Term 31 March 2016 £000	Short Term 31 March 2016 £000	Long Term 31 March 2017 £000	Short Term 31 March 2017 £000
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Liabilities at Amortised Cost - Borrowings</b>				
Principal	(100,472)	(3,749)	(101,360)	(3,874)
Accrued Interest	0	(934)	0	(864)
Market loans EIR adjustments	(2,402)	0	(2,377)	0
<b>Sub-total</b>	<b>(102,874)</b>	<b>(4,683)</b>	<b>(103,737)</b>	<b>(4,738)</b>
<b>Financial Liabilities at Amortised Cost - Other Financial Instruments</b>				
Trade Creditors (included within short term creditors)	0	(3,643)	0	(2,280)
<b>Sub-total</b>	<b>0</b>	<b>(3,643)</b>	<b>0</b>	<b>(2,280)</b>
Other Long Term Liabilities				
PFI and finance lease liabilities	(5,777)	(209)	(5,556)	(222)
<b>Sub-total</b>	<b>(5,777)</b>	<b>(209)</b>	<b>(5,556)</b>	<b>(222)</b>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>(108,651)</b>	<b>(8,535)</b>	<b>(109,293)</b>	<b>(7,240)</b>

On 29 September 2015, the Council placed £5m in the Church Commissioners Local Authority Property Fund which is a fund only available to Local Authorities. It is envisaged that the investment will be for a period in excess of five years. The objective of this fund is to generate long-term growth by investing in commercial property throughout the UK whilst also generating returns in the form of annual rental dividends. The figure stated in the above table represents the value of the amount invested as at 31 March 2017.

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

During 2016/17, the Council advanced £40k of soft loans in accordance with its Town Centre Regeneration scheme at an interest rate of 0% repayable over a maximum period of 3 years and received £4.8m of loans from Salix Finance at a rate of interest of 0% in respect to its Street Lighting Replacement Programme which is repayable over four years. These types of loans, which have been undertaken at rates of interest below market levels, are deemed to be soft loans and an accounting adjustment in the Comprehensive Income and Expenditure Statement for the present value of the interest should be carried out. Calculations have been undertaken to determine this position and for the loans received of £4.8m, this would reduce the balance sheet value marginally by £229k to £4.6m. Due to the low value of this transaction and in accordance with the CIPFA Code of Practice regarding materiality, no adjustment to the Council's accounts has been undertaken to reflect either the Salix or Town Centre Regeneration financial instruments.

## Fair values

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

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

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

Level 3 Inputs – unobservable inputs for the asset or liability.

### Fair Value of Financial Assets

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

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/3/17 £000	As at 31/3/16 £000
Available for Sale				
Church Commissioners Local Authority Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	4,740	4,815
Manchester Airport Group	Level 2	Earning Based	43,700	
Manchester Airport Group	Level 3	Earning Based		39,800
<b>Total</b>			<b>48,440</b>	<b>44,615</b>

## Equity shareholding

**Church Commissioners Local Authority Property fund;-** on 29 September 2015 the Council placed £5m into this fund for an expected minimum period of 5 years and after entry costs enabled 1,643,872 of units to be purchased worth £4.73m. Updated market unit prices are produced on a monthly basis and as at 31 March 2017 the value of the Council's shareholding was £4,740k.

**Manchester Airport Group;-** the shares in this company are not traded in an active market and the fair value of the shares of £43.7m has been calculated by an independent external expert. The method involves the application of a price earnings ratio to maintainable or prospective earnings or post tax profits and draws on data from comparable quoted companies. The data is then adjusted by discount factors to allow for the fact that the shares are not publically traded and that the Council holds a minority interest with no voting rights. These unobservable inputs have been developed using the best information about the assumptions that the market participants would use when pricing the asset.

The valuation has been made using annual audited accounts of Manchester Airport Group for 2014,2015 and 2016 along with interim 6 month reports for the period ending 30 September 2016. These shares are subject to an annual valuation and in 2016/17 increased in value by £3.90m.

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.

## Transfers between Levels of the Fair Value Hierarchy

The Council's holding in Manchester Airport Group detailed above has been transferred from Level 3 to Level 2 and whilst there has been a change in level there is no change in valuation technique used.

For 2015/16 a prudent approach was taken in terms of the view that a small percentage of inputs were unobservable. For 2016/17 an independent external expert opinion was sought which confirmed that although a small percentage of the inputs are unobservable the vast majority are observable and this should be the basis of a Level 2 valuation.

## Changes in the Valuation Technique

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

## Fair value of Assets and Liabilities carried at Amortised Cost

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

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price;
- For investments the prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount;
- Valuation for Financial Instruments - As at 31<sup>st</sup> March the Council held £88.3m financial assets and £107.6m financial liabilities for which Level 2 valuations will apply. All the financial assets are classed as Loans and Receivables and held with Term Deposits, Money Market Funds and Notice Accounts. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, the financial model valuation provided by Capita Asset Services has been used. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. The Council's accounting policy uses early repayment rates to discount the future cash flows.

The fair values calculated are as follows:

<b>Liabilities</b>							
	<b>31 March 2016</b>		<b>31 March 2017</b>				
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Principal</b>	<b>Add EIR adjustment</b>	<b>Add accrued Interest</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Financial Liabilities (Long and Short Term) – Measured at amortised cost</b>							
PWLB	47,777	64,417	43,473	0	487	43,960	63,233
Market	59,780	107,487	61,761	2,377	377	64,515	124,811
Trade creditors (included within short term creditors)	3,643	3,643	2,280	0	0	2,280	2,280
<b>Sub total</b>	<b>111,200</b>	<b>175,547</b>	<b>107,514</b>	<b>2,377</b>	<b>864</b>	<b>110,755</b>	<b>190,324</b>
PFI & finance lease	5,986	8,392	5,778	0	0	5,778	8,142
<b>Sub total</b>	<b>5,986</b>	<b>8,392</b>	<b>5,778</b>	<b>0</b>	<b>0</b>	<b>5,778</b>	<b>8,142</b>
<b>Total</b>	<b>117,186</b>	<b>183,939</b>	<b>113,292</b>	<b>2,377</b>	<b>864</b>	<b>116,533</b>	<b>198,466</b>

Assets						
	31 March 2016		31 March 2017			
	Carrying Amount £000	Fair Value £000	Principal £000	Add accrued Interest £000	Carrying Amount £000	Fair Value £000
<b>Loans &amp; Receivables</b>						
Cash & Cash equivalents						
- Cash at bank	9,007	9,007	10,634	0	10,634	10,634
- Deposits	37,719	37,719	19,300	3	19,303	19,303
<b>Sub total</b>	<b>46,726</b>	<b>46,726</b>	<b>29,934</b>	<b>3</b>	<b>29,937</b>	<b>29,937</b>
Deposits over 1 year	0	0	0	0	0	0
Deposits under 1 year	39,396	39,497	58,400	248	58,648	58,648
CCLA Property Fund	4,883	4,883	4,740	0	4,740	4,740
MAG Loans (included within Long term debtors)	8,693	8,693	8,693	0	8,693	8,693
Homestep Loans (included within Long term debtors)	1,131	1,131	1,100	0	1,100	1,100
Local Authority Mortgage Scheme and Lancashire County Cricket Club (included within Long & Short term debtors)	3,000	3,000	5,559	0	5,559	5,559
Section 106 debtors (included within Short term debtors)	697	697	599	0	599	599
Trade Debtors (included within Short term debtors)	5,210	5,210	6,176	0	6,176	6,176
<b>Sub total</b>	<b>63,010</b>	<b>63,111</b>	<b>85,267</b>	<b>248</b>	<b>85,515</b>	<b>85,515</b>
<b>Available For Sale Financial Assets</b>						
MAG Shareholding	39,800	39,800	43,700	0	43,700	43,700
<b>Sub total</b>	<b>39,800</b>	<b>39,800</b>	<b>43,700</b>	<b>0</b>	<b>43,700</b>	<b>43,700</b>
<b>Total</b>	<b>149,536</b>	<b>149,637</b>	<b>158,901</b>	<b>251</b>	<b>159,152</b>	<b>159,152</b>

The fair value is greater than the carrying amount because the Council's portfolio of liabilities and assets includes a number of fixed rate instruments where the interest rate payable and receivable are higher than the rates available for similar transactions in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.

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

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its liabilities commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the principal amount for PWLB loans of £43.5m and Market loans of £61.8m would be valued at £55.8m and £106.2m respectively. But, if the authority were to seek to avoid the projected loss by repaying the loans, a charge for early redemption in respect of the interest that will not now be paid will be incurred. The exit price including principal, accrued interest and the penalty charge for PWLB loans would be £63.2m and for Market loans £124.8m.

For financial assets the comparator market rates have been taken from indicative investment rates. However, 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.

The Council's shareholding in the Churches Commission Local Authority Property fund of £4.7m are tradeable in an active market and the fair value of £4.8m has been based on the funds valuation as at 31 March 2017.

The Council's shareholding in Manchester Airport Group are not traded in an active market and fair value of £43.7m has been made on an analysis of the assets and liabilities in the Company's latest audited accounts by an independent accountancy firm BDO.

## Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments and referred to in notes 12 and 27(ii) are made up as follows;

	2015/16				2016/17			
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans & Receivables £000	Financial Assets: Available for Sale £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans & Receivables £000	Financial Assets: Available for Sale £000	Total £000
Interest Expense	6,093			6,093	6,310			6,310
Interest & Dividend income		(5,289)		(5,289)		(6,156)		(6,156)
(Gains)/Loss on Revaluation			1,385	1,385			(3,825)	(3,825)
<b>Net gain/(loss) for the year</b>	<b>6,093</b>	<b>(5,289)</b>	<b>1,385</b>	<b>2,189</b>	<b>6,310</b>	<b>(6,156)</b>	<b>(3,825)</b>	<b>(3,671)</b>

Included in the above Gains and Losses, in 2016/17, are ;

- The revaluation of the shareholding in Manchester Airport which resulted in an increase in value from £39.8m to £43.7m (£41.0m to £39.8m in 2015/16) and
- The Church Commissioners Local Authority Property Fund investment valued at £4.7m fell from £4.8m (£5.0m to £4.8m in 2015/16).

The net movement of £(3.8)m, has been included in the CIES within Other Comprehensive (Income) and Expenditure.

The Council has the following financial instruments that are classed as Available for Sale

31.3.15 £000	31.03.16 £000		31.03.17 £000
41,000	39,800	Shareholdings in MAG	43,700
0	4,815	Church Commissioners Local Authority Property fund	4,740
<b>41,000</b>	<b>44,615</b>	<b>Total</b>	<b>48,440</b>

## 19. Inventories (Balance Sheet page 17)

The Council held the following inventories at 31 March 2016 and 2017. All are related to consumable stores.

Consumable Stores		
	31.3.16 £000	31.3.17 £000
<b>Balance outstanding at start of year</b>	<b>338</b>	<b>78</b>
Purchases	2,491	2,487
Recognised as an expense in the year	(2,450)	(2,473)
Written off balances	(301)	0
<b>Balance outstanding at year-end</b>	<b>78</b>	<b>92</b>



## 20. Work in Progress (Construction Contracts)

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

## 21. Debtors (Balance Sheet page 17)

### Long Term Debtors & Prepayments

31.3.16 £000		31.3.17 £000
21	Council Houses (Mortgages)	18
850	Probation Service (i)	785
8,693	Manchester Airport Plc. (ii)	8,693
733	Sale PFI – lifecycle replacement (iii)	675
1,131	Homestep Loans (iv)	1,100
3,000	Local Authority Mortgage Scheme (v)	1,000
-	Lancashire County Cricket Club loan (vi)	2,483
19	Town Centre Loans (vii)	5
<b>14,447</b>	<b>Total</b>	<b>14,759</b>

- (i) The Council acts as 'lead' authority in providing loans to the Greater Manchester Probation Service (GMPS) to assist in the financing of their capital programme. These advances are repaid with interest over varying periods finishing in 2031/32.
- (ii) The Council together with the other nine Greater Manchester authorities is a shareholder in Manchester Airport plc. During 2009/10, in exchange for a greater level of coupon rate receivable, all ten councils agreed to restructure the long term loans that had previously been made to the Airport to finance capital expenditure. As a result of this, these loans which were previously classed as secure loans have become unsecured loans. The revised loan agreement is due to expire in 2055.
- (iii) Private Finance Initiative (PFI) – The Council has a PFI scheme for the provision of new office and community facilities in Sale Town Centre. Amounts payable under the arrangement to the PFI operator in respect of lifecycle costs are included as prepayments. These amounts will be written down to the asset when lifecycle works are undertaken.
- (iv) Homestep Loans – these are loans provided to first time buyers to assist key workers to purchase a home. The amount advanced has been included as a long term debtor and is repayable when the property is sold.

- (v) Local Authority Mortgage Scheme – as part of the scheme launched in May 2012, the Council provides an indemnity to Lloyds TSB to allow suitable first time buyers to access the housing market with a 5% deposit instead of a usual 25% deposit. In effect, the Council provides a ‘cash backed’ indemnity to Lloyds TSB to cover the 20% of the mortgage price in the event of a default within the first 5 years of the mortgage period. Following the success of the original £2m advanced in 2012/13, a further £1m was provided to Lloyds TSB in 2013/14. The initial £2m advanced is set to be repaid in 2017/18 and has been included as a short term debtor. The fair value of the remaining debtor remains at £1m due to no defaults occurring in 2016/17.
- (vi) Lancashire CCC loan - a £4m loan which will be repaid by 2027 has been provided by the Council at commercial rates of interest to Lancashire County Cricket Club (LCCC) to assist part finance the construction of a new purpose built 150 room franchised hotel. This project will generate new employment opportunities and provide a boost to the local economy.
- (vii) Town Centre Loans – The Council offers an interest-free loan scheme for businesses that want to occupy ground floor, vacant premises in Altrincham, Sale, Urmston or Stretford town centres to part-fund works, overheads and marketing costs that are needed to bring a vacant unit back into use. The loans are advanced in two instalments and the first instalment is made within Long Term Debtors and Prepayments. Once the second instalment is made, the debt is transferred into our debtor collection system and appears in Short Term Debtors.

<b>Short Term Debtors and Payments in Advance</b>		
<b>31 March 2016 £000</b>	<b>Amounts falling due within one year</b>	<b>31 March 2017 £000</b>
7,970	Council Tax	7,418
5,591	Business Rates	5,496
9,650	Other Government Departments *	7,491
1,817	Payments in advance	1,714
-	Local Authority Mortgage Scheme	2,000
21,855	Other	18,898
<b>46,883</b>	<b>Sub Total</b>	<b>43,017</b>
(19,716)	Less Provision for Bad and Doubtful Debts	(19,138)
<b>27,167</b>	<b>Total</b>	<b>23,879</b>

\* Includes £6.8m DfE re late payment of final 2015/16 DSG instalment.

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

31 March 2016 £000		31 March 2017 £000
8,971	Central Government Bodies *	4,462
1,242	Other Local Authorities	1,809
679	National Health Service Bodies	3,029
0	Public Corporations and Trading Funds	0
16,275	Bodies External to General Government	14,579
<b>27,167</b>	<b>Total</b>	<b>23,879</b>

\* Includes £6.8m DfE re late payment of final 2015/16 DSG instalment.

## 22. Cash and Cash Equivalents (Balance Sheet page 17)

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

31 March 2016 £000		31 March 2017 £000
9,007	Cash held by the Council/Bank current accounts	10,634
37,719	Short-term deposits	19,303
<b>46,726</b>	<b>Total Cash and Cash Equivalents</b>	<b>29,938</b>

## 23. Assets Held for Sale (Balance Sheet page 17)

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

	Current assets	
	2015/16 £000	2016/17 £000
<b>Balance at start of year</b>	5,198	7,097
Assets newly classified as held for sale:		
Property, Plant and Equipment	2,419	2,705
Intangible Assets		
Other assets/liabilities in disposal group		
Revaluation losses		
Revaluation gains		
Impairment losses		
Assets held as declassified for sale:		
Property, Plant and Equipment		
Intangible Assets		
Other assets/liabilities in disposal group		
Assets sold	(520)	(1,281)
Transfers from non-current to current		
(Other movements)		
<b>Balance at year-end</b>	<b>7,097</b>	<b>8,521</b>

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

## 24. Creditors and Receipts in Advance (Balance Sheet page 17)

### Long Term Creditors

This includes £(0.036)m (£(0.036)m in 2015/16) for the maintenance of graves at cemeteries.

Long-Term Liabilities – Deferred		
31 March 2016 £000		31 March 2017 £000
(5,777)	Sale PFI – Finance Lease liability (i)	(5,555)
(1,469)	Sale PFI liability (ii)	(1,515)
(380)	Environmental Surcharge Crematoria (iii)	(442)
(688)	Greater Manchester Debt Administration Fund – MIA (iv)	(563)
(9)	Council house mortgages (v)	(9)
(93)	Trafford Park Development Corporation (vi)	(93)
(1,373)	Commuted sums/S106 agreements (vii)	(1,313)
<b>(9,789)</b>	<b>Total</b>	<b>(9,490)</b>

- (i) This relates to the lease liability on the Sale Waterside PFI scheme (note 44).
- (ii) Sale PFI liability – amount set aside to cover the final bullet payments due at the end of the PFI contract (note 44).
- (iii) Since 2007 the Council has included an Environmental Surcharge within its Crematoria fees associated with works required to comply with statutory mercury abatement guidance issued by DEFRA at that time. The sum is either spent on essential environmental works in-year or carried forward as a liability to fund works in future years as required.
- (iv) This is the deferred long term liability relating to Manchester Airport debt (see note 50(b)).
- (v) £0.009m is due from the sale of council houses and other dwellings where buyers have entered into a mortgage agreement with the Council. Therefore the repayments will be received in instalments over a number of years.
- (vi) Prior to its wind up on 31 March 1998 the Trafford Park Urban Development Corporation paid the sum of £1.3m in recognition of the Council agreeing to pay some of the corporation's outstanding liabilities and carrying out certain works. There is a remaining balance of £0.093m as at 31 March 2017.
- (vii) The Council has also received commuted sums from developers, in particular for the development and maintenance of open spaces. This will be released to the revenue account when the cost of providing these services falls due.

Short Term Creditors		
31 March 2016 £000		31 March 2017 £000
(2,872)	HM Revenue and Customs	(2,912)
(18,218)	Other Government Departments	(21,008)
(26,591)	Sundry Creditors	(23,479)
(3,884)	Employees – accumulated absences	(4,000)
(3,572)	Receipts in Advance – Council Tax	(3,783)
(2,746)	Receipts in Advance – NDR	(3,250)
(5,315)	Other Receipts in Advance	(2,243)
<b>(63,198)</b>	<b>Total</b>	<b>(60,676)</b>

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

Short Term Creditors		
31 March 2016 £000		31 March 2017 £000
(21,014)	Central Government Bodies	(19,661)
(9,320)	Other Local Authorities	(7,536)
(158)	National Health Service Bodies	(259)
(204)	Public Corporations and Trading Funds	(298)
(32,502)	Bodies External to General Government	(32,921)
<b>(63,198)</b>	<b>Total</b>	<b>(60,675)</b>

## 25. Provisions (Balance Sheet page 17)

The Council has the following total provisions at 31 March 2017:

Total Provision	Balance 1 April 2015 £000	Net Movement in Year £000	Balance 1 April 2016 £000	Net Movement in Year £000	Balance 31 March 2017 £000
Insurance (i)	(3,624)	(344)	(3,968)	529	(3,439)
Equal Pay (ii)	(492)	242	(250)	6	(244)
VAT on Parking income (iii)	(172)	172	0	0	0
VAT on DFG Admin fees (iv)	0	(14)	(14)	0	(14)
Employment Rationalisation (v)	(579)	374	(205)	95	(110)
MMI Clawback (vi)	0	(281)	(281)	189	(92)
NDR Appeals (vii)	(14,001)	29	(13,972)	(5,618)	(19,590)
Land charges litigation costs (viii)	0	(81)	(81)	47	(34)
Ordinary Residence Cases (ix)	0	0	0	(1,060)	(1,060)
<b>Total</b>	<b>(18,868)</b>	<b>97</b>	<b>(18,771)</b>	<b>(5,812)</b>	<b>(24,582)</b>

- (i) Insurance £3.439m – 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 2016/17 was primarily Zurich Municipal. The Council is therefore obliged to make a provision each year in respect of potential claims, most of which are received in future years. The level of provision is assessed annually. In 2016/17, from a starting balance of £3.968m net contributions of £0.254m were made to the provision, £0.783m of claims were paid, leaving a balance on the provision of £3.439m which is deemed an appropriate balance to cover any outstanding liabilities. This balance includes the outstanding claims estimate under Municipal Mutual Insurance Scheme of Arrangement, as shown in note 50(a).
- (ii) Liabilities arising from claims under Equal Pay legislation from employees who may have been disadvantaged under the Council's previous pay scheme operating up to 31 December 2008 have been estimated at £0.244m. The movements in year have been £0.006m in respect of 1 settled claim. The Council is actively engaged in trying to settle the final claims in the next period.
- (iii) VAT on car parking £Nil (£Nil in 2015/16). These monies were held pending the outcome of outstanding litigation affecting all local authorities in respect of the VAT liability for off-street car parking. As a result of the case being time barred against which any claim can be made, the provision was released to the income and expenditure account in 2015/16.
- (iv) VAT on DFG Admin fees of £0.014m. These monies are held pending the outcome of a Tax Tribunal case.
- (v) Employment Rationalisation – the Council has severance agreements with a number of staff which may or may not be taken up pending the rationalisation of employment within the Council. The estimated cost of these agreements is £0.110m (£0.205m in 2015/16).

- (vi) MMI Clawback - In January 1994 the Council's former insurer, Municipal Mutual Insurance, made a scheme of agreement with its creditors. Under this scheme, claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities a clawback clause will be triggered which could affect claims already paid. The scheme of arrangement was triggered during 2012/13 and there are no financial obligations currently outstanding.
- (vii) In 2013/14, the administration of NDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility, caused by for example new appeals and changes in reliefs, and non-collection of rates. Authorities are expected to finance an element of appeals made in respect of rateable values as defined by VOA as at 31 March 2017. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2016/17 has been calculated at £11.465m, of which Trafford's share at 49% is £5.618m.
- (viii) Land charges litigation costs - Local Land Charges – a group of property search companies sought to claim refunds of fees paid to the Council for land charges data. This provision covers the anticipated costs set aside to settle these claims.
- (ix) Ordinary Residence Cases - The secretary of state made a determination in April 2017 that the Ordinary Residence of two clients was not within Trafford. The ruling goes back a number of years and the payment of their packages of care is to be claimed from the respective authorities. This provision is set aside as not all their package of care costs may be paid for.

Movement in provisions at 31 March 2017 is summarised as follows:

	Outstanding Legal Cases £000	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2016</b>	<b>(264)</b>	<b>(4,330)</b>	<b>(14,177)</b>	<b>(18,771)</b>
Additional provisions made	(6)	(1,317)	(5,728)	(7,051)
Amounts used	12	1,022	205	1,239
Unused amounts reversed	0	0	0	0
Unwinding of discounting	0	0	0	0
<b>Balance as at 31 March 2017</b>	<b>(258)</b>	<b>(4,625)</b>	<b>(19,700)</b>	<b>(24,583)</b>



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 2016 £000	Provisions	Balance 31 March 2017 £000
(982)	Insurance	(828)
(250)	Equal Pay	(244)
(205)	Employee Rationalisation	(110)
(281)	MMI Clawback	(92)
(10,479)	NDR Appeals	(14,692)
(81)	Land charges litigation costs	(34)
-	Ordinary Residence Cases	(1,060)
<b>(12,278)</b>	<b>Total Short Term</b>	<b>(17,060)</b>
(2,986)	Insurance	(2,611)
(3,493)	NDR Appeals	(4,898)
(14)	VAT on DFG Admin fees	(14)
<b>(6,493)</b>	<b>Total Long Term</b>	<b>(7,523)</b>
<b>(18,771)</b>	<b>Total</b>	<b>(24,583)</b>

## 26. Usable Reserves (Balance Sheet page 17)

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

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

In accordance with the Council's approved scheme for delegating budgets to schools, the amount of any budget not spent in the year is carried forward. These reserves are not available to the Council for general use, it is for each school to determine how they are spent. The surplus balances at 31 March 2017 were £(7.502)m (£(8.668)m at 31 March 2016), which includes £(7.510)m of revenue balances and £0.008m of capital balances.

The capital balance overdrawn of £0.008m relates to one school and is a one off arrangement. Templemoor Infants School have borrowed money from the Council in order to finance a capital scheme which is expected to cost £0.150m in total. This is being repaid by the school over a 3 year period and will simultaneously enable this deficit to be written down.

At 31 March 2017 there were 4 schools with a deficit balance on their revenue reserves, amounting to £0.220m, whilst 65 schools had surplus balances amounting to £(7.730)m.

In addition, there are unspent devolved formula capital balances of £(0.296)m, which are included within Capital Grants and Contributions on the balance sheet (note 40).

### (ii) Capital Receipts Reserve

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

2016 £000		2017 £000
(11,540)	Balance carried forward at 1 April	(9,250)
(878)	Capital receipts in the year from sale of assets(net of disposal costs)	(3,308)
(12,418)	<b>Sub-total</b>	(12,558)
1	Less amount payable to Government re pooling liability	0
3,167	Amount used to finance capital expenditure in year	3,826
0	Amount used to repay debt	209
0	Amounts used to cover the increase in the Equal Pay provision	0
(9,250)	<b>Balance carried forward at 31 March</b>	(8,523)

## 27. Unusable Reserves (Balance Sheet page 17)

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

31 March 2016 £000	Unusable Reserves	31 March 2017 £000
(37,869)	Revaluation Reserve (i)	(45,267)
(29,401)	Available for Sale Financial Instruments Reserve (ii)	(33,225)
(326,487)	Capital Adjustment Account (iii)	(320,730)
5,402	Financial Instruments Adjustment Account (iv)	5,134
226,011	Pensions Reserve (v)	231,355
(2,312)	Collection Fund Adjustment Account (vi)	3,752
3,884	Accumulated Absences Account (vii)	4,000
<b>(160,772)</b>	<b>Total Unusable Reserves</b>	<b>(154,981)</b>

### (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.

2015/16 £000		2016/17 £000
<b>(29,050)</b>	<b>Balance as at 1 April</b>	<b>(37,869)</b>
(12,472)	Upward revaluation of assets	(12,206)
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
<b>(41,522)</b>		<b>(50,075)</b>
0	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	0
1,309	Difference between fair value depreciation and historical cost depreciation	1,666
2,344	Accumulated gains on assets sold or scrapped	3,142
<b>3,653</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>4,808</b>
<b>(37,869)</b>	<b>Balance as at 31 March</b>	<b>(45,267)</b>

**(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 2016/17 the Council revalued its shareholding in Manchester Airport which resulted in an increase in value from £39.8m to £43.7m and the original investment of £10.214m forms part of the Capital Adjustment Account balance.

The Council during 2015/16 invested £5m in the Church Commissioners Local Authority Property fund and this enabled 1,643,872 units to be purchased. The value of these units decreased from an opening position of £4.8m at 1 April 2016 to close at £4.7m at 31 March 2017 and it is expected that this investment will be in place for a minimum period of 5 years.

The movements in both of these valuations are reflected in the Available for Sale Financial Instruments reserve.

2015/16 £000		2016/17 £000
<b>(30,786)</b>	<b>Balance as at 1 April</b>	<b>(29,401)</b>
0	Upward revaluation of investment	(3,900)
1,385	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	76
<b>1,385</b>		<b>(3,824)</b>
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
<b>(29,401)</b>	<b>Balance as at 31 March</b>	<b>(33,225)</b>

**(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.

2015/16 £000		2016/17 £000
(315,874)	<b>Balance as at 1 April</b>	(326,487)
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
13,536	- Charges for depreciation and impairment of non-current assets	13,244
1,710	- Revaluation losses on Property, Plant and Equipment	1,710
413	- Amortisation of intangible assets	545
1,544	- Revenue expenditure funded from capital under statute	1,226
10,533	- 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	9,547
<b>27,736</b>		<b>26,272</b>
(3,653)	Adjusting amounts written out of the Revaluation Reserve	(4,808)
<b>24,083</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>21,464</b>
	<b>Capital financing applied in the year:</b>	
(3,168)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(3,827)
(22,584)	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(11,203)
(3,483)	- Statutory provision for the financing of capital investment charged against the General Fund Balance	(1,025)
(337)	- Capital expenditure charged against the General Fund Balance	(148)
<b>(29,572)</b>		<b>(16,203)</b>
(5,124)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	496
<b>(326,487)</b>	<b>Balance as at 31 March</b>	<b>(320,730)</b>

**(iv) Financial Instruments Adjustment Account**

2015/16 £000		2016/17 £000
5,670	<b>Balance as at 1 April</b>	5,402
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
(268)	Less annual charge for premiums incurred in previous financial years and stepped loan EIR adjustment	(268)
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
5,402	<b>Balance at 31 March</b>	5,134

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

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

In addition to this, the equalisation of interest on the two stepped interest rate market loans calculated over their full life was transferred into this account with the annual recharge to the Comprehensive Income & Expenditure Statement changing from that actually incurred to one calculated on an Effective Interest Rate basis. The balance on the account at 31 March 2017 will be charged to the General Fund in accordance with statutory arrangements over the next 26 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.

2015/16 £000		2016/17 £000
(284,188)	Balance as at 1 April	(226,011)
64,656	Re-measurements of the net defined benefit liability/(asset)	4,129
(22,287)	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	(25,507)
15,808	Employer's pension contributions and direct payments to pensioners payable in the year	16,034
<b>(226,011)</b>	<b>Balance as at 31 March</b>	<b>(231,355)</b>

*(vi) Collection Fund Adjustment Account*

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

2015/16 £000		2016/17 £000
5,296	Balance as at 1 April	(2,312)
(896)	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	(593)
(6,712)	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	6,657
<b>(2,312)</b>	<b>Balance as at 31 March</b>	<b>3,752</b>

(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.

2015/16 £000		2016/17 £000
4,298	<b>Balance as at 1 April</b>	<b>3,884</b>
(4,298)	Settlement or cancellation of accrual made at the end of the preceding year	(3,884)
3,884	Amounts accrued at the end of the current year	4,000
(414)	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	116
<b>3,884</b>	<b>Balance as at 31 March</b>	<b>4,000</b>

## 28. Cash Flow Statement – Operating Activities (page 21)

The cash flow from Operating Activities includes the following:

28a - Adjustments to net surplus or deficit on the provision of services for non-cash movements		
2015/16 £000		2016/17 £000
(13,536)	Depreciation/Impairment charged to I and E	(13,244)
(413)	Amortisation of Intangible Assets	(545)
(758)	(Increase)/Decrease in Creditors	501
5,756	Increase/(Decrease) in Debtors	(3,142)
(260)	Increase/(Decrease) in Inventories	14
(6,479)	Pensions Liability	(9,473)
97	Contributions to/(from) Provisions	(5,812)
(1,710)	Revaluation Losses	(1,710)
(10,533)	Carrying value on disposal of Property, Plant and Equipment, Investment Property and Intangible Assets	(9,547)
5,124	Investment Properties Losses (Gains)	(495)
24	Other non-cash adjustments	25
<b>(22,688)</b>		<b>(43,428)</b>



28b - Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
2015/16 £000		2016/17 £000
(654)	Proceeds from short-term and long-term investments	0
12,680	Capital Grants credited to the surplus or deficit on the provisions of services	15,053
879	Proceeds from the sale of non-current assets	3,308
<b>12,905</b>		<b>18,361</b>

28c - The cash flows for operating activities include the following items:		
2015/16 £000		2016/17 £000
(1,940)	Interest received	(2,058)
5,677	Interest paid	5,988
(3,245)	Dividends received	(4,022)

## 29. Cash Flow Statement – Investing Activities (page 21)

The cash flows for investing activities include the following items:

2015/16 £000		2016/17 £000
22,373	Purchase of property, plant and equipment, investment property and intangible assets	23,644
5,000	Purchase / (proceeds) of short-term and long-term investments	19,100
(231)	Other payments for investing activities	250
(879)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,308)
(11,402)	Other receipts from investing activities – Capital Grants Received	(13,734)
<b>14,861</b>	<b>Net cash flows from investing activities</b>	<b>25,952</b>

### 30. Cash Flow Statement – Financing Activities (page 21)

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The cash flows for financing activities include the following items:

2015/16 £000		2016/17 £000
(11,000)	Cash receipts of short and long-term borrowing	(4,761)
0	Other receipts from financing activities	0
196	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	209
1,769	Repayments of short and long-term borrowing	3,749
(3,863)	Other payments for financing activities – Net Cash inflow from NDR Agency arrangements	180
<b>(12,898)</b>	<b>Net cash flows from investing activities</b>	<b>(623)</b>

## 31. Acquired and Discontinued Operations

None to report.

## 32. Trading Operations (See also note 12)

		2014/15 £000	2015/16 £000	2016/17 £000
<b>Building Cleaning</b>	Turnover	(2,094)	(2,004)	(2,062)
	Expenditure	2,072	1,985	2,110
	<b>(Surplus)/Deficit</b>	<b>(22)</b>	<b>(19)</b>	<b>48</b>
<b>Cumulative Surplus over last three financial years was £(121)k</b>				
<b>Education Catering</b>	Turnover	(6,720)	(6,959)	(7,317)
	Expenditure	6,342	6,664	7,298
	<b>(Surplus)/Deficit</b>	<b>(378)</b>	<b>(295)</b>	<b>(19)</b>
<b>Cumulative Surplus over last three financial years was £(685)k</b>				
<b>Net (surplus)/deficit on trading operations</b>		<b>(400)</b>	<b>(314)</b>	<b>29</b>

All the above figures are inclusive of depreciation.

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

	2015/16 £000	2016/17 £000
<b>Net surplus on trading operations</b>	<b>(314)</b>	<b>29</b>
Services to the public included in Expenditure of Continuing Operations	0	0
Support services recharged to Expenditure of Continuing Operations	0	0
<b>Net surplus credited to Other Operating Expenditure</b>	<b>(314)</b>	<b>29</b>

### 33. Agency Services

#### Council Tax and NDR

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

- Council tax – the billing authority acts as the agent of its major preceptors when collecting council tax on their behalf. In Trafford, the two major preceptors are the Police and Crime Commissioner for Greater Manchester and the Greater Manchester Fire and Rescue Authority. No fee is chargeable for this service;
- Non-Domestic Rates (NDR) – the billing authority acts as agent for Central Government and Greater Manchester Fire and Rescue Authority in collecting NDR. The Government paid Trafford an allowance for the cost of this collection in 2016/17 of £0.461m (£0.462m in 2015/16).

#### Greater Manchester Combined Authority

The Council is acting as the lead authority on behalf of the Greater Manchester Combined Authority providing the Working Well Expansion Programme. The full costs of this are met from grants received from the Mental Health Trailblazer and the Transformation Challenge Award, and performance related funding from the Department of Work and Pensions and the European Social Fund. The Council charges a management fee of £0.005m per annum, starting in the 2016/17 financial year. This income and expenditure does not form part of the Council's Income and Expenditure Account, however any funds not spent are carried forward and included within the Council's balance sheet under short term liabilities to be repaid to GMCA when the agency arrangements finish. Details of the Income and Expenditure are shown below:

	2015/16 £000	2016/17 £000
Expenditure Incurred on Working Well and Talking Therapies	137	4,015
<b>Total Expenditure</b>	<b>137</b>	<b>4,015</b>
Income Received from grants	(4,000)	(1,400)
<b>Net (Surplus)/Deficit for the year</b>	<b>(3,863)</b>	<b>2,615</b>
Balance b/fwd	0	(3,863)
Balance c/fwd	(3,863)	(1,248)

The Council has not acted in an agency capacity for any other external bodies in the 2016/17 financial year.

## 34. Road Charging Schemes

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The Council does not operate any such schemes.

## 35. Pooled Budgets

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### Learning Disability Pooled Budget

Trafford has operated a pooled fund for Learning Disability Services in conjunction with Trafford Clinical Commissioning Group (CCG) (previously Trafford Primary Care Trust (PCT)) since 1 April 2003. Trafford MBC acts as the lead accounting officer for the pooled fund, which is managed jointly by the Council and the CCG. 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 2016/17 budget was £22.315m, which after grant income and fees of £1.103m left net planned expenditure of £21.212m to be funded jointly by the Council and the CCG. The net budget was overspent by £0.283m in year and is included in the Children, Families & Wellbeing Service outturn figure.

	2015/16 £000	2016/17 £000
<b>Funding provided to the pooled budgets:</b>		
the Council	(19,599)	(19,091)
Trafford CCG	(2,121)	(2,121)
	<b>(21,720)</b>	<b>(21,212)</b>
Expenditure met from the pooled budget:	21,564	21,495
<b>Net (surplus)/deficit arising on the pooled budget during the year</b>	<b>(156)</b>	<b>283</b>
Contribution from Service Outturn	0	(283)
Previous year's (surplus)/deficit carried forward	0	0
Contribution to Reserve	156	0
<b>Balance to be carried forward</b>	<b>0</b>	<b>0</b>

## Better Care Pooled Fund Account

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

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

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

Financial performance in the year to 31st March 2017 was as follows:

	2015/16 £000	2016/17 £000
Total Allocation	(15,544)	(16,092)
Less Performance Adjustment	1,414	0
<b>Final Allocation</b>	<b>(14,130)</b>	<b>(16,092)</b>
Funding provided to the pooled budgets:		
Trafford Council	(1,441)	(1,688)
Trafford CCG	(12,689)	(14,404)
<b>Total Funding</b>	<b>(14,130)</b>	<b>(16,092)</b>
Expenditure met from the pooled budget:		
Trafford Council	6,587	7,234
Trafford CCG	7,543	8,858
<b>Total Expenditure</b>	<b>14,130</b>	<b>16,092</b>
<b>Net (surplus)/deficit arising on the pooled budget during the year</b>	<b>0</b>	<b>0</b>

## 36. Members' Allowances

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

	2015/16 £000	2016/17 £000
Basic Allowances	409	409
Special Responsibility Allowances	291	293
Expenses	3	3
<b>Total</b>	<b>703</b>	<b>705</b>

The Council consists of 63 elected Members (Councillors) and 10 co-opted/independent Members to whom £0.705m was paid in allowances in the year (£0.703m in 2015/16).

### 37. Officers' Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 in 2015/16 and 2016/17 was:

2015/16		Remuneration Band	2016/17	
Schools Staff	Other Staff		Schools Staff	Other Staff
-	1	£160,000 - £164,999	-	1
-	-	£155,000 - £159,999	-	-
-	-	£150,000 - £154,999	-	-
-	1 (1)	£145,000 - £149,999	-	-
-	-	£140,000 - £144,999	-	-
-	-	£135,000 - £139,999	-	-
-	-	£130,000 - £134,999	-	-
-	-	£125,000 - £129,999	-	-
-	-	£120,000 - £124,999	-	-
-	-	£115,000 - £119,999	-	1
-	1	£110,000 - £114,999	-	1
-	2 (1)	£105,000 - £109,999	-	1
1	-	£100,000 - £104,999	-	-
-	-	£95,000 - £99,999	-	-
-	-	£90,000 - £94,999	-	-
1	2 (1)	£85,000 - £89,999	1	-
-	6	£80,000 - £84,999	-	6 (2)
1	1	£75,000 - £79,999	1	2
3	2	£70,000 - £74,999	8 (1)	3 (2)
8	7 (4)	£65,000 - £69,999	8 (1)	7 (3)
13 (1)	9 (3)	£60,000 - £64,999	13 (1)	7
18	13	£55,000 - £59,999	15 (1)	11 (1)
16	22 (2)	£50,000 - £54,999	16	19 (2)
<b>61 (1)</b>	<b>67 (12)</b>	<b>Total</b>	<b>62 (4)</b>	<b>59 (10)</b>

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

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

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



### 37. Officers' Remuneration (Continued)

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

(a) R&ER package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of R&ER packages by cost band [(b) + (c)]		(e) Total cost of R&ER packages in each band £		(f) Number of pension strain costs agreed		(g) Total cost of pension strain in each band £	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	29	33	216	88	245	121	1,605,580	748,181	73	19	556,435	141,982
£20,001 - £40,000	1	6	17	4	18	10	511,686	274,112	14	8	382,802	223,991
£40,001 - £60,000	1	2	1	2	2	4	108,692	170,328	4	2	179,766	97,596
£60,001 - £80,000	1	0	2	0	3	0	188,253	0	2	1	131,821	61,095
£80,001 - £100,000	0	0	0	0	0	0	0	0	1	1	91,010	83,291
£100,001 - £120,000	0	0	0	0	0	0	0	0	0	0	0	0
£120,001 - £140,000	0	0	0	0	0	0	0	0	1	0	122,605	0
<b>Total</b>	<b>32</b>	<b>41</b>	<b>236</b>	<b>94</b>	<b>268</b>	<b>135</b>	<b>2,414,211</b>	<b>1,192,621</b>	<b>95</b>	<b>31</b>	<b>1,464,439</b>	<b>607,955</b>

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

## Senior Officers Remuneration

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

- (i) £150,000 per year or more; or
- (ii) less than £150,000 but equal to or more than £50,000 per year and who meet at least one of the following criteria:
  - statutory chief officers (per section 2(6) of the Local Government and Housing Act 1989 as amended), e.g. head of paid service, director of children's services, section 151 officer etc.
  - a person who has responsibility for the management of the authority, to the extent that the person has power to plan, direct or control the major activities of the authority (in particular activities involving expenditure of money), whether solely or collectively, in accordance with accounting regulations.

### 37. Officers' Remuneration (Continued)

Senior Officers Salary 2016/17	Note	Salary, fees & allowances	Compensation for loss of office	Bonuses	Expense allowances	Benefits in kind (e.g. Car allowance)	Pension contributions	Total
Postholder		£	£	£	£	£	£	£
Chief Executive	1	163,389	0	0	1,055	0	28,231	<b>192,675</b>
Deputy Chief Executive		110,941	0	0	408	0	22,812	<b>134,161</b>
Corporate Director (Children, Families & Wellbeing)	2	115,068	0	0	325	0	23,289	<b>138,682</b>
Corporate Director (Transformation & Resources)	3	109,822	0	0	0	0	22,404	<b>132,226</b>
Chief Finance Officer (Section 151 Officer)		75,389	0	0	115	0	15,267	<b>90,771</b>
Director of Legal & Democratic Services (Monitoring Officer)	4	83,657	0	0	0	0	17,066	<b>100,723</b>
Director of Public Health	5	27,107	40,740	0	0	0	3,862	<b>71,709</b>
Acting Director of Public Health	6	54,092	0	0	0	0	11,120	<b>65,212</b>

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Notes :

- (1) The Chief Executive was also paid Returning Officer fees for the May 2016 Local Election of £5,040 and the June 2016 European Referendum of £7,525.
- (2) The Interim Corporate Director (Children, Families & Wellbeing) was appointed as the Corporate Director (Children, Families and Wellbeing) on 1/2/17.
- (3) The Corporate Director (Transformation & Resources) was also paid Deputy Returning Officer fees for the May 2016 Local Election of £2,520 and the June 2016 European Referendum of £2,490.
- (4) The Director of Legal & Democratic Services was also paid Deputy Returning Officer fees for the May 2016 Local Election of £2,520 and the June 2016 European Referendum of £2,490.
- (5) The Director of Public Health left the Authority on 31/7/16.
- (6) The new Acting Director of Public Health was appointed on 1/8/16.

## 37. Officers' Remuneration (Continued)

Senior Officers Salary 2015/16	Note	Salary, fees & allowances	Compensation for loss of office	Bonuses	Expense allowances	Benefits in kind (e.g. Car allowance)	Pension contributions	Total
Postholder		£	£	£	£	£	£	£
Chief Executive	1	163,389	0	0	2,080	0	27,263	<b>192,732</b>
Deputy Chief Executive		111,101	0	0	175	0	21,887	<b>133,163</b>
Interim Corporate Director (Children, Families & Wellbeing)	2	104,204	0	0	0	1,884	20,528	<b>126,616</b>
Interim Corporate Director (Children, Families & Wellbeing)	3	9,473	0	0	0	0	1,866	<b>11,339</b>
Corporate Director (Transformation & Resources)	4	109,762	0	0	74	0	19,633	<b>129,469</b>
Director of Finance (Section 151 Officer)	5	95,334	53,756	0	79	0	18,976	<b>168,145</b>
Chief Finance Officer (Section 151 Officer)	6	6,175	0	0	0	0	1,216	<b>7,391</b>
Director of Legal & Democratic Services (Monitoring Officer)	7	81,780	0	0	0	0	16,109	<b>97,889</b>
Director of Public Health		80,542	0	0	0	0	11,585	<b>92,127</b>

Notes :

- (7) The Chief Executive was also paid Returning Officer fees for the May 2014 European election of £2,132 (remaining 25% based on final claim) and the May 2015 elections of £7,478 (Parliamentary) and £5,040 (Local).
- (8) The previous Interim Corporate Director Children, Families & Wellbeing, appointed on 1/4/15 left the authority on 29/2/16.
- (9) The new Interim Corporate Director Children, Families & Wellbeing was appointed on 1/3/16.
- (10) The Acting Corporate Director (Transformation & Resources) was appointed as Corporate Director (Transformation & Resources) on 4/12/15 and also received fees from the Council as Deputy Returning Officer for the May 2015 elections of £3,739 (Parliamentary) and £2,520 (Local).
- (11) The Director of Finance left the authority on 31/3/16 and received the redundancy payment shown in April 2016.
- (12) The new Chief Finance Officer was appointed as the Section 151 Officer on 1/3/16.
- (13) The Director of Legal & Democratic Services also received fees from the Council as Deputy Returning Officer for the May 2015 elections of £3,739 (Parliamentary) and £2,520 (Local).

## 38. External Audit Costs

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

	2015/16 £000	2016/17 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	118	118
Fees payable to Grant Thornton for the certification of grant claims and returns	24	19
Fees payable to Grant Thornton in respect of other services provided during the year	3	9
Fees payable to the Cabinet Office in respect of other services provided during the year	0	4
<b>Total</b>	<b>145</b>	<b>150</b>

*\* The fees for other services payable to Grant Thornton in 2015/16 and 2016/17 related to specialist advice on a number of claims to HM Revenue & Customs for the refund of VAT.*

### 39. Dedicated Schools Grant

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

DSG allocations to:-

	Central Expenditure £000	ISB £000	Total £000
Final DSG 2016/17 before Academy recoupment			(177,204)
Academy figure recouped for 2016/17			57,771
Total DSG 2016/17 after Academy recoupment			(119,433)
Brought forward from 2015/16			(786)
Carry forward to 2017/18 agreed in advance			0
<b>Agreed initial budgeted distribution in 2016/17</b>	<b>(20,848)</b>	<b>(99,371)</b>	<b>(120,219)</b>
In year adjustments	1,382	(1,382)	0
Final budgeted distribution for 2016/17	(19,466)	(100,753)	(120,219)
Less actual central expenditure	18,742	0	18,742
Less actual ISB deployed to schools	0	100,753	100,753
Local authority contribution for 2016/17	0	0	0
<b>Carry forward to 2017/18</b>	<b>(724)</b>	<b>0</b>	<b>(724)</b>

## 40. Grant Income (Comprehensive Income & Expenditure Statement page 15, Balance sheet page 17)

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

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

Grants	2015/16 £000	2016/17 £000
<b>CREDITED TO TAXATION AND NON SPECIFIC GRANT INCOME</b>		
<b>Revenue Grants:</b>		
Revenue Support Grant	(30,646)	(22,990)
New Homes Bonus	(2,456)	(3,075)
Council Tax Compensation Grant	(898)	-
Benefits Admin Grant	(917)	(729)
Education Services Grant	(2,758)	(2,473)
Local Reform & Community Voices Grant	(127)	(129)
NDR Costs of Collection Grant	(462)	(461)
DWP Housing Welfare Reform Grant	(59)	(287)
Transitional Protection Grant	-	(465)
Deprivation of Liberty Grant	(101)	-
Other	(225)	(92)
<b>Revenue Grants Sub-total</b>	<b>(38,649)</b>	<b>(30,701)</b>
<b>Non Domestic Rates</b>		
Levy payable on business rate growth	2,249	84
Non Domestic Rates Income	(79,007)	(83,350)
NDR Tariff Payment	44,142	44,509
NDR Levy Rebate from GM Pool	(750)	(28)
NDR Safety Net Receipt	-	-
Section 31 Compensation Grants	(2,483)	(1,783)
Renewable Energy Disregard Amount	(77)	(78)
NDR Collection Fund (Surplus)/Deficit	(6,712)	6,657
Local Share Contribution to Accumulated Deficit	7,672	-
Local Share of Collection Fund Surplus	(1,710)	(16)
<b>Non-Domestic Rates Sub-total</b>	<b>(36,676)</b>	<b>(34,005)</b>

Grants	2015/16 £000	2016/17 £000
<b>Capital Grants :</b>		
Primary Capital Programme	(2,099)	(5,496)
Schools Devolved Formula Capital Grant	(483)	(541)
Schools Condition and Modernisation	(1,728)	(1,846)
Social Care Grants	-	(203)
Highway Structural Maintenance	(4,309)	(2,874)
Integrated Transport Grant – TfGM	(2,452)	(506)
Other Grants and Contributions	(1,391)	(3,368)
<b>Capital Grants Sub-total</b>	<b>(12,462)</b>	<b>(14,834)</b>
<b>Total Credited to Taxation &amp; Non Specific Grant Income</b>	<b>(87,787)</b>	<b>(79,540)</b>

### Contributions and Donations

Large items of Income included in Other Contributions and Donations

	2015/16 £000	2016/17 £000
Contribution from CCG – Better Care Fund	(5,546)	(5,546)
Contribution from CCG – Learning Disability Pooled Fund	(2,121)	(2,122)

	2015/16 £000	2016/17 £000
<b>GRANTS CREDITED TO SERVICES</b>		
<b>Revenue Grants Credited to services:-</b>		
Dedicated School Grant (DSG) incl. EY allocation	(119,196)	(119,433)
Rent Allowances, Rent Rebates and Council Tax Benefit Subsidy	(62,741)	(61,028)
Other Education Grants	(6,553)	(6,135)
Send Pathfinder Grant	(130)	(147)
Public Health Grant	(11,699)	(13,039)
Learning Skills Council Grant	(1,789)	(1,300)
Sale PFI Grant	(658)	(658)
Tackling Troubled Families Grant	(341)	(526)
Section 106 Other Capital Maintenance Grants	(88)	(179)



	2015/16 £000	2016/17 £000
Individual Electoral Registration Grant	(102)	(44)
PE & Sport Grant	(581)	(569)
Local Council Tax support Admin Grant	(220)	(243)
Universal Infants Free School Grant	(2,852)	(2,879)
Delayed Transfers of Care Grant	(363)	-
Care Bill Implementation Grant	(1,227)	-
New Burdens Property Searches Grant	(233)	(17)
Independent Living Fund Grant	(314)	(398)
Integrated Care Demonstrator Grant	(101)	(33)
Local Authority Counter Fraud Grant	(219)	(18)
Other	(405)	(842)
<b>Revenue Grants Credited to Services Sub-total</b>	<b>(209,812)</b>	<b>(207,488)</b>
<b>Capital Grants Credited to services (REFCUS):-</b>		
Primary Capital Programme	(3,200)	(351)
Disabled Facilities	(914)	(1,688)
Devolved Formula Capital	(56)	(33)
Greater Manchester Shared Service (Greater Manchester Police)	-	(465)
TfGM – City Cycle Ambition Grant	(1,020)	(54)
Schools Maintenance Grants (DfE)	(177)	(11)
Other	(178)	(113)
<b>Capital Grants Credited to services (REFCUS) Sub-total</b>	<b>(5,545)</b>	<b>(2,715)</b>
<b>Total Grants Credited to Services</b>	<b>(215,357)</b>	<b>(210,203)</b>

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

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

2015/16 £000		2016/17 £000
<b>Short Term Liabilities:-</b>		
<b>Capital Grants &amp; Contributions Receipts in Advance:-</b>		
(483)	Devolved Formula Capital	(296)
(421)	Personal Social Care Grant	(189)
(24)	School Travel Plans	(24)
-	Early Years Capital Grant	(468)
(50)	Highways – Altrincham Town Centre	(66)
(495)	Highways – Severe Weather Recovery Grant	-
(449)	S106 & S278 Contributions	(266)
(29)	Other Grants and Contributions	(127)
<b>(1,951)</b>	<b>Total</b>	<b>(1,436)</b>

2015/16 £000		2016/17 £000
<b>Revenue Grants &amp; Contributions Receipts in Advance (REFCUS):-</b>		
(497)	BSF One School Pathfinder	(497)
(15)	Other Grants and Contributions	(24)
<b>(512)</b>	<b>Total REFCUS</b>	<b>(521)</b>
<b>(2,463)</b>	<b>Total Capital Grants Receipts in Advance</b>	<b>(1,957)</b>

2015/16 £000		2016/17 £000
<b>Other Revenue Grants Receipts in Advance:-</b>		
(11)	NCB Independent Support Phase 1 & 2	(7)
-	DSG Grant	(200)
-	Strategic Planning Fund Grant	(105)
-	Child Protection Information Sharing Grant	(15)
(3)	DHP Grant	-
(24)	New Burdens Transparency Grant	-
-	DEFRA New Burden funding for compliance with INSPI	(8)
(19)	Community Development Grant	-
(18)	IER Grant	(30)
(167)	Council Tax Support Scheme	-
-	Arts Grant	(11)
(121)	Section 31 Grant	-
(60)	Big Lottery Grant	-
(120)	MST FIT Grant	(75)
(43)	ASF Grant	(72)
(35)	FERIS Maintenance Grant	-
(33)	I Care Grant	-
(32)	Open Government Intelligence Grant	(35)
(15)	Heat Network Grant	-
(15)	New Burdens Funding IT	-
(8)	Benefits Admin Grant	-
(7)	ACE Funding – Independent Theatre	-
(2)	Community & Business Recovery Storm Grant	-
-	Self & Custom House Build Grant	(15)
<b>(733)</b>	<b>Total Short Term Grants Receipts in Advance (Revenue)</b>	<b>(573)</b>

2015/16 £000		2016/17 £000
<b>Long Term Liabilities</b>		
<b>Capital Grants &amp; Contributions Receipts in Advance:-</b>		
(8,661)	Section 106 and S278 Contributions	(8,156)
<b>(8,661)</b>	<b>Total Capital Grants</b>	<b>(8,156)</b>
<b>Revenue Grants &amp; Contributions Receipts in Advance (REFCUS):-</b>		
(2,724)	S106 & S111 Contributions	(2,724)
<b>(2,724)</b>	<b>Total REFCUS</b>	<b>(2,724)</b>
0	<b>Other Revenue Grants &amp; Contributions Receipts in Advance (Long Term) : -</b>	0
<b>0</b>	<b>Total Other</b>	<b>0</b>
<b>(11,385)</b>	<b>Total Long Term Grants Receipts in Advance</b>	<b>(10,880)</b>

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 £10.446m 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 2016 £000	Receivable in year £000	Contributions applied £000	Balance at 31 March 2017 £000
Open Space schemes	1,912	234	(142)	2,004
Education Schemes	270	167	(52)	385
Affordable Housing schemes	1,263	284	0	1,547
Highways/Transport schemes	7,616	239	(1,345)	6,510
<b>Total</b>	<b>11,061</b>	<b>924</b>	<b>(1,539)</b>	<b>10,446</b>

## 41. Related Parties

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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 40, with outstanding government debtors and creditors included in notes 21 and 24.

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

During the year a number of transactions were made to other local authorities. Payments to Tameside MBC in respect of pension contributions are disclosed in the notes to the accounts (notes 48 & 49) and precept payments are shown in the collection fund accounts.

The Council also has pooled budget arrangements with Trafford CCG in relation to Learning Disability Services and the Better Care Fund (BCF). Transactions are detailed in Note 35.

A transport levy of £16.104m (£16.543m in 2015/16) was paid to the Greater Manchester Combined Authority (GMCA) and a waste levy of £14.496m (£13.617m in 2015/16, £13.624m gross levy less rebates of £0.007m) to Greater Manchester Waste Disposal Authority.

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

The Council no longer provides services directly through its leisure centres. These leisure centres were leased to Trafford Community Leisure Trust (TCLT) who provided relevant leisure services direct to the public until September 2015. The Council made payments to the Trust to help ensure the provision of some services at a discounted rate to particular population demographics of the community. For the year 2015/16 the Council paid £0.452m to TCLT under a Partnership Delivery Plan agreement. From October 2015 the services provided by TCLT were transferred into a Community Interest Company (CIC), Trafford Leisure CIC Ltd, wholly owned by the Council. For the year 2016/17, the Council made payments to the CIC totalling £0.121m (£0.310m in 2015/16). A similar CIC, called Trust Youth Trafford was also established on 11<sup>th</sup> March 2016 for the provision of Youth Services. The Council made payments to the Youth CIC in 2016/17 totalling £0.114m (£Nil in 2015/16).

The CIPFA Code of Practice requires that where a Council has material financial interests and a significant level of control over one or more entities, it should prepare Group Accounts.

As the Companies were only created part way through 2015, Group Account considerations were not prepared in 2015/16 on grounds of materiality. However, whilst Trust Youth Trafford is still considered as immaterial in terms of transaction value Trafford Leisure CIC Ltd. has been included in group accounts in 2016/17.

The Council has paid grants to voluntary organisations for 2016/17 as follows:

2015/16 £	Organisation	2016/17 £
2,017	Carrington Parish Council	2,057
5,618	Dunham Massey Parish Council	5,730
25,537	Partington Town Council	26,048
2,017	Warburton Parish Council	2,057
<b>35,189</b>	<b>Total Grants</b>	<b>35,892</b>

In 2016/17 Trafford Council ran a range of Voluntary Sector Grant schemes, enabling our investment in the local community to stretch across the borough, support smaller established groups and kick-start local action by individual residents and small constituted groups. Our main grants scheme, run in conjunction with our Locality Partnerships, saw 43 projects receiving a total of £74,455.51. Whilst a majority of the successful organisations had received funding from us before, most of the actual projects being funded were new. As these grants are aimed at supporting smaller groups and new projects, we use community voting events to help groups promote themselves, raise interest in their activity and meet other groups. They would not always get this opportunity under a traditional panel-decision system, or when competing with larger organisations. In addition to the main scheme, Sale Locality Partnership trialled a micro-grants scheme called Make Sale Smile, which saw 25 grants of up to £300 awarded to individual residents, totalling £5,000, decided by a panel of Sale residents. This is very successful in investing in very small local action from which new community groups grow, and the model will be replicated across the localities in 2017/18. Finally, we partnered with Bluesci to provide our annual equality grants scheme, which this year aimed to improve access to physical activity for diverse communities, with the Council putting in £20,000 and Bluesci £15,000. Bluesci administered the fund, which has recently awarded to 26 projects, decided by a panel of professionals and local people.

The Council also made payments totalling £0.215m to Trafford Centre for Independent Living, under a Service Level Agreement within Adult Social Services, for an advocacy service.

## Shareholdings

### Manchester Airport Group plc.

31.03.16 £m	Manchester Airport Consolidated Profit and Loss Account and Balance Sheet (Extract)	31.03.17 * £m
117.2	Profit/(Loss) before Tax	129.1
116.7	Profit/(Loss) after Tax	119.2
1,588.7	Net Assets	1,542.0

**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 £4.006m were received in the year 2016/17 (£3.245m in 2015/16). Further information on these accounts can be obtained from the Head of Financial Accounting, Manchester Airport Group plc., 6th Floor Olympic House, Manchester Airport, Manchester M90 1QX (telephone no. 0161 489 2766).

## MaST LIFTCo Ltd

The Council has a 2% shareholding of £200 (200 £1 equity shares) in MaST LIFTCo Ltd. This is a cross-sector partnership company, set up with the intent of improving primary health care facilities. A Dividend of £0.016m was received for the first time in 2016/17. Further information and details of the financial statements of MaST LIFTCo Ltd. can be obtained from: 1st Floor, Anchorage 2, Anchorage Quay, Salford Quays, Manchester M50 3YW.

## 42. Capital Expenditure and Capital Financing

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

	2015/16 £000	2016/17 £000
<b>Opening Capital Financing Requirement Capital Investment</b>	<b>138,239</b>	<b>134,815</b>
Capital Investment:-		
Property, Plant and Equipment	24,057	21,084
Intangible Assets	612	706
Long Term Debtors	95	2,483
Revenue Expenditure Funded from Capital under Statute	7,089	3,941
<b>Sources of finance</b>		
Capital receipts	(3,168)	(3,827)
Government Grants and other Contributions	(28,129)	(13,918)
Sums set aside from revenue:		
Direct revenue contributions	(337)	(148)
MRP/loans fund principal	(3,287)	(1,025)
Other Adjustments (including Probation)	(356)	(134)
<b>Closing Capital Financing Requirement</b>	<b>134,815</b>	<b>143,977</b>
<b>Explanations of movement in the year</b>		
Increase in underlying need for borrowing (supported by government financial assistance)		
Increase in underlying need for borrowing	(3,424)	9,162
Assets acquired under finance leases		
Assets acquired under PFI/PPP contracts		
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(3,424)</b>	<b>9,162</b>

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

Year ended 31 March	2015/16 £000	2016/17 £000
<b>SERVICE:</b>		
Children, Families and Wellbeing	19,460	9,282
Economic Growth, Environment & Infrastructure	10,997	17,671
Transformation and Resources	1,396	1,261
<b>Total</b>	<b>31,853</b>	<b>28,214</b>
<b>The main items of capital expenditure during the year included:</b>		
Schools - Primary Capital Programme (* in part)		3,379
LED Street Lighting replacement programme		7,832
Highways Structural Maintenance (incl. bridges & S.278 schemes)		3,395
Town Centre Regeneration Initiatives		3,801
Traffic & Transport Schemes (inc. Integrated Transport)		776
Schools - Capital Maintenance Programme (* in part)		2,528
Housing Grants (Disabled Facility, Owner Occupier & Housing Standards Grants) (*)		2,000
Parks, Playgrounds & Greenspace improvements		497
Public Buildings - DDA Compliance, Repairs & Refurbishments		1,143
Schools - Devolved Formula Capital (* in part)		574
ICT Initiatives (* in part)		1,233
Telecare System (*)		503
Other General Infrastructure Investment		553
<b>Total</b>		<b>28,214</b>
(*) REFCUS		

<b>The type of capital expenditure in the year and how it was financed was as follows:</b>			
	£000		£000
Fixed and Intangible Assets	21,790	Borrowing	10,321
Revenue Expenditure Funded from Capital under Statute (i)	3,941	Grants and Contributions	13,918
Long Term Debtor	2,483	Revenue Contributions & Reserves	148
		Capital Receipts	3,827
<b>Total Capital Expenditure on an accruals basis</b>	<b>28,214</b>		<b>28,214</b>



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

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

This expenditure, and any offsetting capital grants, is now charged directly to the appropriate service in the Comprehensive Income and Expenditure Statement, with the effect on council tax neutralised by an equivalent compensating entry in the MIRS and Capital Adjustment Account.

The deficit on the Comprehensive Income and Expenditure Statement includes revenue costs of £3.941m under this category, offset by £2.715m of Government grants applied. This amounts to a net cost of £1.226m, 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.

## 43. 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 2016/17 was £250,692 (£417,654 in 2015/16).

Land and Buildings - the Council leases numerous buildings which have been accounted for as operating leases. The rentals payable in 2016/17 were £167,503 (£188,103 in 2015/16).

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

	31 March 2016 £000	31 March 2017 £000
Not later than one year	518	272
Later than one year and not later than five years	588	131
Later than five years	713	475
	<b>1,819 *</b>	<b>878 *</b>

\* The Council's grounds maintenance, highways and street cleaning services were transferred to Amey on 4th July 2015 as part of the One Trafford Partnership. As an interim measure, the Council has continued to lease vehicles to maintain service provision until such point Amey have completed the implementation of their own fleet solution. Costs are recoverable from Amey and it is expected that all leases of vehicles by the Council associated with the One Trafford Partnership will have terminated by the end of 2017. Only a small number of vehicles are now leased for use directly by the Council.

## Council as Lessor – Finance Leases

The Council does not have any finance lease arrangements.

## Operating Leases

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

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

The Council also has six lease agreements for commercial development schemes under which a “participation” rent is payable to the Council, determined annually by reference to the profitability of the investment asset. These rents are classed as contingent rents and are not included in the minimum lease payments receivable. In 2016/17 these rents were £0.502m (£0.519m in 2015/16). The Council also receives rent in respect of its joint ownership of Manchester International Airport of £0.478m (£0.448m in 2015/16).

Total rents receivable in 2016/17 were £2.400m (£2.327m in 2015/16).

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

	31 March 2016 £000	31 March 2017 £000
Not later than one year	1,359	1,421
Later than one year and not later than five years	4,306	4,896
Later than five years	82,318	101,791
	<b>87,983</b>	<b>108,108</b>

## 44. PFI and Similar Contracts

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

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

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

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

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

	Payment for services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2017/18	760	222	372	<b>1,354</b>
Payable within two to five years	3,270	1,042	1,335	<b>5,647</b>
Payable within six to ten years	4,650	1,727	1,245	<b>7,622</b>
Payable within eleven to fifteen years	1,554	2,787	332	<b>4,673</b>
<b>Total</b>	<b>10,234</b>	<b>5,778</b>	<b>3,284</b>	<b>19,296</b>

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

The estimated value of the remaining PFI payments is £19.3m. 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:

	2015/16 £000	2016/17 £000
Balance outstanding as at start of year	6,182	5,986
Payments during the year	(196)	(209)
Capital expenditure incurred in the year		
<b>Balance outstanding at year-end</b>	<b>5,986</b>	<b>5,777</b>
Split on Balance Sheet (see also note 24):		
Short term liability (creditor)	209	222
Long term liability – deferred	5,777	5,555

The fair value of the PFI liability is shown in note 18.

## 45. Impairment Losses

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These are disclosed in note 14.

## 46. Capitalisation of Borrowing Costs

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

## 47. Termination Benefits

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The Council has terminated the contracts of a number of employees in 2016/17. 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.

## 48. Pension Schemes Accounted for as Defined Contribution Schemes

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### Pension costs included in the Income & Expenditure Account

#### Teachers' Pensions Scheme

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

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

It is not possible to identify each authority's share of the underlying liabilities in the scheme attributable to its own employees. For the purpose of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17 the Council paid £7.492m (£7.187m in 2015/16) in respect of teachers' retirement benefits. This was based on 16.48% of the teachers' pensionable pay (14.1% from 1 April to 31 August 2015 and 16.48% from 1 September 2015 to 31 March 2016 in 2015/16).

In addition, the Council is responsible for added years and premature enhancement benefits which it has awarded to teachers at its discretion, together with the related annual increases. In 2016/17, these amounted to £1.384m, representing 3.04% of pensionable pay (£1.354m or 2.92% in 2015/16). These benefits are fully accrued in the pension liability described below.

## NHS Pension Scheme

A number of Public Health staff were transferred from the NHS to the Council on 1 April 2013 and continued their membership of the NHS Pension Scheme, administered by NHS Pensions, until August 2016. The scheme provides these Public Health staff with defined benefits upon their retirement, and the Council contributed towards the cost by making contributions based on a percentage of members' pensionable salaries.

In 2016/17 the Council paid £0.009m (£0.042m in 15/16) in respect of retirement benefits for these Public Health staff. This was based on 14.3% (14.3% in 15/16) of their pensionable pay.

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

## 49. Defined Benefit Pension Schemes

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### Other Employees

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

The actual contribution rates to maintain the solvency of the fund vary by employing authority, reflecting the differing profiles of members, and in Trafford's case are phased in over the three years the actuarial valuation relates to. The Council's employer's contribution rate was 20.4% in 2016/17 and will be 20.4% in 2017/18. In 2016/17, the Council paid an employer's contribution of £13.432m (£13.358m in 2015/16) into the Greater Manchester Pension Fund, representing 20.4% of pensionable pay (19.7% in 2015/16). The Council is also responsible for pension payments relating to the historic award of added years, together with related increases. In 2016/17 these amounted to £1.210m, which is 1.8% of pensionable pay (£0.995m or 1.5% in 2015/16).

**Further information regarding the Pension Fund and its accounts can be obtained from the Pensions Office, Guardsman Tony Downes House, 5 Manchester Road, Droylsden, M43 6SF (Helpline: 0161 301 7000). [www.gmpf.org.uk](http://www.gmpf.org.uk)**

## Transactions Relating to Retirement benefits

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

2015/16 £000		2016/17 £000
<b>COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>		
<b>Cost of Services:</b>		
	<i>Service Cost comprising:</i>	
18,905	• current service cost	15,856
894	• past service costs	1,632
(7,773)	• (gain)/loss from settlements	-
	<i>Financing and Investment Income and Expenditure:</i>	
9,016	• net interest cost	7,931
21,042	<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	25,419
-	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	-
	<i>Re-measurement of the net defined benefit liability comprising:</i>	
21,466	• Return on plan assets (excluding the amount included in the net interest cost)	(95,028)
-	• Actuarial gains and losses arising on changes in demographic assumptions	778
(74,511)	• Actuarial gains and losses arising on changes in financial assumptions	133,865
(11,611)	• Other	(43,744)
<b>(43,614)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>21,290</b>
	<b>Movement in Reserve Statement</b>	
(6,479)	• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(9,473)
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
13,401	• employers' contributions payable to scheme	13,441
2,407	• retirement benefits payable to pensioners	2,593

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

2015/16 £000		2016/17 £000
(777,735)	Present value of the defined benefit obligation	(891,585)
551,724	Fair value of plan assets	660,230
<b>(226,011)</b>	<b>Net Liability arising from defined benefit obligation</b>	<b>(231,355)</b>

## Reconciliation of the Movements in the Fair Value of Scheme Assets

2015/16 £000		2016/17 £000
584,849	Opening fair value of scheme assets	551,724
(24,561)	Effect of Settlements	-
18,061	Interest income	19,198
	<b>Re-measurement gain/(loss):</b>	
(21,466)	• The return on plan assets, excluding the amount included in the net interest expense	95,028
-	• Other	-
15,387	Contributions from employer	15,946
4,196	Contributions from employees into the scheme	4,089
(24,742)	Benefits paid	(25,755)
<b>551,724</b>	<b>Closing fair value of scheme assets</b>	<b>660,230</b>

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

2015/16 £000		2016/17 £000
869,861	Opening present value of scheme liabilities	777,735
18,905	Current service costs	15,856
(32,334)	Effect of Settlements	-
27,077	Interest costs	27,129
4,196	Contributions from scheme participants	4,089
	<b>Re-measurement (gains) and losses:</b>	
-	• Actuarial gains/losses arising from changes in demographic assumptions	778
(74,511)	• Actuarial gains/losses arising from changes in financial assumptions	133,865
(11,611)	• Other	(43,744)
894	Past service cost	1,632
(24,742)	Benefits paid	(25,755)
<b>777,735</b>	<b>Closing present value of scheme liabilities</b>	<b>891,585</b>

Pension Scheme Assets comprised:

Asset category	Period ended 31 March 2017				Period ended 31 March 2016			
	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Per-centage of total asset %	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Per-centage of total asset %
<b>Equity Securities:</b>								
Consumer	53,663	-	53,663	8%	48,585	-	48,585	9%
Manufacturing	54,949	-	54,949	8%	39,985	-	39,985	7%
Energy & Utilities	43,951	-	43,951	7%	29,617	-	29,617	5%
Financial Institutions	67,495	-	67,495	10%	53,520	-	53,520	10%
Health & Care Information	23,688	-	23,688	4%	23,071	-	23,071	4%
Technology	16,773	-	16,773	3%	12,396	-	12,396	2%
Other	11,247	-	11,247	2%	7,271	-	7,271	1%
<b>Debt Securities:</b>								
Corporate Bonds (investment grade)	31,322	-	31,322	5%	27,487	-	27,487	5%
Corporate Bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
UK Government	8,687	-	8,687	1%	4,374	-	4,374	1%
Other	20,858	-	20,858	3%	17,226	-	17,226	3%
<b>Private Equity:</b>								
All	-	18,759	18,759	3%	-	13,785	13,785	2%
<b>Real Estate:</b>								
UK Property	-	18,105	18,105	3%	-	17,373	17,373	3%
Overseas Property	-	-	-	0%	-	-	-	0%
<b>Investment Funds and Unit Trusts:</b>								
Equities	165,296	-	165,296	25%	153,741	-	153,741	29%
Bonds	47,126	-	47,126	7%	42,864	-	42,864	8%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	15,222	15,222	2%	-	7,394	7,394	1%
Other	11,839	32,907	44,746	7%	10,841	26,833	37,674	7%
<b>Derivatives:</b>								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	1,452	-	1,452	0%
<b>Cash &amp; Cash Equivalents:</b>								
All	18,345	-	18,345	3%	13,909	-	13,909	3%
<b>Totals</b>	<b>575,237</b>	<b>84,993</b>	<b>660,230</b>	<b>100%</b>	<b>486,339</b>	<b>65,385</b>	<b>551,724</b>	<b>100%</b>



## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2017.

The significant assumptions used by the actuary have been:

2015/16	Mortality assumptions:	2016/17
<b>Longevity at 65 for current pensioners:</b>		
21.4 years	• men	21.5 years
24.0 years	• women	24.1 years
<b>Longevity at 65 for future pensioners:</b>		
24.0 years	• men	23.7 years
26.6 years	• women	26.2 years
2.2%	Rate of inflation	2.4%
3.5%	Rate of increase in salaries	2.5%
2.2%	Rate of increase in pensions	2.4%
3.5%	Rate for discounting scheme liabilities	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2017:	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in real discount rate	9%	83,211
0.5% increase in the salary increase rate	1%	10,767
0.5% increase in the pension increase rate	8%	71,438

## Pensions - Summary

The overall Pension deficit at 31 March 2017 in the Balance Sheet is £231.4m.

## Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 90.5% over the next 3 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £231.355m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary; and;
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The Council anticipates paying £13.149m contributions to the scheme in 2017/18. The weighted average duration of the defined benefit obligation for scheme members is 17.3 years.

## 50. Contingent Liabilities

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### (a) Municipal Mutual Insurance

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

The scheme of arrangement was triggered during 2012/13 and a provision was made based on an initial levy of 15%, equating to £0.419m which was paid during 2013/14. By way of a second notice the levy was subsequently increased to 25% as from 1 April 2016, equating to an additional £0.281m which will be met from insurance reserves. A contingent liability still exists if the proceeds from the initial levy are not sufficient to cover the cost of future claims. In the event that an additional levy becomes payable then this will be met from the insurance reserve.

### (b) Manchester Airport

The Council has made loans to Manchester Airport plc. 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.

### **(c) Trafford Housing Trust**

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

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

- i) Warranties of Truth; the Council has made a number of statements and assertions within the transfer agreement, such as land ownership, value of assets, and the right to exercise certain legal powers. The Council has indemnified THT against any liability should any of those statements prove to be untrue. This risk will also diminish, but over a much longer time frame.
- ii) 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.
- iii) 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.
- iv) There are a number of Environmental warranties that the Council in aggregate has indemnified THT up to £90m and an unlimited indemnification to THT's funders, the Prudential Trustee Company Ltd. The risk of these warranties is partially off-set by VAT receipts from works done by THT on the Council's behalf. The liabilities and risks of the warranties will be kept under constant review.
- v) 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.
- vi) Pollution and Contaminated Land; The Council has extended a 30 year indemnification for any pollution clear up on land transferred where the pollution occurred before the transfer date.

### **(d) Timperley Sports Club**

The Council has a lease agreement with Timperley Sports Club for an artificial sports pitch which was previously the responsibility of the Council.

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

### **(e) Section 106 Agreements**

A number of agreements in accordance with Section 106 of the Town and Country Planning Act 1990 exist between the Council and developers associated with the planning conditions attached to new developments. In respect of contributions received to date, should the conditions in the agreement not be met by the Council then amounts would become repayable to developers. Should developments proceed and conditions within agreements be met then the estimated value of contributions the Council will receive is £29.5m.

#### **(f) 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.

#### **(g) Greater Manchester Loan Fund**

The Council agreed to enter into an indemnity agreement to support the Greater Manchester Loan Fund. The fund was set up to provide loans to new and growing business in Greater Manchester. This was entered into alongside other Greater Manchester Authorities and given to Manchester City Council in order to underwrite the initial £12m to £14m capital in proportion to its percentage of GM population at the date of the establishment of the fund (June 2013). For Trafford Council the maximum indemnity will be £1.187m which is 8.48% of the total indemnity. At 31 March 2017 loans totalling £5.050m have been advanced. The risk of the indemnity being called upon is considered to be low.

#### **(h) Housing Investment Fund**

The Greater Manchester Devolution Agreement provides for a Housing Investment Fund of £300m over ten years, to be invested in the form of recoverable loans and equity into property investments to deliver the growth ambitions of Greater Manchester (GM). The Fund was set-up on 1 April 2015 and is administered by Manchester City Council as accountable body. The Fund provides the opportunity to invest in locally prioritised schemes and gives the flexibility required to stimulate the market, accelerate growth and increase housing supply. In return for GM receiving this Fund it must guarantee that 80% of the funds drawn down, to a maximum of £240m, will be repaid to Her Majesty's Treasury (HMT) at the end of the Fund life (this is likely to be in 2028 when all loans advanced are repaid). The Department of Communities and Local Government (DCLG) will underwrite the first 20% of any loss to the Fund (up to a maximum of £60m). Each GM District will indemnify a proportion of the Fund based on its percentage of GM population as at 1 April 2015. For Trafford Council the maximum indemnity will be £20.415m which is 8.51% of the total indemnity. At 31 March 2017 the amount drawn down was £41.831m. It is not currently anticipated that there will be any call on this indemnity.

#### **(i) Trafford Leisure Community Interest Company (TLCIC)**

TLCIC was established on 1 October 2015 to provide leisure services in Trafford. Their headquarters are based at Marsland House in Sale and the Council has underwritten their lease at this property such that if TLCIC default on their lease the Council will be responsible for any outstanding rent and services charges.

#### **(j) Local Land Charges**

A group of property search companies sought to claim refunds of fees paid to the Council for land charges data. A number of payments have been made in settlement of these claims but potential exists for further claims in the future but the liability is unknown.

## **(k) AMEY Contract – Warranties, Indemnities – TUPE and Pension**

A number of warranties, guarantees and indemnities are provided for within the Partnership Agreement covering the One Trafford partnership with AMEY Plc. Complete details are available from the Director of Legal and Democratic Services; however a brief summary of the salient points of the major indemnities are as follows

- i) TUPE - The Council has agreed to indemnify AMEY Plc against any liability which arises, partly as a result of any omission by the Council before or after the Service Commencement, in relation to any Transferring Employee who transfers in accordance with TUPE.
- i) Pensions - Employer Contributions - The Council has endeavoured to ensure that the Contribution Rate is calculated on the basis that the liabilities for the Eligible Employees at the Relevant Transfer Date are notionally fully funded on the basis of the assumptions used by the actuary to the Pension Fund. The Council has agreed with AMEY if there is an obligation during the Agreement Period to pay employer contributions which have been determined by reference to a contribution rate greater than the actual Contribution Rate made, the Council shall pay to AMEY an "Excess Amount" equal to the difference between the amount actually paid to the Pension Fund and those which they would have been obliged to contribute.

## **(l) Pension Guarantees**

Where Council employees transfer to a new service provider as a result of a service provision transfer the Council had a duty to secure pension protection for the staff which must be the same as, broadly comparable to, or better than, those they had a right to prior to the transfer. As a result the new service providers often seek "admitted body" status within the Greater Manchester Pension Fund (GMPF) to comply with the requirement.

Public bodies can only obtain "admitted status" if there is a sponsoring body that is willing to provide a guarantee. The guarantee means that if an admitted body fails to pay its pension obligations to GMPF then the Council will take on those obligations.

The Council have given guarantees to a number of organisations, as detailed below

### **Trafford Housing Trust**

See c) (ii) above

### **AMEY Contract**

See details in k) i) above

### **Trafford Leisure - Community Interest Company**

The Council guarantees to underwrite any scheme obligations as and when they fall due should Trafford Leisure Community Interest Company fail to make due and punctual payment to the pension Administering Authority on demand in respect of their scheme obligations.

The likelihood of such guarantees being called upon are not considered to be high risk and in the event of major default then liabilities would be made good by the Council through future year's pension contributions in the same way as that for the Council's main pension liability.

## **51. Contingent Assets**

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### **(a) Section 106 Agreements**

A number of agreements in accordance with Section 106 of the Town and Country Planning Act 1990 exist between the Council and developers associated with the planning conditions attached to new developments. In respect of contributions received to date, should the conditions in the agreement not be met by the Council then amounts would become repayable to developers. Should developments proceed and conditions within agreements be met then the estimated value of contributions the Council will receive is £29.5m..

**(b) NDR Growth Pilot**

In 2015/16 and extended to include 2016/17 the DCLG awarded Greater Manchester Growth Pilot Status allowing it to retain 100% of business rates above an agreed threshold. The Council's share of growth pilot monies totalled £0.9m in 2015/16 and £3.1m in 2016/17. Both figures have been accounted for by the Council and will be paid over to the combined authority in 2017/18 and as such a creditor has been included in our balance sheet to reflect this. Agreement has been reached by the combined authority to retain the 2015/16 figure, however final workings regarding the distribution of the 2016/17 figure have yet to be decided and as such a contingent asset should be noted.

## 52. Nature and Extent of Risks Arising from Financial Instruments

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### Key Risks

The Council provides statutory services to the local population on a not-for-profit basis and as such the few financial instruments used are to manage the risks arising from holding substantial levels of assets and liabilities and not for trading or speculative purposes.

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

### 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 2016/17 was approved by Council on 17 February 2016 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
<b>Debt</b>	
Any new long term debt taken was to fund new capital spending requirements and to bring down the Internal debt to a more manageable level. This action would reduce the risk in the event borrowing rates increase.	No new debt was taken due to borrowing interest rates being considerably higher than investment rates. This action was undertaken in accordance with information obtained from the Council's advisors.
Debt restructuring exercises to be undertaken which produce revenue savings.	No opportunities arose during the year which would generate revenue savings.
<b>Investment</b>	
All investments were placed in accordance with approved 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 £100m.	This limit was not exceeded and at 31 March 2017 Non Specific Investments totalled £48.4m, £4.7m Church Commissioners Local Authority Property Fund and £43.7m for Manchester International Airport shares.



## Prudential Indicators for 2016/17

Indicator	2016/17 Indicator set by Council	2016/17 Actual
<b>Authorised Borrowing Limit</b>		
Maximum level of external debt & other long term liabilities (PFI & leases) undertaken by the authority including any temporary borrowing – this is statutory limit under section 3(1) of the Local Government Act 2003.	£151.8m	£110.8m
<b>Operational Boundary</b>		
Calculated on a similar basis as the Authorised limit & represents the expected level of external debt & other long term liabilities (PFI & leases) excluding any temporary borrowing - it is not a limit.	£135.8m	£110.8m
<b>Upper limits on fixed interest rates</b>		
Maximum limit of fixed interest rate exposure – debt less investment	£3.1m	£3.0m
<b>Upper limits on variable interest rates</b>		
Maximum limit of variable interest rate exposure – debt less investment	£3.3m	£2.8m
<b>Gross debt and Capital Financing Requirement</b>		
This highlights all gross external borrowing is prudent for capital purposes and does not exceed the capital financing requirement. Figures reflect amount of capital financing requirement which exceeds gross external borrowing.	£8.2m	£33.2m
<b>Maturity structure of fixed rate borrowing</b>		
These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing – these are required for upper as shown and lower limits which were set at 0%.		
Under 1 year (this includes the next call date for Market loans)	70%	42%
1 year to 2 years	30%	4%
2 years to 5 years	30%	11%
5 years to 10 years	30%	8%
10 years to 20 years	30%	5%
20 years to 30 years	30%	15%
30 years to 40 years	30%	5%
40 years and above	35%	10%
<b>Maximum principal funds invested exceeding 364 days (including Manchester Airport shares with a value of £43.7)</b>		
These limits are set to reduce the need for early sale of an investment	£100.0m	£48.4m

## Credit Risk

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

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

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

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

The Annual Investment Strategy also imposes maximum amount and time limits with a financial institution located within each category. The credit criteria in respect of financial assets held by the Council are detailed 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		
Banks & Building Societies	Short Term: F1	£10m	1 Year
	Long Term: AA-		
Banks & Building Societies	Short Term: F1	£5m	1 Year
	Long Term: A-		
Money Market & Enhanced 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	1 Year
The Council's own bank if the bank falls below the above criteria for transactional purposes only	N/A	n/a	1 Day
Church Commissioners Local Authority Property Investment Fund	N/A	£10m	10 Years

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 2017 £000	Historical experience of default* %	Estimated maximum exposure to default £000
AAA rated counterparties	19,300	0.04	8
AA rated counterparties	22,000	0.01	2
A rated counterparties	36,400	0.07	25
Non rated counterparties	4,740	n/a	0
Trade debtors **	6,176	Local experience	200
<b>Total</b>	<b>88,616</b>		<b>235</b>

\* The historical default rate has been calculated by using the average 1 year default rates from all three main rating agencies at March 2015

\*\* The estimated maximum exposure to default for trade debtors of £0.2m 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 2017

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £35k 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 2017 that this was likely to crystallise.

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

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

Country	31 March 2016 £000	%	31 March 2017 £000	%
Qatar	0	0	10,000	12
Singapore	3,000	4	3,000	4
Sweden	1,000	1	0	0
UK	69,815	85	60,440	73
United Arab Emirates	8,000	10	9,000	11
<b>Total</b>	<b>81,815</b>	<b>100</b>	<b>82,440</b>	<b>100</b>

The Council does not generally allow credit for its trade debtors, such that £6.2m of the £88.6m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2016 £000s	31 March 2017 £000s
Less than one year	4,907	5,451
More than one year	303	725
<b>Total</b>	<b>5,210</b>	<b>6,176</b>

### Liquidity Risk

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

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

### Refinancing & Maturity Risk

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

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk.

The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial assets based on original principal lent is as follows, and excludes the Manchester airport loan, Section 106 debtors and sums due from customers;

Period	31 March 2016 £000	31 March 2017 £000
Instant access	37,700	19,300
Up to 3 Months	5,500	22,000
3 to 6 Months	16,700	24,100
6 to 9 Months	9,500	7,800
9 to 12 Months	7,600	4,500
Over 1 Year	4,815	4,740
<b>Total</b>	<b>81,815</b>	<b>82,440</b>

The maturity analysis of financial liabilities based on the carrying amount – all trade and other payables due to be paid in less than one year are not shown in the table below:

Period	31 March 2016 £000	31 March 2017 £000
Under 1 Year	4,916	4,987
1 year to 2 years	3,180	4,283
2 years to 5 years	10,080	13,042
5 years to 10 years	12,413	10,305
10 years to 20 years	9,790	16,564
20 years to 30 years	31,823	24,309
30 years to 40 years	533	5,556
40 years and above	40,280	35,212
<b>Total</b>	<b>113,543</b>	<b>114,258</b>

## Market Risk

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

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

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

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

If all interest rates had been 1% higher as at 31 March 2017 with all other variables held constant, the financial effect would be calculated as follows:

	£000
Increase in interest receivable on variable rate investments	(243)
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income & Expenditure Statement)	29,755

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 £43.7m in Manchester Airport Group and £4.7m in Church Commissioners Property Fund. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the price of shares.

All movements in the share values will impact on gains and losses 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 £2.42m 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.

## 53. Trust Funds

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The Council administers a number of Trust Funds. The values of these funds, which are not included in the Balance Sheet, were £0.425m at 31 March 2017 and are listed below.

<b>Value of Fund £ 31.03.16</b>		<b>Value of Fund £ 31.03.17</b>
1,942	J Birkhead Trust Fund	1,945
392,848	Del Panno Trust	393,385
10,321	Miss Muckley Dec'd Legacy	0
32,094	Clifford Wilcox	29,608
<b>437,205</b>	<b>Total monies held in Trusts</b>	<b>424,938</b>

## 54. Effect of Prior Period Adjustments

Prior period adjustments have been made to the Council's 2015/16 published financial statements relating to:-

- (i) Other Operating Expenditure sales proceeds of non current assets now shown as income; was previously netted off the amount written off on disposal. Gross income has increased by £1.102m and expenditure increased by £1.102m
- (ii) Changes (increase) in the Fair Value of Investment Property shown within Financing and Investment Income and Expenditure previously report net within expenditure now shown as income. Gross income has increased by £5.023m
- (iii) The new format of the Comprehensive Income and Expenditure Statement is now based on the Council's management accounts format and therefore excludes the impact of internal support service recharges. This adjustment, together with the treatment of some reserve adjustments in those services, has been reflected in the 2015/16 gross expenditure and income analysis. Overall, however, there is no impact on the level of net expenditure.

2015/16	Gross Expenditure 31 March 2016 £000	Gross Income 31 March 2016 £000	Net Expenditure 31 March 2016 £000
<b>Other Operating Expenditure</b>	<b>31,798</b>	<b>0</b>	<b>31,798</b>
Restatement (i)	1,102	(1,102)	0
<b>Restated Other Operating Expenditure</b>	<b>32,900</b>	<b>(1,102)</b>	<b>31,798</b>
<b>Financing and Investment Income and Expenditure</b>	<b>38,442</b>	<b>(25,885)</b>	<b>12,557</b>
Restatement (ii)	5,023	(5,023)	0
<b>Restated Financing and Investment Income and Expenditure</b>	<b>43,465</b>	<b>(30,908)</b>	<b>12,557</b>
<b>Cost of Services</b>	<b>398,125</b>	<b>(265,435)</b>	<b>132,690</b>
Restatement (iii)	6,263	(6,263)	0
<b>Restated Financing and Investment Income and Expenditure</b>	<b>404,388</b>	<b>(271,698)</b>	<b>132,690</b>



# Supplementary Statements

## Collection fund

### About this account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to local authorities and the Government.

2015/16				2016/17			
Business Rates £000	Council Tax £000	Total £000	Year ended 31 March	Notes	Business Rates £000	Council Tax £000	Total £000
<b>INCOME</b>							
	(97,954)	(97,954)	Income from Council Tax Payers	2		(100,873)	(100,873)
(164,748)		(164,748)	Income from Non-Domestic Rate Payers	3	(169,517)		(169,517)
			Transitional Protection Payments Receivable				
(15,656)		(15,656)	Contributions towards previous years' estimated Collection Fund Deficit	3			0
<b>(180,404)</b>	<b>(97,954)</b>	<b>(278,358)</b>	<b>TOTAL INCOME</b>		<b>(169,517)</b>	<b>(100,873)</b>	<b>(270,390)</b>
<b>EXPENDITURE</b>							
<b>Council Tax Precept Demands :</b>							
	80,376	80,376	- Trafford Council			83,313	83,313
	11,067	11,067	- Police and Crime Commissioner for GM			11,616	11,616
	4,189	4,189	- GM Fire & Rescue Authority			4,341	4,341
<b>Non-domestic Rates :</b>							
80,619		80,619	- Payment to Central Government		85,051		85,051
1,612		1,612	- GM Fire & rescue Authority		1,701		1,701
79,007		79,007	- Trafford Council		83,350		83,350

## Collection fund (continued)

2015/16				2016/17			
Business Rates £000	Council Tax £000	Total £000	Year ended 31 March	Notes	Business Rates £000	Council Tax £000	Total £000
<b>Charges to Collection Fund:</b>							
553	791	1,344	- Write offs of uncollectable amounts		(19)	767	748
210	104	314	- Increase/(Decrease) in Bad Debt Provision		363	(218)	145
(60)		(60)	- Increase/(Decrease) in Provision for Appeals		11,465		11,465
462		462	- Costs of Collection		461		461
77		77	- Disregarded Amounts		78		78
736		736	Transitional Protection Payments Payable		618		618
<b>Contributions :</b>							
3,490	357	3,847	- Distribution of previous years' estimated Collection Fund Surplus	3	34	357	391
<b>166,706</b>	<b>96,884</b>	<b>263,590</b>	<b>TOTAL EXPENDITURE</b>		<b>183,102</b>	<b>100,176</b>	<b>283,278</b>
<b>(13,698)</b>	<b>(1,070)</b>	<b>(14,768)</b>	<b>(Surplus) / Deficit for year</b>		<b>13,585</b>	<b>(697)</b>	<b>12,888</b>
<b>12,133</b>	<b>(772)</b>	<b>11,361</b>	<b>Balance brought forward as 1 April</b>		<b>(1,565)</b>	<b>(1,842)</b>	<b>(3,407)</b>
(13,698)	(1,070)	(14,768)	Deficit/(Surplus) for the Year (as above)		13,585	(697)	12,888
<b>(1,565)</b>	<b>(1,842)</b>	<b>(3,407)</b>	<b>(Surplus) / Deficit as at 31 March</b>	4	<b>12,020</b>	<b>(2,539)</b>	<b>9,481</b>
<b>Allocated to:</b>							
(767)	(1,545)	(2,312)	- Trafford		5,890	(2,138)	3,752
0	(216)	(216)	- Police and Crime Commissioner for GM		0	(293)	(293)
(16)	(81)	(97)	- GM Fire & Rescue Authority		120	(108)	12
(782)	0	(782)	- Central Government		6,010	0	6,010
<b>(1,565)</b>	<b>(1,842)</b>	<b>(3,407)</b>			<b>12,020</b>	<b>(2,539)</b>	<b>9,481</b>

## Notes to the collection fund

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### 1. General

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Trafford, the Council Tax precepting bodies are the Police and Crime Commissioner for Greater Manchester (PCCGM) and the Greater Manchester Fire and Rescue Authority (GMFRA).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NDR tax base.

The scheme allows the Council to retain a proportion of the total NDR received. The Trafford share is 49% with the remainder paid to precepting bodies. For Trafford the NDR precepting bodies are Central Government (50% share) and GMFRA (1% share).

In addition to the above, in 2015/16 and extended in 2016/17, the DCLG awarded Greater Manchester Growth Pilot Status allowing it to retain 100% of business rates above an agreed threshold with the application of any growth including Trafford's share being decided by the combined authority.

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

### 2. Council Tax

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

Each year, the Council must estimate the equivalent number of band D properties, after allowing for discounts, exemptions, losses on collection etc. For 2016/17, the calculation was as follows:

	Total No. Dwellings (i)	Specified Fraction	Band 'D' Equivalent
Band A (disb)	19	X5/9	11
Band A	15,283	x6/9	10,189
Band B	18,544	x7/9	14,423
Band C	24,045	x8/9	21,373
Band D	13,493	x9/9	13,493
Band E	7,192	x11/9	8,791
Band F	4,189	x13/9	6,050
Band G	3,903	x15/9	6,505
Band H	928	x18/9	1,856
	<b>87,596</b>		<b>82,691</b>
Less allowance for losses on collection			(787)
Adjustment for Annexes estimate			(76)
Less cost of Council Tax Support Scheme			(7,984)
<b>Council Tax Base</b>			<b>73,844</b>

The actual number of properties was 97,704, after adjusting for single person discounts, empty properties etc., the notional number of dwellings is 87,596.

The Band D Council Tax levied for the year was £1,315.17 (£1,315.17 in 2015/16).

### 3. Non-Domestic Rates

The business rates shares payable for 2016/17 were estimated before the start of the financial year as £85.051m to Central Government, £1.701m to GMFRA and £83.350m to Trafford Council. These sums have been paid in 2016/17 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Trafford paid a tariff from the General Fund in 2016/17 to the value of £44.509m (see note 13 and 40).

The total income from business rate payers collected in 2016/17 was £169.517m (£164.748m in 2015/16). This sum includes £0.618m (£0.736m in 2015/16) of transitional protection payments from ratepayers, which under Government regulation should have a neutral impact on the business rate retention scheme. This sum has to be repaid to Central Government and therefore increases payments to Central Government to £85.669m.

Authorities are expected to finance appeals made in respect of rateable values as defined by VOA as at 31 March 2017. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged/(credited) to the collection fund for 2016/17 has been calculated at £11.465m (£(0.060)m in 2015/16).

The movement and balance c/fwd on the provision is as follows:-

Value of Provision £ 31.03.16		Value of Provision £ 31.03.17
28,573	Balance at 1 April	28,514
(4,640)	Amount of appeals paid during the year	(5,965)
4,581	In year contributions to the provision	17,430
<b>(59)</b>	<b>Net Increase/(Decrease)</b>	<b>11,465</b>
<b>28,514</b>	<b>Balance at 31 March</b>	<b>39,979</b>

During 2016/17 there was an unexpected increase in the level of appeals which has resulted in significantly higher figure being charged to the collection fund over that originally anticipated at the start of the year. As a consequence, this resulted in an in-year deficit of £13.585m on the business rates element of the Collection Fund. This deficit will need to be made good proportionately by the three precepting bodies, Central Government, Trafford and Greater Manchester Fire and Rescue. Trafford's share of the in-year deficit is £6.657m

From 1st April 2015, the Greater Manchester & Cheshire East (GM&CE) Business Rates pool was established, consisting of the ten Greater Manchester councils plus Cheshire East. The aim of pool is to maximise the retention of locally generated business rates and to ensure that it further supports the economic regeneration of the region. The Pool is not liable to pay any levy on business rate growth to central government and retains this locally because in aggregate the Pool is a net top-up area.

Manchester City Council acted as the lead pool authority with responsibility for all accounting and administration of the Pooled Fund including distributing top up funding, collecting tariff payments and all auditing and financing requirements as set out in relevant legislation.

In addition to the above, in 2015/16 and extended in 2016/17, the DCLG awarded Greater Manchester Growth Pilot Status allowing it to retain 100% of business rates above an agreed threshold. In 2015/16 the Trafford's share of the growth pilot was £0.9m was retained by the combined authority. In 2016/17, Trafford's share of the growth pilot is £3.1m, however due to the uncertainty surrounding the amounts to be retained by the Pool and its application, reference has only been made to such as a contingent asset within Trafford's statement of accounts.

The total non-domestic rateable value at 31 March 2017 is £390.2m (£380.1m 2015/16), and the national multipliers applicable for 2016/17 were 48.4p for qualifying Small Businesses, and the standard multiplier being 49.7p for all other businesses (48.0p and 49.3p respectively in 2015/16).

### ***Estimated Surplus and Deficits***

Regulations require the Council to make estimates in January each year of the surplus or deficit likely to arise at the year end, and to transfer these amounts into or out of the collection fund in the following financial year.

### ***Council Tax Estimated Surplus/Deficit***

In January 2016 it was estimated that the council tax element of the collection fund would have a surplus of £0.357m (£0.357m surplus in January 2015) . This was distributed to the relevant precepting bodies as shown below, with Trafford's element utilised to support General Fund expenditure during the year.

<b>2015/16 £000</b>	<b>Distribution of Council Tax (Surplus) on Collection Fund</b>	<b>2016/17 £000</b>
(300)	Trafford	(300)
(41)	Police and Crime Commissioner for GM	(41)
(16)	Greater Manchester Fire & Rescue Authority	(16)
<b>(357)</b>	<b>Estimated Collection Fund (Surplus)/Deficit</b>	<b>(357)</b>

### ***NDR Estimated Surplus/Deficit***

In January 2016 it was estimated that the NDR element of the collection fund would have a surplus of £33.5k (£12.166m deficit in January 2015). This was collected from the relevant precepting bodies as shown below.

<b>2015/16 £000</b>	<b>Collection of NDR Deficit/Distribution of (Surplus) on Collection Fund</b>	<b>2016/17 £000</b>
5,961	Trafford	(16)
6,083	Central Government	(17)
122	Greater Manchester Fire & Rescue Authority	(0)
<b>12,166</b>	<b>Estimated Collection Fund (Surplus)/Deficit</b>	<b>(33)</b>

## **4. Year End Surplus/Deficit 2016/17**

### ***Council Tax***

The opening balance for the Collection Fund for 2016/17 regarding Council Tax was £1.842m surplus. The £2.539m surplus which had accrued at the year-end in respect of Council Tax transactions will be distributed in subsequent years to the Council's General Fund, the Police and Crime Commissioner for GM and the GM Fire and Rescue Authority.

<b>2015/16 £000</b>	<b>Allocation of year-end (Surplus)/Deficit on Collection Fund</b>	<b>2016/17 £000</b>
(1,545)	Trafford	(2,138)
(216)	Police and Crime Commissioner for GM	(293)
(81)	Greater Manchester Fire & Rescue Authority	(108)
<b>(1,842)</b>	<b>Estimated Collection Fund (Surplus)/Deficit</b>	<b>(2,539)</b>

In the Balance Sheet at 31 March 2017, the Council has included the £2.539m surplus on a disaggregated basis as a Creditor to the Police and Crime Commissioner for GM and the GM Fire & Rescue Authority to the value of £0.401m, and a £2.138m attributable surplus on the Council Tax Collection Fund balance alongside the General Fund.

### ***Non Domestic Rates***

The opening balance for the Collection Fund for 2016/17 regarding NDR was £(1.565)m. and is paid over in subsequent years to the Council's General Fund, the GM Fire and Rescue Authority and Central Government.

<b>2015/16 £000</b>	<b>Allocation of year-end (Surplus)/Deficit on Collection Fund</b>	<b>2016/17 £000</b>
(767)	Trafford	5,890
(16)	Greater Manchester Fire & Rescue Authority	120
(782)	Central Government	6,010
<b>(1,565)</b>	<b>Estimated Collection Fund (Surplus)/Deficit</b>	<b>12,020</b>

In the Balance Sheet at 31 March 2017, the Council has included the £12.020m deficit on a disaggregated basis as a Debtor from the GM Fire & Rescue Authority and Central Government to the value of £6.130m, and a £5.890m attributable deficit to the NDR Collection Fund balance alongside the General Fund.

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# Group Accounts

## Introduction

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The CIPFA Code of Practice requires that where an Authority has material financial interests and a significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

## Inclusion within the Group Accounts

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The Council has a business relationship with one entity over which it has significant control or influence. From October 2015 the services provided by Trafford Community Leisure Trust were transferred into a Community Interest Company (CIC), Trafford Leisure CIC Ltd., wholly owned by the Council.

One other entity called Trafford Youth Trust, which was established on 11<sup>th</sup> March 2016 for the provision of Youth Services, has been excluded from Group Accounts on the grounds of materiality.



## Group Comprehensive Income and Expenditure Statement

This statement sets out the income and expenditure relating to the Council and its subsidiary, as a whole, together with any appropriations to reserves.

2015/16			Year ended 31 March		2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Service	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
185,858	(147,841)	38,017	Children's Services		186,338	(146,798)	39,540
84,787	(36,882)	47,905	Adults Services		87,286	(39,407)	47,879
38,728	(10,120)	28,608	Economic Growth, Environment & Infrastructure		34,769	(9,363)	25,406
33,637	(15,087)	18,550	Transformation & Resources		39,694	(20,186)	19,508
65,044	(65,690)	(646)	Council-wide		67,968	(63,882)	4,086
<b>408,054</b>	<b>(275,620)</b>	<b>132,434</b>	<b>Cost of Services</b>		<b>416,055</b>	<b>(279,636)</b>	<b>136,419</b>
31,798	0	31,798	Other Operating Expenditure		36,575	(3,487)	33,088
43,525	(30,959)	12,566	Financing and Investment Income and Expenditure		38,822	(27,768)	11,054
			Surplus or Deficit on Discontinued Operations				
	(169,359)	(169,359)	Taxation and Non-Specific Grant Income and Expenditure			(163,745)	(163,745)
		<b>7,439</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>16,816</b>
			Tax expense/(Deferred Tax) of subsidiary				
			<b>Group (Surplus) or Deficit</b>				<b>16,816</b>
		(12,472)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets				(12,205)
		1,385	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets				(3,824)
		(64,513)	Re-measurement of Net Defined Benefit / Liability				(3,757)
		<b>(75,600)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(19,786)</b>
		<b>(68,161)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(2,970)</b>

## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into usable reserves (i.e. those that can be applied to fund expenditure) and other reserves. The 'Surplus or Deficit on the Provision of Services' line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for Council Tax setting and dwellings rent setting purposes.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Council's Share of Subsidiary £000	Total Council Reserves £000
Balance as at 31 March 2016	(7,894)	(31,210)	(39,104)	(9,251)	(19)	(7,284)	(55,658)	(160,774)	(103)	(216,535)
<b>MOVEMENT IN RESERVES DURING 2016/17</b>										
(Surplus) or deficit on the provision of services	16,526	-	16,526	-	-	-	16,526	-	290	16,816
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(20,159)	372	(19,787)
<b>Total Comprehensive Income and Expenditure</b>	<b>16,526</b>	<b>-</b>	<b>16,526</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,526</b>	<b>(20,159)</b>	<b>662</b>	<b>(2,971)</b>
<b>Net (Increase)/Decrease before transfers</b>	<b>(6,520)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Adjustments between accounting basis & funding basis under regulations	(23,046)	-	(23,046)	727	(80)	(3,551)	(25,950)	25,950	-	-
<b>Net (Increase)/Decrease before transfers to Earmarked Reserves</b>	<b>(6,520)</b>	<b>-</b>	<b>(6,520)</b>	<b>727</b>	<b>(80)</b>	<b>(3,551)</b>	<b>(9,424)</b>	<b>5,790</b>	<b>662</b>	<b>(2,972)</b>
Transfers (to)/from Earmarked Reserves	8,414	(8,414)	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in 2016/17</b>	<b>1,894</b>	<b>(8,414)</b>	<b>(6,520)</b>	<b>727</b>	<b>(80)</b>	<b>(3,551)</b>	<b>(9,424)</b>	<b>5,790</b>	<b>662</b>	<b>(2,972)</b>
Balance as at 31 March 2017	(6,000)	(39,624)	(45,624)	(8,524)	(99)	(10,835)	(65,082)	(154,984)	559	(219,507)

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Council's Share of Subsidiary £000	Total Council Reserves £000
Balance as at 31 March 2015	(7,871)	(35,278)	(43,149)	(11,540)	(36)	(17,390)	(72,115)	(76,260)	0	(148,375)
<b>MOVEMENT IN RESERVES DURING 2015/16</b>										
(Surplus) or deficit on the provision of services	7,686	-	7,686	-	-	-	7,686	-	(246)	7,440
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(75,743)	143	(75,600)
<b>Total Comprehensive Income and Expenditure</b>	<b>7,686</b>	<b>-</b>	<b>7,686</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,686</b>	<b>(75,743)</b>	<b>(103)</b>	<b>(68,160)</b>
<b>Net (Increase)/Decrease before transfers</b>										
Adjustments between accounting basis & funding basis under regulations	(3,641)	-	(3,641)	2,289	17	10,106	8,771	(8,771)	-	-
<b>Net (Increase)/Decrease before transfers to Earmarked Reserves</b>	<b>4,045</b>	<b>-</b>	<b>4,045</b>	<b>2,289</b>	<b>17</b>	<b>10,106</b>	<b>16,457</b>	<b>(84,514)</b>	<b>(103)</b>	<b>(68,160)</b>
Transfers (to)/from Earmarked Reserves	(4,068)	4,068	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in 2015/16</b>	<b>(23)</b>	<b>4,068</b>	<b>4,045</b>	<b>2,289</b>	<b>17</b>	<b>10,106</b>	<b>16,457</b>	<b>(84,514)</b>	<b>(103)</b>	<b>(68,160)</b>
Balance as at 31 March 2016	(7,894)	(31,210)	(39,104)	(9,251)	(19)	(7,284)	(55,658)	(160,774)	(103)	(216,535)

## Group Balance Sheet

The Group Balance Sheet summarises the financial position of the Council and its subsidiary as a whole. It shows the value of group assets and liabilities at the end of the financial year.

31 March 2016 £000			31 March 2017 £000
438,082	Property, Plant & Equipment		445,460
1,014	Heritage Assets		1,008
34,879	Investment Property		34,399
2,846	Intangible Assets		3,057
44,615	Long Term Investments		48,440
14,447	Long Term Debtors		14,759
<b>535,883</b>	<b>Long Term Assets</b>		<b>547,123</b>
39,464	Short Term Investments		58,648
7,097	Assets Held for Sale		8,521
97	Inventories		109
27,712	Short Term Debtors		24,522
47,614	Cash and Cash Equivalents		30,686
<b>121,984</b>	<b>Current Assets</b>		<b>122,486</b>
(4,683)	Short Term Borrowing		(4,738)
(64,412)	Short Term Creditors		(62,182)
(12,277)	Short Term Provisions		(17,059)
(733)	Grants Receipts in Advance (Revenue)		(573)
(2,463)	Grants Receipts in Advance (Capital)		(1,957)
<b>(84,568)</b>	<b>Current Liabilities</b>		<b>(86,509)</b>
(36)	Long Term Creditors		(36)
(6,493)	Provisions		(7,523)
(102,874)	Long Term Borrowing		(103,737)
(2,724)	Revenue Grants & Contributions – Long-Term Receipts in Advance (REFCUS)		(2,724)
(8,661)	Grant Receipts in Advance (Capital)		(8,156)
(226,187)	Other Long Term Liabilities – Pensions		(231,929)
(9,789)	Other long-term liabilities – Deferred		(9,490)
<b>(356,764)</b>	<b>Long Term Liabilities</b>		<b>(363,595)</b>
<b>216,535</b>	<b>Net assets</b>		<b>219,505</b>
(7,894)	General Fund Balance		(6,000)
(31,491)	Earmarked General Fund Reserves		(39,640)
(9,250)	Capital Receipts Reserve		(8,523)
(19)	Revenue Grants Unapplied (REFCUS)		(99)
(7,285)	Capital Grants Unapplied		(10,836)
<b>(55,939)</b>	<b>Usable Reserves</b>		<b>(65,098)</b>
(37,869)	Revaluation Reserve		(45,267)
(29,401)	Available For Sale Financial Instruments Reserve		(33,225)
(326,487)	Capital Adjustment Account		(320,730)
5,402	Financial Instruments Adjustment Account		5,134
226,187	Pensions Reserve		231,929
(2,312)	Collection Fund Adjustment Account		3,752
3,884	Accumulated Absences Account		4,000
<b>(160,596)</b>	<b>Unusable Reserves</b>		<b>(154,407)</b>
<b>(216,535)</b>	<b>Total Reserves</b>		<b>(219,505)</b>

## Group Cash Flow Statement

The Group Cash Flow Statement summarises the cash flows of the Council and its subsidiary during the year.

2015/16 £000	Year Ended 31 March	2016/17 £000
7,440	Net (surplus) or deficit on the provision of services	16,816
(23,369)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(43,668)
12,905	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	18,361
<b>(3,024)</b>	<b>Net cash flows from Operating Activities</b>	<b>(8,491)</b>
14,901	Investing Activities	26,041
(12,897)	Financing Activities	(623)
<b>(1,021)</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>16,927</b>
(46,593)	Cash and cash equivalents at the beginning of the reporting period	(47,614)
<b>(47,614)</b>	<b>Cash &amp; cash equivalents at the end of reporting period</b>	<b>(30,687)</b>

## Explanatory Notes to the Group Accounts

Where figures in the group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

### G1. Group Accounting Policies

The Accounting Policies of the Council's subsidiary company have been aligned with the Council's Accounting Policies contained in Note 3. Any statutory adjustments between accounting basis and funding basis included in the Council's Accounting Policies do not apply to the subsidiary company. Notes within the group accounts have not been provided except where there are material differences to those provided in Note 3. As a subsidiary, Trafford Leisure CIC Ltd. has been consolidated on a line by line basis with all intra-group transactions and balances removed.

As Trafford Leisure CIC Ltd did not originally have the same reporting date as the Council (previously 1st October to 30th September), accounts for the period 1 October 2015 to 31 March 2017 (18 months) have been prepared and registered with Companies House.

Trafford Leisure CIC Ltd. has also provided additional Management Account information to the Council for the 12 month period ending 31<sup>st</sup> March 2017 which has been used in the consolidation of the above Group Accounts.

### G2. Bodies Not Consolidated

The following have not been consolidated into Group Accounts.

Entity	Reason
Trust Youth Trafford	Subsidiary although not material

Further details can be found in Note 41. Related Parties.

### G3. Bodies Consolidated

Trafford Leisure CIC Ltd. is the only body to be consolidated into the Council's 2016/17 Group Accounts. It is a leisure services provider and is fully owned by Trafford Council.

The audited accounts for the 18 month period to 31 March 2017 are summarised below, with a split for the 6 months to 31 March 16 and 12 months to 31 March 2017 for comparison purposes.

	18 months to 31 March 2017 £000	6 months to 31 March 2016 £000	12 months to 31 March 2017 £000
Net Assets/ (Liabilities)	(558)	103	(558)
(Surplus) or Deficit – before tax	558	(103)	661
(Surplus) or Deficit – after tax	558	(103)	661

Further information and full financial statements for Trafford Leisure CIC Ltd. can be found through the Companies House website, company registration number 9764023.

## G4. Group Defined Benefit Pension Schemes

### Transactions Relating to Post-employment Benefits

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement and the General Fund Balance through the Group Movement in Reserves Statement during the year: Further details relating to the Council's pension schemes can be found in Note 48 and Note 49.

2015/16 £000		2016/17 £000
<b>COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>		
<b>Cost of Services:</b>		
	<i>Service Cost comprising:</i>	
18,993	• current service cost	16,002
894	• past service costs	1,636
(7,773)	• (gain)/loss from settlements	-
	<i>Financing and Investment Income and Expenditure:</i>	
9,025	• net interest cost	7,938
<b>21,139</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>25,576</b>
-	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	-
	Re-measurement of the net defined benefit liability comprising:	
21,327	• Return on plan assets (excluding the amount included in the net interest cost)	(95,641)
-	• Actuarial gains and losses arising on changes in demographic assumptions	805
(74,729)	• Actuarial gains and losses arising on changes in financial assumptions	134,767
(11,611)	• Other	(43,688)
<b>(43,874)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>21,819</b>
	<b>Movement in Reserve Statement</b>	
(6,502)	• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(9,499)
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
13,465	• employers' contributions payable to scheme	13,572
2,407	• retirement benefits payable to pensioners	2,593

### Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Group's obligation in respect of its defined benefit scheme is as follows:

2015/16 £000		2016/17 £000
(780,917)	Present value of the defined benefit obligation	(896,014)
554,730	Fair value of plan assets	664,085
<b>(226,187)</b>	<b>Net Liability arising from defined benefit obligation</b>	<b>(231,929)</b>

### Reconciliation of the Movements in the Fair Value of Scheme Assets

2015/16 £000		2016/17 £000
587,580	Opening fair value of scheme assets	554,730
(24,561)	Effect of Settlements	-
18,112	Interest income	19,308
	<b>Re-measurement gain/(loss):</b>	
(21,327)	• The return on plan assets, excluding the amount included in the net interest expense	95,641
-	• Other	-
15,451	Contributions from employer	16,077
4,217	Contributions from employees into the scheme	4,129
(24,742)	Benefits paid	(25,800)
<b>554,730</b>	<b>Closing fair value of scheme assets</b>	<b>664,085</b>

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

2015/16 £000		2016/17 £000
873,092	Opening present value of scheme liabilities	780,917
18,993	Current service costs	16,002
(32,334)	Effect of Settlements	-
27,137	Interest costs	27,246
4,217	Contributions from scheme participants	4,129
	<b>Re-measurement (gains) and losses:</b>	
-	• Actuarial gains/losses arising from changes in demographic assumptions	805
(74,729)	• Actuarial gains/losses arising from changes in financial assumptions	134,767
(11,611)	• Other	(43,688)
894	Past service cost	1,636
(24,742)	Benefits paid	(25,800)
<b>780,917</b>	<b>Closing present value of scheme liabilities</b>	<b>896,014</b>



## Pension Scheme Assets

	31 March 2016 £000	31 March 2017 £000
Equities	73%	75%
Bonds	17%	16%
Property	6%	5%
Cash	4%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Council and Trafford Leisure CIC Ltd. have engaged Hymans Robertson LLP, an independent firm of actuaries to assess their respective pension schemes, estimates being based on the latest full valuation of the scheme as at 31 March 2016 for both Trafford Leisure CIC Ltd. and Trafford Council.

The significant assumptions (for Trafford Leisure CIC Ltd.) used by the actuary have been:

2015/16	Trafford Leisure CIC Ltd. - Mortality assumptions:	2016/17
<b>Longevity at 65 for current pensioners:</b>		
21.4 years	• men	21.5 years
24.0 years	• women	24.1 years
<b>Longevity at 65 for future pensioners:</b>		
24.0 years	• men	23.7 years
26.6 years	• women	26.2 years
2.2%	Rate of inflation	2.4%
3.5%	Rate of increase in salaries	3.2%
2.2%	Rate of increase in pensions	2.4%
3.6%	Rate for discounting scheme liabilities	2.7%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below is based on possible changes to the assumptions occurring at the end of the reporting period and assumes for each assumption change all other assumptions remain constant.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2015.

<b>Trafford Leisure CIC Ltd. - Change in assumptions at 31 March 2017:</b>	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount £000</b>
0.5% decrease in real discount rate	13%	570
0.5% increase in the salary increase rate	4%	170
0.5% increase in the pension increase rate	9%	386

The significant assumptions used to assess the Council's Pension scheme assets and liabilities can be found in Note 49, along with an associated sensitivity analysis.

## Glossary

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### Actuarial Gains and Losses

Over a reporting period, these consist of:

- (A) Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred, including reflection of any funding valuation which has taken place since the last report); and
- (B) the effects of changes in actuarial assumptions (split between financial and demographic).

### Better Care Fund

The BCF was announced by the Government in the June 2013 spending round to ensure a transformation in health and social care. The BCF creates a pooled budget between the Council and the Clinical Commissioning Group (CCG).

### Capital Financing Charges

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

### Capital Financing Requirement

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

### Capital Grants

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

### Capital Receipts

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

### 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.

### CIPFA/LASAAC

The Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee is the body responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom.

### Collection Fund

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

### Community Assets

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

### Coupon Rate

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

### Creditors

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

## **Current Service Cost (Pensions)**

The increase in the present value of the defined benefit obligation resulting from employee service in the current period.

## **Curtailment**

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

### ***Curtailments include:***

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

## **DCLG (Department for Communities & Local Government)**

This is the Government department which has the main responsibility for Local Government.

## **DfE (Department for Education)**

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

## **Debtors**

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

## **Deferred Debtors/Deferred Capital Receipts**

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

## **Defined Benefit Scheme**

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

## **Defined Contribution Scheme**

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

## **Depreciation/Amortisation**

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

## **Direct Service Organisation (DSO)**

The in-house team which has won a contract to carry out work, or provide a service following a competitive tendering process.

## **Discretionary Benefits**

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

## **Effective Interest Rate**

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

## Financial Instruments

The term covers both financial assets and liabilities. The borrowing, service concession arrangements (PFI & finance leases) and investment transactions are classified as financial instruments.

## General Fund

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

## Greater Manchester Combined Authority (GMCA)

Created by the Local Government, Economic Development and Construction Act, the Greater Manchester Combined Authority (GMCA) assumed its powers and duties on 1 April 2011. It took over the functions previously the responsibility of the Greater Manchester Integrated Transport Authority (GMITA), which it replaced. It also took over responsibility for transport planning, traffic control and wide loads, assumed responsibility for the transportation resources allocated to the Greater Manchester region and regional economic development functions.

## Greater Manchester Waste Disposal Authority (GMWDA)

This is a levying Authority that provides waste disposal strategy, policy and services to nine of the AGMA Councils.

## Heritage Assets

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

## Impairment

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

## Income

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

## Indemnified

To protect against damage, loss or injury; insure.

## Infrastructure Assets

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

## Interest Costs (Pensions)

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

## Investments (Pension Fund)

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

## **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.

## **NDR**

The form of local taxation charged on non-residential premises at a level set by the Government. As part of the grant distribution system (the Business Rates Retention Scheme) business rates are collected and a share retained by the local authority and the balance paid to the local preceptor and the Government.

## **Business Rate Pool**

Trafford continues to be part of the Greater Manchester & Cheshire business rates pool, consisting of the ten Greater Manchester councils plus Cheshire East, Cheshire West and Chester.

## **Pay and Reward Improving Services (PARIS)**

Comprehensive pay and grading review to ensure a fair and equal pay structure across the Council.

## **Past Service Cost**

The change in present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment (the defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by the plan).

## **Precept**

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

## **Present value of defined benefit obligation**

The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

## **Private Finance Initiative**

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

## **Projected Unit Method**

An accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to: the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and the accrued benefits for members in service on the valuation date.

## **Provisions**

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

## **Reserves**

Amounts set aside to meet future costs.

## **Retirement Benefits**

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

benefits, because these are not given in exchange for services rendered by employees.

### **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

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

### **Revenue Support Grant (RSG)**

A grant paid by Central Government to aid local authority expenditure generally.

### **Revenue Contributions**

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

### **Revenue Expenditure**

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

### **Scheme Liabilities**

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

### **Settlement**

Occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan, for example, when a lump- sum cash payment is made to, or on behalf of, plan participants in exchange for their rights to receive specified post-employment benefits.

### **Soft Loan**

This is where loan is either given to or received from an external organisation or individual at conditions which are more favourable than market rates.

### **Stepped Interest Rate Loans**

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

### **Trust Funds**

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

### **Unsupported Borrowing**

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

### **Vested Rights**

In relation to a defined benefit scheme, these are:

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

