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TRAFFORD
COUNCIL

# AGENDA PAPERS FOR

## ACCOUNTS AND AUDIT COMMITTEE

**Date: Wednesday, 6 August 2014**

**Time: 6.30 p.m.**

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

4. **URGENT BUSINESS (IF ANY)**

Any other item or items which by reason of special circumstances (to be specified) the Chairman of the meeting is of the opinion should be considered at this meeting as a matter of urgency.

5. **EXCLUSION RESOLUTION**

Motion (Which may be amended as Members think fit):

That the public be excluded from this meeting during consideration of the remaining items on the agenda, because of the likelihood of disclosure of "exempt information" which falls within one or more descriptive category or categories of the Local Government Act 1972, Schedule 12A (as amended) and specified on the agenda item or report relating to each such item respectively.

6. **INVESTIGATION INTO BUDGET MONITORING ARRANGEMENTS AT TRAFFORD COUNCIL**

**Note: A Briefing note setting out the responsibilities of Members in relation to this item is attached.**

To consider a report on the investigation into the Council's budget monitoring arrangements. Para. 4

*(Please note that this documentation is only available in hard copy and has not been circulated electronically.)*

**THERESA GRANT**
Chief Executive

Membership of the Committee

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

Further Information
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This agenda was issued on **Tuesday, 29 July 2014** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH

**ACCOUNTS AND AUDIT COMMITTEE**

**26 JUNE 2014**

**PRESENT**

Councillor M. Whetton (in the Chair).
Councillors Mrs. L. Evans (Vice-Chairman), J. Baugh, C. Boyes, D. Butt and T. Ross.

Also Present

Councillor Cordingley.

In attendance
Director of Finance (Mr. I. Duncan),
Audit and Assurance Manager (Mr. M. Foster),
Head of Financial Management (Mr. I. Kershaw),
Finance Manager (Mr. D. Muggeridge),
Technical Finance Manager (Mr. G. Bentley),
Principal Audit and Assurance Officer Team Leader (Ms. H. Carnson),
Democratic Services Officer (Mr. I. Cockill).

Also in attendance: Mr. M. Waite, Grant Thornton UK LLP.

**APOLOGIES**

An apology for absence was received from Councillor B. Brotherton.

**1. MEMBERSHIP OF THE COMMITTEE 2014/15, INCLUDING CHAIRMAN, VICE-CHAIRMAN AND OPPOSITION SPOKESPERSON**

Referring to the membership of the Committee for the new Municipal Year, the Chairman welcomed back Councillor Butt as a returning Committee Member.

RESOLVED: That the Membership of the Committee for the 2014/15 Municipal Year, as appointed at the Annual Meeting of the Council held on 11 June 2014 and set out below, be noted:

Councillors Baugh, Boyes, Brotherton (Opposition Spokesperson), Butt, Mrs. Evans (Vice-Chairman), Ross and Whetton (Chairman).

**2. TERMS OF REFERENCE**

RESOLVED: That the Committee's Terms of Reference, as agreed at the Annual Meeting of the Council held on 11 June 2014, be noted.

**3. MINUTES**

RESOLVED: That the Minutes of the meeting held on 25 March 2014, be approved as a correct record and signed by the Chairman.

## 4. PRE-AUDITED ACCOUNTS 2014

The Director of Finance provided an oral update on the preparation of the pre-audited Statement of Accounts for the year ended 31 March 2014.

The Executive Member for Finance and the Director of Finance also submitted the 2013/14 Revenue Budget Monitoring Outturn report detailing the main areas of overall budget variance, the General Reserve and Council Tax Collection Fund balances and commitments. The Director of Finance reported that the Adult Social Care figures had been amended to correct for unsound forecast assumptions and that the matter was subject of an investigation which upon completion would be brought before the Committee.

In response to specific questions regarding the Adult Social Care Budget overspend, the Director of Finance indicated that since there was likelihood that exempt information would be disclosed, it would be advisable to consider the matter following the exclusion of the press and public (Minute No. 13 refers).

Also before the Committee was the Capital Investment Programme Outturn report summarising the outturn position for 2013/14 and the consequential impact on the Medium Term Financial Plan 2014/17. Members' questions concerned the town centre loan scheme, 'Bringing Town Centres Alive; the Altair Development, Altrincham; and the purchase of additional burial land at Dunham Cemetery. The Director of Finance responded and would provide additional clarification direct to the Members concerned.

RESOLVED –

(1) That the Committee notes that the Director of Finance, the Council's 'Responsible Financial Officer' has authority to approve the Pre-Audited Accounts 2014 by the 30 June 2014 deadline.

(2) That the Committee's consideration of the un-audited Statutory Financial Accounts for the Year 2013/14 and the 2013/14 Revenue Budget Monitoring Outturn report be deferred to a Special Meeting of the Accounts and Audit Committee to be arranged provisionally late July 2014.

(2) That the Capital Investment Programme 2013/14 Outturn being presented to the Executive on 28 July 2014, be noted.

## 5. TREASURY MANAGEMENT ANNUAL PERFORMANCE 2013/14 REPORT

The Executive Member for Finance and the Director of Finance submitted a joint report reviewing treasury activities for the past financial year, in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice as adopted by the Council.

RESOLVED: That the Committee advises the Council:

(i) of the Treasury Management activities undertaken in 2013/14;
(ii) that no prudential limits were breached during 2013/14; and
(iii) that both the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance were fully complied with.

**6. INSURANCE PERFORMANCE REPORT 2013/14**

The Director of Finance submitted a report concerning the Council's non-schools insurance activities for 2013/14 which updated the Committee on performance in respect of the major classes of insurance, the current budget position and insurance tender and initiatives.

RESOLVED: That the report be noted.

**7. GRANT THORNTON: AUDIT COMMITTEE UPDATE**

Members received a report from Grant Thornton UK LLP on the progress at June 2014, in delivering its responsibilities as the Authority's external auditor.

The report also highlighted key emerging national issues and developments and a number of challenge questions in respect of the emerging issues.

In relation to fraud prevention, the Committee expressed concern over drivers illegally using the Blue Badge scheme and identified this as an area for review.

RESOLVED: That the Committee notes the report and recommends that the Council investigates measures to tackle Blue Badge fraud.

**8. ANNUAL INTERNAL AUDIT REPORT 2013/14**

The Audit and Assurance Manager submitted a report providing an opinion on the standard of internal controls during 2013/14 and a summary of the work of the Audit and Assurance Service during the period.

RESOLVED: That the report be noted.

**9. 2013/14 DRAFT ANNUAL GOVERNANCE STATEMENT**

The Audit and Assurance Manager submitted a report setting out the Draft 2013/14 Annual Governance Statement (AGS) following its review by the Corporate Management Team (CMT) and a sub-group of the Accounts and Audit Committee, namely, the Chairman (Councillor Whetton) and Opposition Spokesperson (Councillor Brotherton).

The report advised that the AGS would take into account any feedback or further developments through June to September 2014. The final version, signed off by the Leader of the Council and Chief Executive, would be presented for approval by the Committee in September 2014 to accompany the Council's Accounts.

RESOLVED: That the Committee notes that the Sub-Group of the Accounts and Audit Committee, given delegated responsibility to review the robustness of the 2013/14 Annual Governance Statement:

(a) is satisfied with the robustness of the process followed in generating the Statement;
(b) is satisfied that the Statement itself is robust; and
(c) has agreed the amendments to the Corporate Governance Code.

## 10. ACCOUNTS AND AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL 2013/14

The Chairman and Vice-Chairman of the Committee presented a report setting out the proposed Annual Report of the Accounts and Audit Committee for 2013/14 for submission to the Council.

RESOLVED: That the 2013/14 Annual Report of the Accounts and Audit Committee be noted and presented to the Council for information.

## 11. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2014/15

The Audit and Assurance Manager submitted a report setting out the Committee's proposed work plan for the 2014/15 Municipal Year, outlining the areas to be considered by the Committee at each of its meetings over the period of the year. The work plan would help to ensure that the Committee meets its responsibilities under its Terms of Reference and maintain focus on key issues and priorities as defined by the Committee.

Noting that the work programme was flexible, Members suggested possible areas to cover with the understanding that items could be added or rescheduled to ensure that the Committee best meets its responsibilities.

RESOLVED –

(1) That, with the inclusion of External Audit's Audit Plan at the Committee meeting on 24 March 2015, the 2014/15 work programme be approved.

(2) That consideration be given to the following areas of work suggested by Members:

- Reshaping Trafford and new delivery models which include the joint venture/trust concept;
- Welfare Reform;
- Council Reserves;
- Salford, Trafford and Rochdale (STaR) Joint Committee arrangements;

and that any further suggestions be forwarded to the Audit and Assurance Manager.

## 12. EXCLUSION RESOLUTION

RESOLVED: That the public be excluded from this meeting during consideration of the remaining item of business because of the likelihood of disclosure of “exempt information” which falls within Paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended.

(Note: The Head of Financial Management, Finance Manager, Technical Finance Manager and Principal Audit and Assurance Officer Team Leader left the meeting.)

## 13. PRE-AUDITED ACCOUNTS 2014 - CONSIDERATION OF EXEMPT INFORMATION

Further to Minute 4 considered earlier, the Director of Finance provided an oral update on the overspend in the Adult Social Care Budget advising when discrepancies were identified; on action taken and investigations undertaken; and management, elected member and external involvement. The Director of Finance also responded to Members questions on the matter and the Committee was grateful for clarification in this respect.

RESOLVED: That the Committee notes that the matter is subject to investigation and upon its outcome a report will be presented to a Special Meeting of the Accounts and Audit Committee.

The meeting commenced at 6.30 p.m. and finished at 8.34 p.m.

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TRAFFORD COUNCIL

HOLD FAST THAT WHICH IS GOOD

# ACCOUNTS 2014

## Core Financial Statements



## Explanatory notes to the Core Financial Statements:

## **Explanatory notes to the Core Financial Statements** (**continued**):



## **Supplementary Statements**:

### Introduction

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

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

### Major Changes Reflected in the Accounts

*Changes affecting the Primary Statements and collection fund:*

- On 1 April 2013 the responsibility for the provision of Public Health services, in the sum of £10.2m transferred from Trafford Clinical Commissioning Group (TCCG) to the Council. This new service spend now has its own line on the face of the CIES.
- Accounting changes upon the adoption of IAS19 Employee Benefits which affects the valuation of pension assets required a re-categorisation of £3.6m in the 2012/13 comparative figures between lines 'financing and investment income and expenditure' and 'actuarial gains and losses on pension assets and liabilities'.
- Major changes have been required in the CIES, Balance Sheet and Collection Fund, and associated notes, to accommodate the change in the ownership of business rates between the precepting bodies of the Government, Greater Manchester Fire & Rescue Authority (GMFRA) and the Council. There are a number of additional notes throughout the main document, however, the key messages are; the Council now has a 49% share of all business rates collected up to a pre-determined target level or 'baseline', however it must pay to a Government pool a pre-determined 'tariff' payment of £42.5m, any business rates above the baseline are divided between the precepting bodies in the ratio 50%/1%/49% respectively, but the Council must also pay half of its share above baseline to a central Government pool in order to fund a safety net that provides 100% cover for any Local Authority that suffers an actual collection that is more than a 7.5% loss of its baseline less any tariff, which in the case of the Council is a reduction of more than £5.0m, and up to this amount the share of responsibility between the precepting bodies is the same as gains at 50%/1%/49%.

*Changes affecting disclosures/notes:*

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

*Business changes:*

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

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

**Brief Guide to Accounts Contents:**

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

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

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

There can be choices in accounting conventions and/or treatment that would be more practical for a given organisation in order for it to show a truer reflection of economic activity or value. The Council's choices are outlined in detail in the Accounting Policies (note 1) on pages 18 to 30.

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

The Comprehensive Income and Expenditure Statement (page 11-12) shows the Council's financial performance for the year, measured in terms of the resources consumed and generated, as defined in the Code, over the period 1 April 2013 to 31 March 2014. However, the Council is required to set its budget and raise Council Tax on a different accounting basis than the Code, the main differences being:

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

The variations in accounting treatment between the Council's management accounts and (financial) Accounts 2014 are adjusted for within the Movement in Reserves Statement on pages 15 to 16, with more detail in note 7 on pages 35 to 43. A summary reconciliation between the CIES net gain and the management accounts net declared underspend position is provided later on in this foreword.

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

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

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

Explanatory notes to the primary statements are provided on pages 18 to 115. These notes expand on the figures, providing greater detail and information as prescribed or as necessary. Included within these notes is a statement on 2013/14 capital expenditure and how this was funded on pages 93 to 95.

The Council has the responsibility for collecting all Council Tax due in the Borough on behalf of itself, the Police and Crime Commissioner for Greater Manchester, the GM Fire and Rescue Authority and Partington Town Council. It also has the responsibility for collecting all of the National Non-Domestic Rates (Business Rates) on behalf of itself, the GMFRA and the Government. The financial activity relating to local taxation is contained in the Collection Fund statement, pages 116 to 119.

**Key Features in the Accounts**

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

*Comprehensive Income & Expenditure Statement (CIES):*

- the deficit on the provision of services on the CIES is £20.7m (2012/13 restated for pension adjustments at £25.5m). However, the management accounts declare an outturn underspend of £(3.7)m (2012/13 £(1.0)m). The differences between these two statements of financial performance relate to the differences in accounting practices applied, which are adjusted for in the MiRS, and a summary reconciliation between the two outturns is provided later in the foreword;
- the total balance on the CIES has reduced from a £45.1m deficit to a £(16.8)m surplus. The movement in the CIES of £(62.0)m primarily relates to:
- changes in the valuation of net pension liability of £(62.4)m.
- reduction in capital charges to the cost of services of £(10.5)m.
- revaluation of (PPE) assets £(6.4)m.
- a reduced one-off benefit of Manchester Airport Shares of £11.7m (£19.1m in 2012/13 compared to £7.4m in 2013/14).
- £5.1m reduction in capital grant income.
- the share of the deficit on the Collection Fund up to the safety net of £2.4m being charged to the CIES as part of the accounting changes caused by the introduction of Business Rates Retention.
- plus the change in 'management account' outturns of £(2.7) and other net movements of £0.8m.

*Balance Sheet:*

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

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

*Collection Fund – Council Tax:*

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

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

Collection Fund - Business Rates

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

**General Fund**

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

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

**Outturn of Financial Performance**

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

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

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

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

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

**Reconciliation between Statutory Accounts and Management Accounts**

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

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

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

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

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

**General Reserve**

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

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

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

**Trading Organisations**

The Council maintains a number of trading operations (see note 31 page 79), which made a surplus in the year on normal activity of £(0.185)m.

**Capital Investment**

Capital expenditure for the year amounted to £33.5m, details of which can be found on pages 93 to 95:

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

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

The expenditure was financed by:

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

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

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

**Treasury Management**

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

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

*Debt Summary*

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

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

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

Further details can be found in note 51 on page 106.

**Investments Summary**

The Council operates its own trading function for the investment of surplus cash deposits. The Council's investments, excluding cash at bank, totalled £50.9m as at 31 March 2014 and this compares to £52.2m as at 31 March 2013. In 2013/14 an average investment rate of 0.74%, 0.38% above the market benchmark (London Inter-bank BID 7day rate), was achieved. This compares with an average return of 0.88%, in 2012/13 which was 0.49% above the LIBID 7day rate. Further details can be found in note 16 page 58.

**Collection of Council Tax and Business Rates**

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

A total of £93m of Council Tax was collected in respect of 2013/14, a performance of 97.7% (98.1% in 2012/13). Details of the Collection Fund can be found on page 116, which shows an overall surplus of £(0.457)m. This surplus is apportioned to the Council, the Police and Crime Commissioner for GM and the GM Fire and Rescue Authority on a proportionate basis. Trafford's share of the surplus is £(0.384)m which is shown in note 25 (vi) (page 73).

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

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

**Net Pensions Asset / Liability**

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

Further details on the Council's overall net pensions asset/liability are included in notes 47 and 48 on pages 97 to 102.

**Provisions and write-offs**

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

The Provision to settle Equal Pay and related legislation claims which had an opening balance of £(3.8)m, was increased during the year by £(1.6)m, and a significant number of claims were settled at a total of £2.6m, leaving a balance at year end of £(2.8)m. Further claims have been received, and the increase in the provision during the year reflects this increased demand (see note 23 on page 66).

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

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

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

**Contingent Liabilities**

There are a number of changes in the Council's contingency liabilities which are discussed on page 103:

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

**Events after the Balance Sheet Date**

No significant events affecting the valuation of the Balance Sheet have been identified at the time of drafting the accounts. Should events become known after this date but before the award of the Audit certificate, an appropriate entry may be made.

**Future Budgets**

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

**Future Developments**

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

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

- The Government continues to encourage schools to become academies, after which such schools become independent of the Council. Furthermore, Schools funding is also more restricted than it has been in the past causing schools to identify cost saving measures. A mix of Academies and a harder trading market with schools could have a consequential impact on service delivery and the recovery of overheads with non-schools trading services, as well as changes to funding distribution.

- In response to these many changes to services, funding, and overarching environment, and the requirements of the Localism Act 2011, the Council is also reviewing how it will organise itself and how it will work with partners and all relevant agencies to commission and deliver public services into the future.

**Ian Duncan CPFA**
**Director of Finance**
**27 June 2014**

# statement of responsibilities for the statement of accounts

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

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

In preparing this Statement of Accounts, the Director of Finance has:
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

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

**Certification**

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

**Ian Duncan CPFA**
**Director of Finance**
**27 June 2014**

# audit opinion

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

# comprehensive income and expenditure statement

**About this Statement**

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

| Restated 2012/13 | | | Year ended 31 March | | 2013/14 | | |
|---|---|---|---|---|---|---|---|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Service | Note | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 18,171 | (15,624) | 2,547 | Central services to the public | | 4,400 | (1,532) | 2,868 |
| 13,632 | (1,493) | 12,139 | Cultural & Related Services | | 13,459 | (1,050) | 12,409 |
| 18,733 | (6,696) | 12,037 | Environmental & Regulatory Services | | 15,899 | (4,296) | 11,603 |
| 16,183 | (1,929) | 14,254 | Planning Services | | 7,330 | (1,711) | 5,619 |
| 200,843 | (151,056) | 49,787 | Children's and Education Services | | 181,763 | (143,116) | 38,647 |
| 14,057 | (2,746) | 11,311 | Highways and Transport Services | | 13,455 | (2,605) | 10,850 |
| 74,324 | (65,506) | 8,818 | Housing Services | | 72,812 | (67,672) | 5,140 |
| 70,281 | (13,155) | 57,126 | Adult social care | | 72,802 | (11,263) | 61,539 |
| - | - | - | Public Health | | 10,360 | (10,247) | 113 |
| 4,335 | (1,318) | 3,017 | Corporate and Democratic Core | | 6,889 | (3,195) | 3,694 |
| 4,765 | 0 | 4,765 | Non Distributed Costs | 47/48 | 8,606 | 0 | 8,606 |
| **435,324** | **(259,523)** | **175,801** | **Cost of Services** | | **407,775** | **(246,687)** | **161,088** |
| 37,967 | (3,215) | 34,752 | Other operating expenditure | 9 | 34,933 | 0 | 34,933 |
| 37,510 | (26,988) | 10,522 | Financing and investment income and expenditure | 10/53 | 40,120 | (30,462) | 9,658 |
| 0 | 0 | 0 | Surplus or deficit of discontinued operations | | 0 | 0 | 0 |
| 0 | (195,578) | (195,578) | Taxation and non-specific grant income and expenditure | 11/39 | 0 | (185,016) | (185,016) |
| | | **25,497** | **(Surplus) or Deficit on Provision of Services** | **53** | | | **20,663** |

## comprehensive income and expenditure statement (continued)

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

# balance sheet

**About this Statement**

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

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

# balance sheet (continued)

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

**Ian Duncan CPFA**
**Director of Finance**
**27 June 2014**

## movement in reserves statement

**About this Statement**

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

**Movement in Reserves during 2013/14**

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

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

# movement in reserves statement (continued)

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

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

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

# cash flow statement

**About this Statement**

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

| 2012/13 £000 | Year Ended 31 March | 2013/14 £000 |
|---|---|---|
| 21,897 | Net (surplus) or deficit on the provision of services | 20,663 |
| (20,791) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | (61,347) |
| 24,069 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 21,035 |
| **25,175** | **Net cash flows from Operating Activities (note 26)** | **(19,649)** |
| (12,524) | Investing Activities (note 27) | (157) |
| 1,112 | Financing Activities (note 28) | 14,140 |
| **13,763** | **Net increase or decrease in cash and cash equivalents** | **(5,666)** |
| | | |
| (42,114) | Cash and cash equivalents at the beginning of the reporting period | (28,351) |
| **(28,351)** | **Cash & cash equivalents at the end of reporting period (note 20)** | **(34,017)** |

## notes to the accounts

### 1. Accounting Policies

### (a) General Principles

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

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

### (b) Accruals of Income and Expenditure

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

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

### (c) Acquisitions and Discontinued Operations

There are no acquisitions or discontinued operations to report.

### (d) Cash and Cash Equivalents

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

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

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

**(e) Exceptional Items**

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

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

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

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

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

**(g) Charges to Revenue for Non-Current Assets**

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

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

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

**(h) Employee Benefits**

**Benefits Payable During Employment**

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

**Termination Benefits**

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

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

**Post Employment Benefits**

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

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

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

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

**The Local Government Pension Scheme**

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on the indicative rate of return on a basket of high quality corporate bonds, Government gilts and other factors).

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

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

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

Service cost comprising:

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

Re-measurements comprising:

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

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

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

**Discretionary Benefits**

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

## (i) Events After the reporting Period

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

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

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

## (j) Financial Instruments

### Financial Liabilities (Debt and Interest Charges)

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

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

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

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

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

### Financial Assets

Financial Assets are classified into three types:

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

  Accounting treatment: these assets are initially measured at fair value and carried at their amortised cost, where any interest receivable is spread evenly over the life of the investment. Credits to the CIES for interest receivable up to and including 31

March are based on the balance sheet amount multiplied by the effective interest rate. For most of the investments that the Council has made, the amount shown in the Balance Sheet is the outstanding principal plus the accrued interest up to and including 31 March.

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

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

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

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

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

**(k) Foreign Currency Translation**

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

**(l) Government Grants and Contributions**

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

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

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

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

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

**(m) Heritage Assets**

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

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

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

**Trafford Town Hall Collection**

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

**Historic Buildings**

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

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

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

**Heritage Assets not reported on the balance sheet**
Trafford owns 25 listed assets that have heritage status per the National Planning Framework, e.g. Trafford Town Hall, Stretford Public Hall and numerous war memorials.

Listed buildings like the Town Hall are used in the delivery of services and as such are included in the balance sheet as Property Plant and Equipment. In respect of other listed assets e.g. war memorials no valuation is available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements; those assets have not been included on the balance sheet.

**(n) Intangible Assets**

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

**(o) Interests in Companies and Other Entities**

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

**(p) Inventories and Long-Term Contracts**

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

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

**(q) Investment Property**

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

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

**(r) Jointly Controlled Operations and Jointly Controlled Assets**

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

**(s) Leases**

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

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

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

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

**The Council as Lessee**

Operating Leases

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

**The Council as Lessor**

**Operating Leases**

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

**(t) Overheads and Support Services**

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

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

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

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

**(u) Property, Plant and Equipment (PPE)**

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

**Recognition**

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

**Measurement**

Assets are initially measured at cost comprising:

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

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

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

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

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

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

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

**Depreciation**

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

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

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

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

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

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

**Revaluation and Impairment Losses**

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

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

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

**Disposals and Non-current Assets Held for Sale**

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

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

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

**Capital Receipts**

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

**Minimum Revenue Provision**

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

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

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

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

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

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

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

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

**(w) Provisions, Contingent Liabilities and Contingent Assets**

**Provisions**

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

**Provision for Back Pay Arising from Unequal Pay Claims**

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

**Contingent Liabilities**

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

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

**Contingent Assets**

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

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

**(x) Reserves**

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

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

**Insurance**

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

**(y) Revenue Expenditure Funded from Capital Under Statute (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.

**(z) VAT**

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

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

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

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

## 3. Critical Judgements in Applying Accounting Policies

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

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

- Transfer of Schools to Academy Schools - When a school that is held on the Council's balance sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration, on the date that the school converts to Academy status, rather than as an impairment on the date approval was granted.
- Component assets - where an asset value exceeds £1m a review is undertaken to determine whether any major components comprising plant, equipment and services exist and these components are depreciated separately.

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

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

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

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| Business Rates | Following the introduction of the Business Rate Retention Scheme, the Council is now responsible for a share of the cost of successful appeals. A provision has therefore been included for the cost of appeals as at 31 March 2014 based on VOA office data on appeals. | |
| Provisions | **Equal Pay:** The Council has made a provision of £2.9m for the settlement of claims relating to equal pay. There is some certainty over the payments required on current claims as negotiations with the legal representatives for most claimants are at an advanced stage. However, there remains the potential for future claims, particularly as this area of law is new and could allow for claims on grounds not yet foreseen. The legislation is retrospective covering employment going back to 2001, however, the Council has taken steps to limit liability and a senior team of officers maintain a careful watching brief.<br>**Insurance Claims:** Annually the Council receives an independent actuary report that determines the amount to be set aside to cover the cost of outstanding liability claims. As at 31/3/14 the provision stands at £3.759m. | Based on the experience of other Councils it is anticipated that the current provision should prove sufficient. However, there is considerable uncertainty in this area, and a substantial increase in liability is not impossible. Such an increase would impact on available reserves, the application of capital receipts, and the revenue budget – particularly if the level of liability required prudential borrowing to smooth its effect over a number of future years.<br><br>In the event that the cost of insurance claims exceeds this amount then the excess will be met from the insurance reserve. |

| | | |
|---|---|---|
| | **MMI:** A provision of £0.419m was made in 2012/3 as a consequence of the Council's former insurer, MMI, triggering a scheme of arrangement (Note 23 vi refers). The amount was based on an initial levy imposed on scheme creditors. This has subsequently been utilised in 2013/14. | Should MMI request additional levy payments then this will be met from the insurance reserve. |
| Pensions liability | The pensions liability is based on assumptions relating to discount rates used, future changes in salaries, changes in retirement ages, mortality rates and expected returns on pension fund assets. These assumptions are reviewed regularly. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. | Changes in liability are actuarially measured every three years, and increases in contributions spread over the following three years. The pension contribution is a key financial assumption in the medium term financial plan. |
| Arrears | At 31 March 2014, the Council had a balance on trade debtors of £4.4m. Impairment of doubtful debts was reviewed and an appropriate provision determined. | If collection rates were to deteriorate by 5%, this would require an estimated additional provision of £0.2m |

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

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

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

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

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

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

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

## 6. Events After the reporting Period

No material matters have arisen that would affect the primary statements between the period end, 31 March 2014, and the date of the draft accounts, 27 June 2014. Should events arise after the draft accounts date but before the issue of the Audit certificate an appropriate entry may be made.

**Adjusting events after the reporting period**

**Non-adjusting events after the reporting period**

**Non Domestic Rates – Appeals Outstanding at 31 March 2014**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Transfers to/from Earmarked Reserves (continued)**

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

**Transfers to/from Earmarked Reserves (continued)**

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

**Transfers to/from Earmarked Reserves (continued)**

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

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

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

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

(ii) Included are levies as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| 2012/13 £000 | | 2013/14 £000 |
|---|---|---|
| (88,401) | Council Tax income | (78,897) |
| (64,547) | Non domestic rates* | (29,502) |
| (21,606) | Non-ringfenced government grants* | (60,654) |
| (21,024) | Capital grants and contributions* | (15,963) |
| **(195,578)** | **Total** | **(185,016)** |

* Further detail on grants is shown in note 39.

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

| | Other land & buildings £000 | Vehicles, plant & equipment assets £000 | Infrastructure assets £000 | Community assets £000 | Surplus assets £000 | Assets under construction £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Cost or Valuation:** | | | | | | | |
| **As at 1 April 2013** | **255,280** | **20,078** | **185,561** | **19,428** | **15,804** | **31,733** | **527,884** |
| Additions | 14,853 | 863 | 5,470 | 388 | 15 | 4,914 | **26,503** |
| Disposals (incl. adj. for academy school transfers) | (10,961) | | | | (480) | | **(11,441)** |
| Reclassification to Assets Held for Sale | | | | | (2,197) | | **(2,197)** |
| Other Reclassifications | 27,244 | 806 | 637 | 86 | 1,519 | (30,629) | **(337)** |
| Accumulated depreciation and impairment written out on revaluation adj. | (10,145) | | | | | | **(10,145)** |
| Revaluation increases/(decreases) recognised in the revaluation reserve | 725 | | | | 1,310 | | **2,035** |
| Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services | | | | | | | |
| **As at 31 March 2014** | **276,996** | **21,747** | **191,668** | **19,902** | **15,971** | **6,018** | **532,302** |
| **Depreciation and Impairments:** | | | | | | | |
| **As at 1 April 2013** | **(51,560)** | **(15,965)** | **(43,412)** | **(3,363)** | **(2,946)** | | **(117,246)** |
| Depreciation charged to CIES (ii) | (6,960) | (1,386) | (3,763) | (392) | | | **(12,501)** |
| Impairment charged to CIES | (5,808) | | | | (36) | | **(5,844)** |
| Impairment written off to Revaluation Reserve | | | | | | | |
| Revaluation Reserve | | | | | | | |
| Disposals | 2,539 | | | | | | **2,539** |
| Reclassifications | | | | | | | |
| Accumulated depreciation and impairment written out on revaluation adj. | 10,087 | | | | | | **10,087** |
| Revaluations | | | | | | | |
| **As at 31 March 2014** | **(51,702)** | **(17,351)** | **(47,175)** | **(3,755)** | **(2,982)** | | **(122,965)** |
| **Net Book Value:** | | | | | | | |
| **Balance Sheet amount as at 31 March 2014*** | **225,294** | **4,396** | **144,493** | **16,147** | **12,989** | **6,018** | **409,337** |
| | | | | | | | |
| **Balance Sheet amount as at 1 April 2013*** | **203,720** | **4,113** | **142,149** | **16,065** | **12,858** | **31,733** | **410,638** |
| **Nature of Asset Holding** | | | | | | | |
| Owned | 212,891 | 4,396 | 144,493 | 16,147 | 12,989 | 6,018 | 396,934 |
| Finance Lease | | | | | | | |
| PFI(i) | 12,403 | | | | | | **12,403** |
| **Total** | **225,294** | **4,396** | **144,493** | **16,147** | **12,989** | **6,018** | **409,337** |

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

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

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

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

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

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

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

**Comparative Movements in 2012/13:**

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

**Comparative Movements in 2012/13 (continued):**

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

**Valuation of Non-Current Assets held at fair value**

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

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

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

**Treatment of Non-Community Schools**

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

**Significant commitments under capital contracts as at 31 March 2014**

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

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

## 13. Heritage Assets (Balance Sheet page 13)

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

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

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

## 14. Investment Properties (Balance Sheet page 13)

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

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

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

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

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

## 15. Intangible Assets (Balance Sheet page 13)

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

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

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

None of the software are internally generated.

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

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

| | 2012/13 | | | 2013/14 | | |
|---|---|---|---|---|---|---|
| | **Internally Generated Assets** | **Other Assets** | **Total** | **Internally Generated Assets** | **Other Assets** | **Total** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Balance at start of year:** | | | | | | |
| Gross carrying amounts | 0 | 3,073 | **3,073** | | 3,299 | **3,299** |
| Accumulated amortisation | | (605) | **(605)** | | (902) | **(902)** |
| **Net carrying amount at start of year** | **0** | **2,468** | **2,468** | | **2,397** | **2,397** |
| Additions: | | | | | | |
| Internal development | | 194 | **194** | | (5) | **(5)** |
| Purchases | | 32 | **32** | | | |
| Acquired through business combinations | | | | | | |
| Assets reclassified as held for sale | | | | | | |
| Other disposals | | | | | | |
| Revaluations increases or decreases | | | | | | |
| Impairment losses recognised or reversed directly in the Revaluation Reserve | | | | | | |
| Impairment losses recognised in the Surplus/Deficit on the Provision of Services | | | | | | |
| Amortisation for the period | | (297) | **(297)** | | (331) | **(331)** |
| Other changes | | | | | 6 | **6** |
| **Net carrying amount at end of year** | | **2,397** | **2,397** | | **2,067** | **2,067** |
| | | | | | | |
| Comprising: | | | | | | |
| Gross carrying amounts | | 3,299 | **3,299** | | 3,300 | **3,300** |
| Accumulated amortisation | | (902) | **(902)** | | (1,233) | **(1,233)** |
| | | **2,397** | **2,397** | | **2,067** | **2,067** |

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

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

## 16. Financial Instruments

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

| | Long Term 31 March 2013 £000 | Short Term 31 March 2013 £000 | Long Term 31 March 2014 £000 | Short Term 31 March 2014 £000 |
|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | |
| **Available For Sale Financial Assets** | | | | |
| MAG Shareholding (See note on “Interest in Companies” on page 57) | 29,300 | 0 | 36,700 | 0 |
| | | | | |
| **Loans & Receivables – Other Investments** | | | | |
| Principal | 0 | 32,400 | 5,000 | 21,900 |
| Accrued Interest | 0 | 113 | 0 | 18 |
| **Sub-total – Other Investments** | 0 | 32,513 | 5,000 | 21,918 |
| **Sub-Total Investments** | **29,300** | **32,513** | **41,700** | **21,918** |
| | | | | |
| **Loans & Receivables - Cash and cash equivalent:** | | | | |
| Cash at Bank | 0 | 8,554 | 0 | 9,903 |
| Principal | 0 | 19,760 | 0 | 24,040 |
| Accrued interest | 0 | 37 | 0 | 74 |
| **Sub-total Cash and Cash equivalent** | **0** | **28,351** | **0** | **34,017** |
| | | | | |
| **Loans & Receivables – Other Financial Instruments** | | | | |
| MAG Loans (included within Long term debtors) | 8,693 | 0 | 8,693 | 0 |
| Section 106 debtors (included within Short Term debtors) | 0 | 2,479 | 0 | 1,413 |
| Trade Debtors (included within Short Term debtors) | **0** | **3,679** | **0** | **4,412** |
| **Sub-total** | **8,693** | **6,158** | **8,693** | **5,825** |
| | | | | |
| **TOTAL FINANCIAL ASSETS** | **37,993** | **67,022** | **50,393** | **61,760** |
| | | | | |
| **FINANCIAL LIABILITIES** | | | | |
| **Financial Liabilities at Amortised Cost - Borrowings** | | | | |
| Principal | (97,415) | (3,056) | (94,992) | (2,424) |
| Accrued Interest | 0 | (1,054) | 0 | (836) |
| Market loans EIR adjustments | (1,915) | 0 | (2,447) | 0 |
| **Sub-total** | **(99,330)** | **(4,110)** | **(97,439)** | **(3,260)** |
| | | | | |
| **Financial Liabilities at Amortised Cost - Other Financial Instruments** | | | | |
| Trade Creditors (included within short term creditors) | 0 | (14,616) | 0 | (6,067) |
| **Sub-total** | **0** | **(14,616)** | **0** | **(6,067)** |
| | | | | |
| Other Long Term Liabilities | | | | |
| PFI and finance lease liabilities | (6,367) | (173) | (6,183) | (184) |
| **Sub-total** | **(6,367)** | **(173)** | **(6,183)** | **(184)** |
| | | | | |
| **TOTAL FINANCIAL LIABILITIES** | **(105,697)** | **(18,899)** | **(103,622)** | **(9,511)** |

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

During 2013/14, the Council advanced £19k of soft loans in accordance with its Town Centre Regeneration scheme at an interest rate of 0% repayable over a maximum period of 3 years.

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

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

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

The fair values calculated are as follows:

**Liabilities**

| | 31 March 2013 | | 31 March 2014 | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | Principal | Add EIR adjustment | Add accrued Interest | Carrying Amount | Fair Value |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Financial Liabilities Measured at amortised cost** | | | | | | | |
| PWLB | 45,285 | 61,614 | 41,415 | 0 | 592 | 42,007 | 53,519 |
| Market | 58,155 | 51,460 | 56,000 | 2,447 | 243 | 58,690 | 64,622 |
| Trade creditors | 14,616 | 14,616 | 0 | 0 | 0 | 6,067 | 6,067 |
| **Sub total** | **118,056** | **127,690** | **97,415** | **2,447** | **835** | **106,764** | **124,208** |
| **Other Long Term Liabilities** | | | | | | | |
| PFI & finance lease | 6,540 | 9,461 | 6,367 | 0 | 0 | 6,367 | 8,364 |
| **Sub total** | **6,540** | **9,461** | **6,367** | **0** | **0** | **6,367** | **8,364** |
| **Total** | **124,596** | **137,151** | **103,782** | **2,447** | **835** | **113,131** | **132,572** |

## Assets

| | 31 March 2013 | | 31 March 2014 | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | Principal | Add accrued Interest | Carrying Amount | Fair Value |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Loans & Receivables** | | | | | | |
| Cash & Cash equivalents | | | | | | |
| - Cash at bank | 8,554 | 8,554 | 0 | 0 | 9,903 | 9,903 |
| - Deposits | 19,797 | 19,797 | 24,040 | 74 | 24,114 | 24,114 |
| **Sub total** | **28,351** | **28,351** | **24,040** | **74** | **34,017** | **34,017** |
| Deposits over 1 year | 0 | 0 | 5,000 | 0 | 5,000 | 5,005 |
| Deposits under 1 year | 32,513 | 32,513 | 21,900 | 18 | 21,918 | 21.949 |
| MAG Loans | 8,693 | 8,693 | 8,693 | 0 | 8,693 | 8,693 |
| Section 106 debtors | 2,479 | 2,479 | 1,413 | 0 | 1,413 | 1,413 |
| Trade debtors | 3,679 | 3,679 | 0 | 0 | 4,412 | 4,412 |
| **Sub total** | **47,364** | **47,364** | **37,006** | **18** | **41,436** | **41,472** |
| **Available For Sale Financial Assets** | | | | | | |
| MAG Shareholding | 29,300 | 29,300 | 36,700 | 0 | 36,700 | 36,700 |
| **Sub total** | **29,300** | **29,300** | **36,700** | **0** | **36,700** | **36,700** |
| **Total** | **105,015** | **105,015** | **97,746** | **92** | **112,153** | **112,189** |

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

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

**Gains and Losses**

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

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

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

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

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

## 17. Inventories (Balance Sheet page 13)

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

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

## 18. Work in Progress (Construction Contracts)

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

## 19. Debtors (Balance Sheet page 13)

Long Term Debtors & Prepayments

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

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

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

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

(iv) MUFC Deferred Debtor – A Section 106 agreement was entered into with Manchester United Football Club in March 2005 relating to the stadium improvements completed in 2006. The agreement provides for the funding of works on transport infrastructure improvements, match day improvements measures and improvements to sporting facilities in the borough. In addition to £0.400m received in 2006/07, an amount of £0.600m is due over the next ten years in annual instalments of £0.060m per year. The £0.060m instalment due in 2014/15 is included within short-term debtors in the Balance Sheet.

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

(vi) Local Authority Mortgage Scheme – as part of the scheme launched in May 2012, the Council provides an indemnity to Lloyds TSB to allow suitable first time buyers to access the housing market with a 5% deposit instead of a usual 25% deposit. In effect, the Council provides a 'cash backed' indemnity to Lloyds TSB to cover the 20% of the mortgage price in the event of a default within the first 5 years of the mortgage period. Following the success of the original £2m advanced in 2012/13, a further £1m was provided to Lloyds TSB in 2013/14. The fair value of the debtor remains at £3m due to no defaults occurring in 2013/14.

**Short Term Debtors and Payments in Advance**

| 31 March 2013 £000 | Amounts falling due within one year | 31 March 2014 £000 |
|---|---|---|
| 8,003 | Council Tax | 8,315 |
| 2,141 | Business Rates | 3,076 |
| 3,406 | Other Government Departments | 13,245 |
| 4,300 | Payments in advance | 3,107 |
| 18,646 | Other | 21,842 |
| 36,496 | Sub Total | 49,985 |
| (12,178) | Less Provision for Bad and Doubtful Debts | (15,307) |
| **24,318** | **Total** | **34,277** |

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

| 31 March 2013 £000 | | 31 March 2014 £000 |
|---|---|---|
| 5,548 | Central Government Bodies | 13,245 |
| 323 | Other Local Authorities | 409 |
| 41 | National Health Service Bodies | 93 |
| 83 | Public Corporations and Trading Funds | 41 |
| 18,323 | Bodies External to General Government | 20,489 |
| **24,318** | **Total** | **34,277** |

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

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

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

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

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

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

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

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

### Long Term Creditors

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

### Long-Term Liabilities – Deferred

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

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

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

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

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

(v) £(0.018)m is due from the sale of council houses and other dwellings where buyers have entered into a mortgage agreement with the Council. Therefore the repayments will be received in instalments over a number of years.

(vi) Prior to its wind up on 31 March 1998 the Trafford Park Urban Development Corporation paid the sum of £1.3m in recognition of the Council agreeing to pay some of the corporation's outstanding liabilities and carrying out certain works. There is a remaining balance of £(0.175)m as at 31 March 2014.

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

**Short Term Creditors**

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

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

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

| 31 March 2013 £000 | | 31 March 2014 £000 |
|---|---|---|
| (3,581) | Central Government Bodies | (8,604) |
| (1,590) | Other Local Authorities | (872) |
| (204) | National Health Service Bodies | (1,039) |
| (161) | Public Corporations and Trading Funds | (134) |
| (31,686) | Bodies External to General Government | (31,028) |
| **(37,222)** | **Total** | **(41,677)** |

## 23 Provisions (Balance Sheet page 13)

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

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

(i) Insurance £(3.759)m – The Council is effectively self-insured with high excesses on most insurance policies. The Council mitigates its insurance risk with the use of reserves, provisions and catastrophe cover from an insurance company, which for 2013/14 was primarily Travellers. The Council is therefore obliged to make a provision each year in respect of potential claims, most of which are received in future years. The level of provision is assessed independently each year by an actuary, for 2013/14 this was AON Global Risk Consultants. In 2013/14, from a starting balance of £(3.306)m contributions of £(1.267)m were made to the provision, £0.814m of claims were paid, leaving a balance on the provision of £(3.759)m which is deemed an appropriate balance to cover any outstanding liabilities.

(ii) Liabilities arising from claims under Equal Pay legislation from employees who may have been disadvantaged under the Council's previous pay scheme operating up to 31 December 2008 have been estimated at £(2.856)m. The movements in year have been £0.979m comprising payments of £2.579m in respect of 248 settled claims and an increase to provision of £(1.600)m for future claims. The Council is actively engaged in trying to settle the majority of claims in the next period.

(iii) The Provision of £(0.118)m in respect of charges which were incorrectly levied under S117 of the Mental Health Act 1983 which were due for repayment with accumulated interest has been fully written back to the revenue account as it is now considered unlikely that any future payments will be made. The remaining small risk of a payment being required is recognised in the Contingent Liabilities note 49, with the expectation that any such payment will be made from the existing budgets and/or the General Reserve.

(iv) VAT on car parking of £(0.172)m (£(0.135)m in 2012/13). These monies are held pending the outcome of outstanding litigation affecting all local authorities in respect of the VAT liability for off-street car parking.

(v) Employee Rationalisation – the Council has severance agreements with a number of staff which may or may not be taken up pending the rationalisation of employment within the Council. The estimated cost of these agreements is £0.346m (£0.156m in 2012/13).

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

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

(vii) In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility, caused by for example new appeals and changes in reliefs, and non-collection of rates. Authorities are expected to finance an element of appeals made in respect of rateable values as defined by VOA as at 31 March 2014. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2013/14 has been calculated at £(36.823)m, of which Trafford's share at 49% is £(18.043)m.

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

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

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

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

**24. Usable Reserves (Balance Sheet page 13)**

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

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

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

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

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

**(ii) Capital Receipts Reserve**

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

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

**25. Unusable Reserves (Balance Sheet page 13)**

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

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

**(i) Revaluation Reserve**

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

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

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

**(ii) Available for Sale Financial Instruments Reserve**

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

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

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

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

**(iii) Capital Adjustment Account**

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

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

### (iv) Financial Instruments Adjustment Account

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

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

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

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

### (v) Pensions Reserve

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

| 2012/13 £000 | | 2013/14 £000 |
|---|---|---|
| (179,947) | Balance as at 1 April | (222,381) |
| (34,300) | Remeasurements of the net defined benefit liability/(asset) | 28,077 |
| (23,400) | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (27,568) |
| 15,266 | Employer's pension contributions and direct payments to pensioners payable in the year | 15,466 |
| **(222,381)** | **Balance as at 31 March** | **(206,406)** |

### (vi) Collection Fund Adjustment Account

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

| 2012/13 £000 | | 2013/14 £000 |
|---|---|---|
| **(294)** | **Balance as at 1 April** | **(5)** |
| 289 | Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | (379) |
| | Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements | 15,387 |
| **(5)** | **Balance as at 31 March** | **15,003** |

### (vii) Accumulated Absences Account

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

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

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

The cash flows for operating activities include the following items:

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

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

The cash flows for investing activities include the following items:

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

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

The cash flows for financing activities include the following items:

| 2012/13 £000 | | 2013/14 £000 |
|---|---|---|
| 0 | Cash receipts of short and long-term borrowing | 0 |
| 0 | Other receipts from financing activities | (6,235) |
| 163 | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 173 |
| 199 | Repayments of short and long-term borrowing | 4,110 |
| 750 | Other payments for financing activities | 16,092 |
| **1,112** | **Net cash flows from investing activities** | **14,140** |

## 29 Amounts Reported for Resource Allocation Decisions

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

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

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

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

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

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

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

**Reconciliation to Subjective Analysis**

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

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

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

### 30. Acquired and Discontinued Operations

None to report.

### 31 Trading Operations (See also note 10)

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

All the above figures are inclusive of depreciation.

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

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

## 32 Agency Services

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

- Council tax – the billing authority acts as the agent of its major preceptors when collecting council tax on their behalf. In Trafford, the two major preceptors are the Police and Crime Commissioner for Greater Manchester and the Greater Manchester Fire and Rescue Authority. No fee is chargeable for this service;

- National Non-Domestic Rates (NNDR) – the billing authority acts as agent for Central Government and Greater Manchester Fire and Rescue Authority in collecting NNDR. The Government paid Trafford an allowance for the cost of this collection in 2013/14 of £0.452m (£0.454m in 2012/13).

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

## 33. Road Charging Schemes

The Council does not operate any such schemes.

## 34 Pooled Budgets

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

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

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

## 35 Members' Allowances

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

| | 2012/13<br>£000 | 2013/14<br>£000 |
|---|---|---|
| Basic Allowances | 407 | 399 |
| Special Responsibility Allowances | 308 | 307 |
| Expenses | 1 | 1 |
| **Total** | **716** | **707** |

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

## 36 Officers' Remuneration

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

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

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

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

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

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

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

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

**Senior Officers Remuneration**

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

(i) £150,000 per year or more; or

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

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

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

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

Notes :

(1) The Chief Executive also received fees from the Council of £240 plus £10.50 travel expenses as Returning Officer for the January 2014 Broadheath by-election.

(2) The previous Corporate Director (Children & Young People's Service) was appointed as the new Corporate Director (Children, Families & Wellbeing) on 1/4/13.

(3) The previous Acting Director of Legal & Democratic Services was appointed as Director of Legal & Democratic Services on 23/07/2013. The Director of Legal & Democratic Services also received fees from the Council of £120 as Deputy Returning Officer for the January 2014 Broadheath by-election.

(4) Public Health services were transferred from Primary Care Trusts (PCT) to local authorities on 1/04/13.

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

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

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**Notes :**

(1) The previous Acting Chief Executive was appointed as Chief Executive on 27/6/12. The Chief Executive also received fees from the Council of £5,036 as Returning Officer for the May 2012 local elections.

(2) The Corporate Director (Communities & Wellbeing) left the authority on 31 December 2012.

(3) The previous Corporate Director (Economic Growth & Prosperity) left the authority on 31 August 2012. The new Corporate Director (Economic Growth & Prosperity) was appointed on 1 February 2013.

(4) The new Corporate Director (Transformation & Resources) was appointed on 21 January 2013.

(5) The Director of Finance and Acting Corporate Director (Transformation & Resources) reverted back to The Director of Finance on 21 January 2013.

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

## 37 External Audit Costs

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

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

## 38 Dedicated Schools Grant

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

DSG allocations to:-

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

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

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

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

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| **Credited to Taxation and Non Specific Grant Income** | | |
| **Revenue Grants:** | | |
| Revenue Support Grant | (1,251) | (47,821) |
| New Homes Bonus | (955) | (1,616) |
| Council Tax Compensation Grant | (2,210) | (894) |
| Early Intervention Grant | (9,297) | - |
| Learning Disability Health & Reform Grant | - | - |
| Learning Disability Pooled NHS monies | (5,097) | - |
| Benefits Admin Grant | (1,568) | (1,441) |
| Local Innovation Award | (17) | - |
| Local Services Support Grant | (479) | (25) |
| Adult Social Care Grant | - | (3,385) |
| Education Services Grant | - | (3,517) |
| Extended Rights to Travel Grant | - | (63) |
| Local Reform & Community Voices Grant | - | (166) |
| Council Tax New Burdens Grant | - | (114) |
| NNDR Costs of Collection Grant | (459) | (452) |
| Local Welfare Assistance Grant | - | (553) |
| New Burdens Zero based review Adult Social Care Grant | - | (59) |
| Foster Carer Recruitment & Training Grant | - | (75) |
| Capitalisation Grant 13/14 | - | (252) |
| Other | (273) | (221) |
| **Revenue Grants Sub-total** | **(21,606)** | **(60,654)** |
| | | |
| **Non Domestic Rates :** | | |
| Contribution from NNDR Pool | (64,547) | |
| Non Domestic Rates Income | | (74,301) |
| NDR Tariff Payment | | 42,486 |
| NNDR Safety Net Receipt | | (12,136) |
| Small Bus Rate Relief Compensation Grant | | (939) |
| Renewable Energy Disregard Amount | | (73) |
| NDR Collection Fund Deficit | | 15,461 |
| **Non-Domestic Rates Sub-total** | **(64,547)** | **(29,502)** |
| | | |
| **Capital Grants :** | | |
| Primary Capital Programme | (12,249) | (7,989) |
| Schools Devolved Formula Capital Grant | (406) | (671) |
| Schools Condition and Modernisation | (2,700) | (1,617) |
| Schools diploma Funding | (1,974) | - |
| Social Care Grants | (571) | (483) |
| Integrated Transport Grant/Highway Structural Maintenance | (2,449) | (2,954) |
| Other Grants and Contributions | (674) | (2,249) |
| **Capital Grants Sub-total** | **(21,024)** | **(15,963)** |
| **Total Credited to Taxation & Non Specific Grant Income** | **(107,177)** | **(106,119)** |

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| **Grants Credited to Services** | | |
| | | |
| **Revenue Grants Credited to services:-** | | |
| Dedicated School Grant (DSG) | (122,362) | (120,042) |
| Rent Allowances, Rent Rebates and Council Tax Benefit Subsidy | (77,306) | (65,138) |
| Other Education Grants | (4,531) | (6,339) |
| Social Care Reform Grant | (83) | - |
| Send Pathfinder Grant | (165) | (150) |
| Magistrates Court Grant | (134) | (104) |
| Public Health Grant | - | (10,171) |
| Learning Skills Council Grant | (3,105) | (1,651) |
| Supporting People Grant | - | (168) |
| Intensive Fostering Grant | (194) | (227) |
| Children Services Adoption Grant | (16) | (550) |
| Sale PFI Grant | (658) | (658) |
| Tackling Troubled Families Grant | (93) | (360) |
| Arts Grant | (55) | (126) |
| Section 106 Other Capital Maintenance Grants | - | (112) |
| Other | (3,471) | (413) |
| **Revenue Grants Credited to Services Sub-total** | **(212,173)** | **(206,209)** |
| | | |
| **Capital Grants Credited to services (REFCUS):-** | | |
| Sixth Form Funding | (74) | - |
| BSF One School Pathfinder | (6,963) | (19) |
| Primary Capital Programme | (804) | (442) |
| Disabled Facilities | (918) | (749) |
| Devolved Formula Capital | (239) | (139) |
| TfGM – Local Sustainable Transport Funds | - | (241) |
| Housing – Private Sector | (59) | - |
| Schools Maintenance Grants (DfE) | - | (591) |
| Other | (1,151) | (185) |
| **Capital Grants Credited to services (REFCUS) Sub-total** | **(10,208)** | **(2,366)** |
| | | |
| **Total Grants Credited to Services** | **(222,381)** | **(208,575)** |

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

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

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

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

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

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

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

## 40 Related Parties

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

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

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

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

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

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

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

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

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

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

## Shareholdings

**Manchester Airport Group plc.**

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

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

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

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

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

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

## 41. Capital Expenditure and Capital Financing

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

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

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

| Year ended 31 March | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Service: | | |
| Children, Families and Wellbeing | 21,128 | 21,034 |
| Economic Growth & Prosperity | 30,709 | 5,083 |
| Environment, Transport & Operations | 5,613 | 7,203 |
| Transformation and Resources | 506 | 179 |
| **Total** | **57,956** | **33,499** |
| **The main items of capital expenditure during the year included:** | | |
| Schools - Primary Capital Programme | | 15,054 |
| Highways Structural Maintenance (incl. bridges & street lighting & S278 schemes) | | 4,354 |
| Lancashire CCC Redevelopment (*) | | 2,756 |
| Schools – Capital Maintenance Programme | | 2,353 |
| Traffic & Transport Schemes (incl. Integrated Transport) | | 2,104 |
| Housing Grants (Disabled Facility, Owner Occupier & Housing Standards Grants) (*) | | 1,378 |
| Local Authority Mortgage Scheme (**) | | 1,000 |
| Schools – Devolved Formula Capital (*) | | 810 |
| Public Buildings – DDA Compliance, Repairs & Refurbishment | | 712 |
| ICT Initiatives | | 501 |
| Long Term Accommodation Strategy | | 407 |
| Parks, Playgrounds and Greenspace Improvements | | 396 |
| Telecare | | 372 |
| Waste Management & Recycling Initiatives | | 320 |
| Other general infrastructure investment | | 982 |
| **Total** | | **33,499** |

(*) REFCUS

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

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

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

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

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

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

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

## 42. Leases

### a) Council as Lessee – Finance Leases

The Council does not have any finance lease arrangements.

### Operating Leases

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

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

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

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

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

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

### Council as Lessor – Finance Leases

The Council does not have any finance lease arrangements.

### Operating Leases

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

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

The Council also has six lease agreements for commercial development schemes under which a "participation" rent is payable to the Council, determined annually by reference to the profitability of the investment asset. These rents are classed as contingent rents and are not included in the minimum lease payments receivable. In 2013/14 these rents were £1.085m (£1.038m in 2012/13). This figure includes rent received by the Council in respect of its joint ownership of Manchester International Airport of £0.427m (£0.429m in 2012/13).

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

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

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

## 43. PFI and Similar Contracts

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

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

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

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

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

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

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

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

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

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

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

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

## 44. Impairment Losses

These are disclosed in note 12.

## 45. Capitalisation of Borrowing Costs

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

## 46. Termination Benefits

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

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

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

### Teachers' Pensions Scheme

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

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

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

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

In addition, the Council is responsible for added years which it has awarded to teachers at its discretion, together with the related annual increases. In 2013/14, these amounted to £1.375m, representing 2.92% of pensionable pay (£1.378m or 2.81% previously). These benefits are fully accrued in the pension liability described below.

**NHS Pension Scheme**

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

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

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

**48. Defined Benefit Pension Schemes**

**Other Employees**

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

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

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

**Participation in Pensions Schemes**

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

The Council participates in two post-employment schemes:

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

**Transactions Relating to Retirement benefits**

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

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

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

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

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

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

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

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

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

**Pension Scheme Assets comprised:**

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

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

Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

| 2012/13 | Mortality assumptions: | 2013/14 |
|---|---|---|
| | **Longevity at 65 for current pensioners:** | |
| 20.1 years | • men | 21.4 years |
| 22.9 years | • women | 24.0 years |
| | **Longevity at 65 for future pensioners:** | |
| 22.5 years | • men | 24.0 years |
| 25.0 years | • women | 26.6 years |
| 2.8% | Rate of inflation | 2.8% |
| 4.6% | Rate of increase in salaries | 3.9% |
| 2.8% | Rate of increase in pensions | 2.8% |
| 4.5% | Rate for discounting scheme liabilities | 4.3% |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| Change in assumptions at 31 March 2014: | Approximate % increase to Employer Liability | Approximate monetary amount £000 |
|---|---|---|
| 0.5% decrease in real discount rate | 9% | 69,322 |
| 1 year increase in member life expectancy | 3% | 21,998 |
| 0.5% increase in the salary increase rate | 3% | 19,868 |
| 0.5% increase in the pension increase rate | 7% | 48,726 |

P**ensions - Summary**

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

## 49. Contingent Liabilities

### (a) Municipal Mutual Insurance

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

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

### (b) Manchester Airport

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

### (c) Modesole Ltd

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

### (d) Trafford Housing Trust

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

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

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

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

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

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

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

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

vii) There are a number of Environmental warranties that the Council in aggregate has indemnified THT up to £90m and an unlimited indemnification to THT's funders, the Prudential Trustee Company Ltd. The risk of these warranties is partially off-set by expected VAT receipts from the works done by THT on the Council's behalf (see above) over ten years amounting to £18.8m. The liabilities and risks of the warranties will be kept under constant review, and monies put aside from the VAT receipts as appropriate.

viii) The expected VAT Receipts of £18.8m are contingent to works being carried out under the Development Agreement agreed with THT on the date of stock transfer. A total of £18.3m has been received to date.

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

x) Pollution and Contaminated Land;

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

**(e) Timperley Sports Club**

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

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

**(f) Kier (previously May Gurney)**

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

### (g) Equal Pay

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

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

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

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

### (h) Metrolink

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

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

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

### (i) Section 106 Agreements

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

### (j) Pooled funds

The Council operates pooled budget arrangements with Trafford Clinical Commissioning Group, as detailed in note 34. There is a total deficit on the pooled budgets at 31 March 2014 of £3.022m. The pooled budgets are planned to be balanced over the medium term.

### (k) Significant Legal and Insurance Claims

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

**(l) 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.

**(m) Greater Manchester Loan Fund**

On 13 May 2013 the Council agreed to enter into an indemnity agreement to support the Greater Manchester Loan Fund which has been set up to provide loan finance for new and growing businesses in Greater Manchester. The indemnity was provided to Manchester City Council in case loans could not be repaid, alongside other Greater Manchester Authorities, to underwrite the initial £12-£14m capital. An assessment of advances has been made as at 31 March 2014 and the risk of the indemnity being called is low.

**(n) S117 of the Mental Health Act 1983**

A provision of £(0.118)m in respect of repayment due to clients incorrectly charged for services under s117 of the Mental Health Act 1983 has been fully written back to the revenue account in 2013/14. However, there remains a possibility of claims being made which would, in future, be met from existing budgets and/or balances.

**50. Contingent Assets**

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

| Ref | Title | Description | Value |
|---|---|---|---|
| 49 (c) | Modesole Ltd | Profit from future sale of shares | Unknown |
| 49 (j) | Section 106 Agreements | Developers meeting the agreement conditions. | Estimated value £31.4m |
| 49 (l) | Insurance Claim | Major Fidelity Guarantee Policy Claim | Unknown |

**51. Nature and Extent of Risks Arising from Financial Instruments**

**Key Risks**

The Council provides statutory services to the local population on a not-for-profit basis and as such the few financial instruments used are to manage the risks arising from holding substantial levels of assets and liabilities and not for trading or speculative purposes.

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

**Overall Procedures for Managing Risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on

Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

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

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

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

The annual treasury management strategy which incorporates the policies to be adopted covering both debt and investments together with the prudential indicators for 2013/14 was approved by Council on 20 February 2013 and is available on the Council website. A summary of the policies and key indicators together with the actual outcomes are shown in the tables below;

| **Approved policy** | **Activity undertaken** |
|---|---|
| **Debt** | |
| No new long term debt to be taken in accordance with information obtained from the Council's advisors. | This was fully complied with in 2013/14. |
| Debt restructuring exercises to be undertaken which produce revenue savings. | No opportunities arose during 2013/14 presenting significant revenue savings to be obtained. |
| **Investment** | |
| All investments placed in the continuation of previous year's practice of Security, Liquidity & Yield. | This was fully complied with in 2013/14. |
| In compliance with CLG Investment Guidance the maximum amount of investments which could be placed in Non-specified investments was set at £50m. | This limit was not exceeded and at 31 March 2014 Non Specific Investments consisted of a £5m Investment maturing on 22 August 2016 with the Greater Manchester Waste Disposal Authority and £36.7m for Manchester International Airport shares which are not tradable in any market. |

## Prudential Indicators for 2013/14

| Indicator | 2013/14 Indicator set by Council | 2013/14 Actual |
|---|---|---|
| **Authorised Borrowing Limit** (**Maximum** level of external debt & other long term liabilities (PFI & leases) that the Council requires – this is statutory limit under section 3(1) of the Local Government Act 2003). | £126m | £104m |
| **Operational Boundary** (This is calculated on a similar basis as the Authorised limit & represents the expected level of external debt & other long term liabilities (PFI & leases) may reach during the year, it is not a limit. | £107m | £104m |
| **Upper limits on fixed interest rates** (**Maximum** limit of fixed interest rate exposure – debt less investment) | £3.6m | £3.4m |
| **Upper limits on variable interest rates** (**Maximum** limit of fixed interest rate exposure – debt less investment) | £1.9m | £1.5m |
| **Gross debt and Capital Financing Requirement** **(**A new indicator implemented from 1 April 2013 highlighting medium term debt will only be for capital purposes – **Minimum** amount of capital financing requirement to exceed all external debt). | £37m | £40m |
| **Maturity structure of fixed rate borrowing** (These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing – these are required for upper as shown and lower limits which were set at 0%). | | |
| Under 1 year (this includes the next call date for Market loans) | 70% | 54.8% |
| 1 year to 2 years | 25% | 1.8% |
| 2 years to 5 years | 25% | 14.4% |
| 5 years to 10 years | 25% | 17.5% |
| 10 years to 20 years | 25% | 6.3% |
| 20 years to 30 years | 25% | 0.0% |
| 30 years to 40 years | 25% | 0.0% |
| 40 years and above | 25% | 5.2% |
| **Maximum principal funds invested exceeding 364 days (excluding MIA shares with a value of £36.7m)** (These limits are set to reduce the need for early sale of an investment) | £50m | £5m |

**Credit Risk**

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

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

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

- Credit ratings from all three rating agencies,

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

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

| Financial Asset Category | Minimum credit rating (Fitch or equivalent) | Maximum investment | Maximum period |
|---|---|---|---|
| Banks & Building Societies | Short Term: F1 | £20m | 3 Years |
| | Long Term: AA | | |
| | Financial Strength: C | | |
| | Support: 3 | | |
| Banks & Building Societies | Short Term: F1 | £5m | 1 Year |
| | Long Term: A- | | |
| | Financial Strength: C | | |
| | Support: 3 | | |
| Money Market Funds | AAA | £20m | 3 Years |
| UK Government including Local Authorities & Debt Management Office | N/A | £20m | 3 Years |
| UK Banks – part nationalised | N/A | £20m | 3 Years |
| The Council's own bank if the bank falls below the above criteria | N/A | £5m | 1 Year |

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

| Deposits with banks and financial institutions | Amount at 31 March 2014 £000 | Historical experience of default* % | Estimated maximum exposure to default £000 |
|---|---|---|---|
| AAA rated counterparties | 2,290 | 0.00% | 0 |
| AA rated counterparties | 14,050 | 0.02% | 3 |
| A rated counterparties | 34,600 | 0.09% | 31 |
| Trade debtors ** | 4,412 | | 500 |
| **Total** | **55,352** | | **534** |

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

** The estimated maximum exposure to default for trade debtors of £0.5m is based on the gross debt raised rather than debt outstanding at one particular date. There is no adjustment to be made for market conditions from the balance sheet date of 31 March 2014

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £34k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

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

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

| Country | 31 March 2013 £000 | % | 31 March 2014 £000 | % |
|---|---|---|---|---|
| Singapore | 0 | 0 | 2,300 | 5 |
| Sweden | 0 | 0 | 6,750 | 13 |
| UK | 47,160 | 90 | 41,890 | 82 |
| United Arab Emirates | 5,000 | 10 | 0 | 0 |
| **Total** | **52,160** | **100** | **50,940** | **100** |

The Council does not generally allow credit for its trade debtors, such that £4.4m of the £55.4m balance is past its due date for payment. The past due amount can be analysed by age as follows:

| | 31 March 2013 £000s | 31 March 2014 £000s |
|---|---|---|
| Less than one year | 2,835 | 3,900 |
| More than one year | 844 | 512 |
| **Total** | **3,679** | **4,412** |

**Liquidity Risk**

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

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

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

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk.

The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial assets based on original principal lent is as follows, and excludes the Manchester airport loan, Section 106 debtors and sums due from customers;

| **Period** | **31 March 2013 £000** | **31 March 2014 £000** |
|---|---|---|
| Instant access | 19,760 | 24,040 |
| Up to 3 Months | 7,000 | 3,500 |
| 3 to 6 Months | 2,000 | 2,300 |
| 6 to 9 Months | 6,000 | 2,200 |
| 9 to 12 Months | 17,400 | 13,900 |
| Over 1 Year | 0 | 5,000 |
| **Total** | **52,160** | **50,940** |

The maturity analysis of financial liabilities based on the carrying amount – all trade and other payables due to be paid in less than one year are not shown in the table below:

| **Period** | **31 March 2013 £000** | **31 March 2014 £000** |
|---|---|---|
| Under 1 Year | 4,316 | 3,465 |
| 1 year to 2 years | 2,641 | 1,988 |
| 2 years to 5 years | 8,931 | 9,752 |
| 5 years to 10 years | 16,986 | 18,644 |
| 10 years to 20 years | 9,178 | 10,452 |
| 20 years to 30 years | 37,570 | 31,877 |
| 30 years to 40 years | 220 | 490 |
| 40 years and above | 30,138 | 30,397 |
| **Total** | **109,980** | **107,065** |

**Market Risk**

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

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;

- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

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

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

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

| | **£000** |
|---|---|
| Increase in interest receivable on variable rate investments | (240) |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income & Expenditure Statement) | 13,548 |

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

**Price risk** - The Council, excluding the pension fund, does not invest in equity shares but does have shareholdings to the value of £36.7m in Manchester International Airport. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the price of shares.

All movements in the share values will impact on gains and losses recognised in the Available for Share reserve. A general shift of 5% in the price of shares (positive or negative) would have resulted in a £1.84m gain or loss being recognized in the Available for Sale Reserve.

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

## 52. Trust Funds

The Council administers a number of Trust Funds. The values of these funds, which are not included in the Balance Sheet, were £0.446m at 31 March 2014 and are listed below.

| Value of Fund £ 31.03.13 | | Value of Fund £ 31.03.14 |
|---|---|---|
| 1,932 | J Birkhead Trust Fund | 1,935 |
| 388,092 | Del Panno Trust | 390,590 |
| 14,561 | Miss Muckley Dec'd Legacy | 14,561 |
| 39,270 | Clifford Wilcox | 39,409 |
| **443,855** | **Sub-total** | **446,495** |
| 29,560 | Monies held in Criminal Injuries Compensation Scheme Trust | 0 |
| **473,415** | **Total monies held in Trusts** | **446,495** |

## 53 Effect of Prior Period Adjustments

Prior period adjustments have been made to the Council's 2012/13 published financial statements in relation to the following:

**IAS19 Change to Accounting Standard**
There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting on or after 1 January 2013. There is no impact on the Balance Sheet however, the main changes are as follows:

**Expected Return on Assets**
This is in relation to the return on Pension Scheme assets such as those held by the Greater Manchester Local Government Pension Fund. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate (as opposed to using a figure calculated using expected return on assets assumptions).

**Asset Disclosures**
IAS19 requires a much more detailed breakdown of the pension fund assets. The values of the assets, broken down into different classes that distinguish between the nature and risk now need to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those which do not. The disclosure included in the Council's 2012/13 published financial statements only showed the main categories of equities, bonds, property and cash as required. As a result of the change some of these categories are split further.

**Disclosure Presentation**
In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Council's defined benefit pension scheme have changed from those published in 2012/13. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand (see note 48)

The prior year period adjustment for Pensions has had the following effect on the 2012/13 Accounts as follows:

**Extract for restated items only**

**comprehensive income and expenditure statement**

| **2012/13** | **Gross Expenditure 31 March 2013 £000** | **Gross Income 31 March 2013 £000** | **Net Expenditure 31 March 2013 £000** |
|---|---|---|---|
| Financing and investment income and expenditure | 37,510 | (30,588) | 6,922 |
| IAS 19 Restatement | - | 3,600 | 3,600 |
| **Restated Financing and investment income and expenditure** | **37,510** | **(26,988)** | **10,522** |
| **(Surplus) or Deficit on Provision of Services** | | | **21,897** |
| IAS 19 Restatement | | | 3,600 |
| **Restated (Surplus) or Deficit on Provision of Services** | | | **25,497** |
| Actuarial (gains)/losses on pension assets/liabilities | | | **37,900** |
| IAS 19 Restatement | | | (3,600) |
| **Restated Actuarial (gains)/losses on pension assets/liabilities** | | | **34,300** |
| **Other Comprehensive (Income) & Expenditure** | | | **23,224** |
| IAS 19 Restatement | | | (3,600) |
| **Restated Other Comprehensive (Income) & Expenditure** | | | **19,624** |

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**Movement in reserves statement**

| Movement in reserves during 2012/13 | General Fund Balance £000 | Earmarked General Fund Reserves £000 | Capital Receipts Reserve £000 | Revenue Grants Unapplied £000 | Capital Grants unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Council Reserves £000 |
|---|---|---|---|---|---|---|---|---|
| Surplus or (deficit) on the provision of services | (21,897) | 0 | 0 | 0 | 0 | **(21,897)** | **0** | **(21,897)** |
| IAS 19 Restatement | (3,600) | - | - | - | - | **(3,600)** | **-** | **(3,600)** |
| **Restated Surplus or (deficit) on the provision of services** | **(25,497)** | **0** | **0** | **0** | **0** | (25,497) | **0** | (25,497) |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | **0** | **(23,224)** | **(23,224)** |
| IAS 19 Restatement | - | - | - | - | - | **-** | **3,600** | **3,600** |
| **Restated Other Comprehensive Income and Expenditure** | **0** | **0** | **0** | **0** | **0** | **0** | **(19,624)** | **(19,624)** |
| **Total Comprehensive Income and Expenditure** | **(21,897)** | **0** | **0** | **0** | **0** | **(21,897)** | **(23,224)** | **(45,121)** |
| IAS 19 Restatement | (3,600) | | | | | **(3,600)** | **3,600** | **0** |
| **Restated Total Comprehensive Income and Expenditure** | **(25,497)** | **0** | **0** | **0** | **0** | **(25,497)** | **(19,624)** | **(45,121)** |
| Adjustments between accounting basis & funding basis under regulations (note 7) | 17,328 | 667 | (13,261) | (208) | 9,331 | **13,857** | **(13,857)** | **0** |
| IAS 19 Restatement | 3,600 | - | - | - | - | **3,600** | **(3,600)** | **0** |
| **Restated Adjustments between accounting basis & funding basis under regulations (note 7)** | **20,928** | **667** | **(13,261)** | **(208)** | **9,331** | **17,457** | **(17,457)** | **0** |

# collection fund

**About this account**

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local authorities and the Government.

| 2012/13 | | | 2013/14 | | |
|---|---|---|---|---|---|
| **£000** | **Year ended 31 March** | **Notes** | **Business Rates** | **Council Tax** | **Total £000** |
| | **INCOME** | | | | |
| (91,942) | Income from Council Tax Payers | 2 | - | (94,921) | (94,921) |
| (12,955) | Transfer from General Fund for Council Tax Benefits | | - | - | - |
| (145,874) | Income from Non-Domestic Rate Payers | 3 | (159,886) | - | (159,886) |
| - | Transitional Protection Payments Receivable | | - | - | - |
| - | Contributions towards previous years' estimated Collection Fund Deficit | | - | - | - |
| **(250,771)** | **TOTAL INCOME** | | **(159,886)** | **(94,921)** | **(254,807)** |
| | **EXPENDITURE** | | | | |
| | Council Tax Precept Demands : | | | | |
| 88,490 | - Trafford Council | | | 78,518 | 78,518 |
| 11,544 | - Police and Crime Commissioner for GM | | | 10,601 | 10,601 |
| 4,211 | - GM Fire & Rescue Authority | | | 4,092 | 4,092 |
| | Non-domestic Rates : | | | | |
| 145,420 | - Payment to national pool | 3 | - | - | - |
| - | - Payment to Central Government | | 75,817 | - | 75,817 |
| - | - GM Fire & rescue Authority | | 1,516 | - | 1,516 |
| - | - Trafford Council | | 74,301 | - | 74,301 |
| | Charges to Collection Fund: | | | | |
| 563 | - Write offs of uncollectable amounts | | 1,824 | 373 | 2,197 |
| 193 | - (Increase)/Decrease in Bad Debt Provision | | 148 | 886 | 1,034 |
| - | - (Increase)/Decrease in Provision for Appeals | | 36,823 | - | 36,823 |
| 454 | - Costs of Collection | | 452 | - | 452 |
| - | - Disregarded Amounts | | 73 | - | 73 |
| - | Transitional Protection Payments Payable | | 485 | - | 485 |
| | Contributions : | | | | |
| 236 | - Distribution of previous years' estimated Collection Fund Surplus | 4 | - | - | - |
| **251,111** | **TOTAL EXPENDITURE** | | **191,439** | **94,470** | **285,909** |
| **340** | **(Surplus) / Deficit for year** | | **31,553** | **(451)** | **31,102** |
| **340** | **(Surplus) / Deficit for year** | | **31,553** | **(451)** | **31,102** |
| (346) | (Surplus) / Deficit as at 1 April | | - | (6) | (6) |
| **(6)** | **(Surplus) / Deficit as at 31 March** | 5 | **31,553** | **(457)** | **31,096** |
| | **Allocated to:** | | | | |
| (5) | - Trafford | | 15,461 | (384) | 15,077 |
| (1) | - Police and Crime Commissioner for GM | | - | (53) | (53) |
| - | - GM Fire & Rescue Authority | | 316 | (20) | 296 |
| - | - Central Government | | 15,776 | - | 15,776 |
| **(6)** | | | **31,553** | **(457)** | **31,096** |

## notes to the collection fund

### 1. General

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Trafford, the Council Tax precepting bodies are the Police and Crime Commissioner for Greater Manchester (PCCGM) and the Greater Manchester Fire and Rescue Authority (GMFRA).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The Trafford share is 49% with the remainder paid to precepting bodies. For Trafford the NNDR precepting bodies are Central Government (50% share) and GMFRA (1% share).

NNDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

### 2. Council Tax

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

Each year, the Council must estimate the equivalent number of band D properties, after allowing for discounts, exemptions, losses on collection etc. For 2013/14, the calculation was as follows:

| | Total No. Dwellings (i) | Specified Fraction | Band 'D' Equivalent |
|---|---|---|---|
| Band A (disb) | 13 | X5/9 | 7 |
| Band A | 14,925 | x6/9 | 9,950 |
| Band B | 18,071 | x7/9 | 14,055 |
| Band C | 23,579 | x8/9 | 20,959 |
| Band D | 13,202 | x9/9 | 13,202 |
| Band E | 7,007 | x11/9 | 8,564 |
| Band F | 4,093 | x13/9 | 5,911 |
| Band G | 3,829 | x15/9 | 6,382 |
| Band H | 875 | x18/9 | 1,750 |
| | **85,594** | | **80,780** |
| Less allowance for losses on collection | | | (525) |
| Adjustment for Exemption changes | | | 595 |
| Less cost of Council Tax Support Scheme | | | (9,859) |
| **Council Tax Base** | | | **70,991** |

The actual number of properties was 96,918, after adjusting for single person discounts, empty properties etc., the notional number of dwellings is 85,594.

The Band D Council Tax levied for the year was £1,312.20 (£1,302.21 in 2012/13).

**3. Non-Domestic Rates**

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Trafford the local share is 49% and the remainder is distributed to preceptors which in Trafford's case are Central Government (50%) and 1% to the Greater Manchester Fire & Rescue Authority (GMFRA).

The business rates shares payable for 2013/14 were estimated before the start of the financial year as £75.817m to Central Government, £1.516m to GMFRA and £74.301m to Trafford Council. These sums have been paid in 2013/14 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Trafford paid a tariff from the General Fund in 2013/14 to the value of £42.486m (see note 11 and 39).

The total income from business rate payers collected in 2013/14 was £159.886m (£145.874m in 2012/13). This sum includes £0.485m of transitional protection payments from ratepayers, which under Government regulation should have a neutral impact on the business rate retention scheme. This sum has to be repaid to Central Government and therefore increases payments to Central Government to £76.302m.

In addition to the top up and tariff payment, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of Business Rates income. For Trafford the value of safety net figure is £29.428m. The comparison of business rate income to the safety net, uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief (announced in the Autumn Statement 2012) not allowed for when the safety net was set.

Authorities are expected to finance appeals made in respect of rateable values as defined by VOA as at 31 March 2014. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2013/14 has been calculated at £36.823m, which has resulted in the Trafford's retained business rates falling below the threshold and a safety net payment being made of £12.136m for 2013/14.

The total non-domestic rateable value at 31 March 2014 is £383.1m (£382.2m 2012/13), and the national multipliers applicable for 2013/14 were 46.2p for qualifying Small Businesses, and the standard multiplier being 47.1p for all other businesses (45.0p and 45.8p respectively in 2012/13).

### Estimated Surplus and Deficits

Regulations require the Council to make estimates in January each year of the surplus or deficit likely to arise at the year end, and to transfer these amounts into or out of the collection fund in the following financial year. In January 2013 it was estimated that the collection fund would have no surplus or deficit (£(0.236)m in January 2012) and so nothing was due to or from the preceptors in 2013/14. This distribution to the relevant precepting bodies is shown below, with Trafford's element utilised to support General Fund expenditure during the year.

| 2012/13 £000 | Distribution of Surplus on Collection Fund | 2013/14 £000 |
|---|---|---|
| (200) | Trafford | 0 |
| (26) | Police and Crime Commissioner for GM | 0 |
| (10) | Greater Manchester Fire & Rescue Authority | 0 |
| **(236)** | **Estimated Collection Fund Surplus/Deficit** | **0** |

### 4. Year End Surplus/Deficit 2013/14

### Council Tax

The opening balance for the Collection Fund for 2013/14 regarding Council Tax was £(0.006)m surplus. The £(0.457)m surplus which had accrued at the year-end in respect of Council Tax transactions will be distributed in subsequent years to the Council's General Fund, the Police and Crime Commissioner for GM and the GM Fire and Rescue Authority.

| 2012/13 £000 | Allocation of year-end (Surplus)/Deficit on Collection Fund | 2013/14 £000 |
|---|---|---|
| (5) | Trafford | (384) |
| (1) | Police and Crime Commissioner for GM | (53) |
| (0) | Greater Manchester Fire & Rescue Authority | (20) |
| **(6)** | **Estimated Collection Fund Surplus** | **(457)** |

In the Balance Sheet at 31 March 2014, the Council has included the £(0.457)m surplus on a disaggregated basis as a Creditor to the Police and Crime Commissioner for GM and the GM Fire & Rescue Authority to the value of £(0.073)m, and a £(0.384)m attributable surplus on the Council Tax Collection Fund balance alongside the General Fund.

### National Non Domestic Rates

As 2013/14 was the first year of operating the new business rates retention scheme, the opening balance for the Collection Fund for 2013/14 regarding NNDR was zero. The £31.553m deficit which had accrued at the year-end in respect of NNDR transactions will be collected in subsequent years from the Council's General Fund, the GM Fire and Rescue Authority and Central Government.

| 2012/13 £000 | Allocation of year-end (Surplus)/Deficit on Collection Fund | 2013/14 £000 |
|---|---|---|
| 0 | Trafford | 15,461 |
| 0 | Greater Manchester Fire & Rescue Authority | 316 |
| 0 | Central Government | 15,776 |
| **0** | **Estimated Collection Fund Surplus** | **31,553** |

In the Balance Sheet at 31 March 2014, the Council has included the £31.553m deficit on a disaggregated basis as a debtor from the GM Fire & Rescue Authority and Central Government to the value of £16.092m, and a £15.461m attributable deficit on the NNDR Collection Fund balance alongside the General Fund.

# glossary

**Actuarial Gains and Losses**
Over a reporting period, these consist of:
(A) Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred, including reflection of any funding valuation which has taken place since the last report); and
(B) the effects of changes in actuarial assumptions (split between financial and demographic).

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

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

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

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

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

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

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

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

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

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

**Current Service Cost (Pensions)**
The increase in the present value of the defined benefit obligation resulting from employee service in the current period.

**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.

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

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

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

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

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

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

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

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

**NNDR**
National non-domestic rates, payable by businesses.

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

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

**Past Service Cost**
The change in present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment (the defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by the plan).

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

**Present value of defined benefit obligation**
The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

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

**Projected Unit Method**
An accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:
the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
the accrued benefits for members in service on the valuation date.

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

**Reserves**
Amounts set aside to meet future costs.

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

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

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

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

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

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

**Settlement**
Occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan, for example, when a lump-sum cash payment is made to, or on behalf of, plan participants in exchange for their rights to receive specified post-employment benefits.

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

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

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

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

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

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

**TRAFFORD COUNCIL**

**Report to:** **Executive**
**Date:** **28 July 2014**
**Report for:** **Information**
**Report of:** **The Executive Member for Finance and the Director of Finance**

**Report Title:**

Revenue Budget Monitoring 2013/14 – Period 12 Outturn (April 2013 to March 2014).

**Summary:**


The approved revenue budget for the year is £159.003m and the pre-audit outturn is £155.326m. This is an underspend of £(3.677)m, (2.3)% for the year (summary tables by Directorate and Portfolio at paragraphs 1 to 3). The Adult Social Care January reported figures have been amended to correct for unsound forecast assumptions and the reclassification of Public Health expenditure (please see Annex 1).

Excluding Council-Wide budgets and the LD Pool, the service expenditure outturn is £(1.268)m less than budgeted, or (0.9)%.

The Learning Disability Pooled fund has overspent by £1.549m. The main areas of overall budget variance are summarised as:

| Activity | Outturn £m | Period Movement £m |
|---|---|---|
| Social Services demand led budgets | 3.6 | (0.2) |
| Projects/savings rescheduling | 0.4 | (0.4) |
| Vacancy management | (1.5) | (0.3) |
| Income | (1.4) | (0.6) |
| Public Health commissioned services | (1.1) | - |
| New Grants | (0.5) | (0.3) |
| End-of-year adjustments | (0.5) | (0.4) |
| Running costs | (0.3) | (0.3) |
| **Service Outturn** | **(1.3)** | **(2.5)** |
| Additional Airport dividend | (1.3) | - |
| Other Council-wide budgets | (2.6) | (2.0) |
| **Total Outturn (excl. LD Pool)** | **(5.2)** | **(4.5)** |
| Learning Disability Pool | 1.5 | (0.3) |

The main variances for the year are:

- An overspend in demand led budgets £5.261m, which includes £1.616m in the LD Pool:
- Additional grant and other income, £(2.462)m;
- Treasury Management savings including Airport dividend, £(2.305)m;
- Vacancy management across all Directorates, £(1.484)m;
- Commissioned service underspends in Public Health, £(1.148)m
- Improved debt collection resulting in a saving on bad debt provision, £(0.642)m;
- Benefits and Business Rates Discretionary Rate relief savings, £(0.558)m;

The main movements since the last report are:

- Urmston Town Centre redevelopment - re-imbursement of interest, £(0.899)m:
- Improved debt collection resulting in a saving on bad debt provision, £(0.642)m;
- Increase and recognition of income, particularly in Youth Services, £(0.642)m;
- Vacancy management and general cost control, £(0.628)m;
- Rephased projects, £(0.431)m
- Housing & Council Tax benefits and NNDR Discretionary Rate relief savings against budget, £(0.295)m:
- Additional grants applied of £(0.376)m;

**Reserves**

The level of General Reserve at year end is £(11.0)m (see paragraph 13). Deducting future planned commitments the available balance is £(8.7)m, which is £(2.7)m above the minimum level of £(6.0)m.

The net service carry forward reserves at the beginning of the year were £(3.6)m. With a planned use to support savings and change projects of £0.9m, plus a net underspend of £(1.3)m, the projected carry forward is £(4.0)m. The Learning Disability Pool reserve had an adverse brought forward balance of £1.5m, which has been increased in-year to £3.0m.

**Council Tax**

There is an in-year Council Tax surplus, of £(0.380)m, an adverse movement of £0.514m since the last report, which includes an increase in the bad debt provision of £0.519m.

**Recommendation(s)**

**It is recommended that:**

a) The pre audited outturn be noted and:

b) The General Reserve and Collection Fund balances and commitments are noted and confirmed.

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

Head of Financial Management Extension: 4302

Background Papers: None

| | |
|---|---|
| Relationship to Policy Framework/Corporate Priorities | Value for Money |
| Financial | Revenue expenditure has been contained within available resources in 2013/14. |
| 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 |
| Staffing/E-Government/Asset Management Implications | Not applicable |
| Risk Management Implications | Not applicable |
| Health and Safety Implications | Not applicable |

Director of Finance: …… ………………ID……

Director of Legal & Democratic Services: ……………MJ……….

Director of Finance Signature: ……………ID………..

**Budget Monitoring – Summary Financial Results**

1. Based on the pre-audit outturn for the year, the Council will underspend its budget by £(3.677)m, (2.3)%, for 2013/14 (Tables 1 & 2), which is a favourable movement of £(4.784)m from last period (paragraph 5).

2. The overall variance includes a net underspend on the four Directorate budgets of £(1.268)m, (0.9)%, and a net underspend on Council-wide budgets of £(3.958)m, (16.8)%. The details of service variances can be found in Annexes 1 to 4, and for Council-Wide, Annex 5

3. In addition the Learning Disability (LD) Pool has overspent by £1.549m or 7.7% of the budget. When added to the brought forward adverse balance on the fund of £1.472m, this gives a cumulative deficit balance carried forward into 2014/15 of £3.021m:

| **Table 1: Budget Monitoring results by Directorate** | **Outturn (£000's)** | **Percent-age %** | **Period Movement £(000's)** | **Annex** |
|---|---|---|---|---|
| Children, Families & Wellbeing | (13) | (0.0)% | (1,747) | 1 |
| Environment, Transport & Operations | (20) | (0.1)% | (86) | 2 |
| Economic Growth & Prosperity | (298) | (9.1)% | (298) | 3 |
| Transformation & Resources | (937) | (4.6)% | (331) | 4 |
| **Total Service Variances** | **(1,268)** | **(0.9)%** | **(2,462)** | |
| Council-wide budgets | (3,958) | (16.8)% | (2,003) | 5 |
| **Outturn variance (excl. LD Pool)** | **(5,226)** | **(3.3)%** | **(4,465)** | |
| Learning Disability Pool | 1,549 | 7.7% | (319) | 1 |
| **Total Outturn** | **(3,677)** | **(2.3)%** | **(4,784)** | |

| **Table 2: Budget Monitoring results by Executive Portfolio Holder** | **Outturn (£000's)** | **Percent-age %** | **Period Movement £(000's)** |
|---|---|---|---|
| Supporting Children & Families | (718) | (2.9)% | (678) |
| Education | (155) | (2.2)% | (312) |
| Adult Social Services | 761 | 2.4% | (756) |
| Community Health & Wellbeing | 99 | 11.5% | (1) |
| Highways & Environment | (20) | (0.1)% | (86) |
| Safe and Strong Communities | (14) | (0.6)% | (32) |
| Economic Growth & Prosperity | (298) | (9.1)% | (298) |
| Transformation & Resources | (576) | (4.1)% | (189) |
| Finance | (4,305) | (15.6)% | (2,113) |
| **Outturn variance (excl. LD Pool)** | **(5,226)** | **(3.3)%** | **(4,465)** |
| Adult Social Services (LD Pool) | 1,549 | 7.7% | (319) |
| **Total Outturn** | **(3,677)** | **(2.3)%** | **(4,784)** |

**Key Outturn Variations and Period Movements**

4. The key variances for the year contributing to the outturn position of £(3.677)m are:

- An overspend in demand led budgets of £5.261m (see Annex 1); particularly in Older Peoples Services of £1.745m, Learning Disability Pooled budgets of £1.591m, £0.717m in Children's Placements, Mental Health £0.497m, Home to School SEN Transport £0.404m, and Physical Disabilities £0.259m.
- Treasury management investment income of £(2.305)m; increased airport dividend as a consequence of the successful Stansted airport acquisition of £(1.321)m, and income for loss of interest on the Urmston Town Centre redevelopment £(0.899)m.
- Vacancy management and cost control across all services £(1.484)m.
- New and increased income generated additional funding of £(1.416)m; Children's Services and in particular Youth Services of £(0.580)m, Parking Fees £(0.245)m, commercial portfolio £(0.224)m, and the sale of support services to schools and partners £(0.320)m.
- End of year adjustments £(1.576)m; improved collection rates has allowed for a reduction in the bad debt provision of £(0.642)m, identification of overpaid benefits £(0.406)m, a contingency budget for nursery provision being released, £(0.160)m, the responsibility for discretionary rate relief falling upon the collection fund released a budget of £(0.152)m from the general fund, writing back the s117 Mental Health Act provision of £(0.118)m, additional capitalisation of Telecare expenditure £(0.098)m.
- Underspending on commissioned services in Public Health, £(1.148)m; note that public health related expenditure across adult social care of £1.248m has been reclassified to Public Health (see Annex 1).
- Additional grants of £(1.046)m; a number of new burden and/or policy grants were issued after the Local Government Finance Settlement, the majority of specific grants supported children's services, £(0.515)k (see Annex 1), and the rest were available for general funding, £(0.531)m (see Annex 5).

5. The key variances contributing to the period movement of a favourable £(4.784)m are:

- End of Year adjustments (detailed above) £(1.238)m from the position estimated in January.
- Income for loss of interest on the Urmston Town Centre redevelopment £(0.899)m (Annex 5).
- Increase and recognition of income, particularly in Youth Services, £(0.642)m.
- Vacancy management and general cost control of £(0.628)m.
- Rephased projects £(0.431)m.
- Additional application of grants £(0.376)m.

**MTFP Savings and increased income**

6. The Budget included for £(18.5)m of savings and increased income. The table below summarises the outturn against this savings target:

| Table 3: Savings 2013/14 | Budget target (£000's) | Outturn (£000's) | In-year Variance (£000's) |
|---|---|---|---|
| Transformation savings | (8,005) | (8,086) | (81) |
| Other savings | (10,515) | (10,316) | 199 |
| **Total** | **(18,520)** | **(18,278)** | **118** |

7. Revenues & Benefits 2013/14 Transformation savings exceeded budget by £(150)k, and a one-off surplus of £(124)k was achieved on the Long Term Accommodation project.

8. There was slippage on Enforcement £0.232m due to additional staff consultation and establishing the STaR Procurement Shared Service, £18k, where implementation was delayed until February 2014. However, sustainable savings were achieved on these projects and alternative in-year savings were identified or reserves applied for 2013/14 to mitigate these savings shortfalls.

9. There were two Home to School Transport savings for 2013/14, one of them related to a review of transport costs, but the review did not generate the £175k that had been anticipated. Sustainable Telecare savings were £100k short of budget but largely offset by £(82)k of linked one-off savings.

10. Three savings outside of the Transformation Programme, totaling £199k, were not achieved. Delays in implementing the closure of Katherine Lowe House and Princess Centre - reduction in savings £0.110m, £0.062m delayed saving in the financial operations team due to the rephasing of the implementation of the Liquid Logic system, further work required to fully realise the savings target for the merger of the CFW Directorate £0.027m.

**Council Tax**

11. There have been a number of regulatory changes impacting on Council Tax collection, in particular the introduction of the Council Tax Support Scheme and the ability to move from a 10-month to a 12-month payment plan. The in-year collection rate for 2013/14 was 97.7% which compares favourably against target of 97.4%, and remains the highest of all GM Authorities for the eighth year running.

12. Whilst the in-year collection rate has been better than expected, end of year procedures have identified that the collection of older Council Debt has not been as successful as previous years. As a consequence prudence requires a higher bad debt provision be made than budgeted of £519k, which is primarily why the previously forecasted outturn of £(894)k surplus has reduced to the actual outturn for 2013/14 of £(380)k. Nevertheless the unpaid debts will continue to be pursued and if successful this will improve the balance on the Collection Fund.

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| Table 4: Council Tax Outturn for 2013/14 | Overall (with all precepts) | | Trafford element only | |
|---|---|---|---|---|
| | £(000's) | £(000's) | £(000's) | £(000's) |
| **Surplus brought forward** | | **(6)** | | **(5)** |
| Changes in Band D equivalents | (344) | | (290) | |
| Empty Homes Premium | (146) | | (123) | |
| Council Tax Support awards | (856) | | (721) | |
| Backdated valuations & discounts | 279 | | 235 | |
| Additional Bad Debt Provision | 615 | (452) | 519 | (380) |
| **Surplus carry forward** | | **(458)** | | **(385)** |

**Business Rates**

13. The Valuation Office Agency has provided a quarterly update on the level of outstanding appeals as at 31st March 2014; this shows that the amount of appeals has reduced from £137m to £128m, largely as a result of appeals outstanding being settled. A provision has been estimated at £34.1m to cover the estimated cost of both known appeals and those that are likely to arise in the future and includes for any backdated costs. The level of the provision means that the retained rates in 2013/14 will be significantly below the Council's baseline. This shortfall will subsequently trigger the Government safety net and require the Council to make a contribution of £2.4m, which has been set aside within the General Reserve as shown in Table 5 below.

**Reserves**

14. The table below shows the balance on the General Reserve at 31 March 2014 and also includes for the future commitments agreed by Council on 19 February 2014 as part of the 2014/15 Budget, and adjustments made as a consequence of the end of year accounts process. The balance at year end is £(10.980)m. After taking into account future plans the uncommitted balance is £(8.7)m, £(2.7)m above the agreed minimum level of £(6.0)m.

| **Table 5: General Reserve Movements** | **(£000's)** |
|---|---|
| **Balance 31 March 2013** | **(10,643)** |
| **Commitments in 2013/14:** | |
| - Planned use for 2013/14 Budget | 906 |
| - One-off projects from 2012/13 brought forward | 98 |
| - Planned use for one-off projects 2013/14 | 769 |
| - Waste Levy refund (one-off) | (538) |
| - Council-wide budgets underspend | (3,958) |
| - Potential trigger of Safety Net (paragraph 9) | 2,386 |
| **Balance 31 March 2014** | **(10,980)** |
| - 2014/15 base budget support | 2,007 |
| - 2014/15 one-off initiatives and commitments | 279 |
| **Projected balance after known commitments** | **(8,694)** |

15. Service balances brought forward from 2012/13 were a net £(3.6)m. After the pre-audited outturn for the year, there is a net surplus of £(4.003)m to be carried forward to 2014/15 (Table 6). Some of this surplus is already committed to rephased projects, including the investment costs for 2014/15 budget savings proposals, and the remainder is anticipated to support future budgets.

16. The Learning Disability Pooled budget had an opening deficit balance of £1.472m. The anticipated recovery plan did not deliver the net in-year reduction target of £(0.906)m, with the final outturn on the LD Pool being an additional deficit of £1.549m bringing the total deficit being carried forward into 2014/15 to £3.021m (see Annex 1).

| **Table 6: Service balances** | **B/f April 2013 (£000's)** | **Movement in-year (£000's)** | **Balance c/f March 2014 (£000's)** |
|---|---|---|---|
| Children, Families & Wellbeing | (1,427) | 556 | (871) |
| Environment, Transport & Operations | (439) | (55) | (494) |
| Economic Growth & Prosperity | (312) | (348) | (660) |
| Transformation & Resources | (1,389) | (589) | (1,978) |
| **Total All Services (Surplus)/Deficit** | **(3,567)** | **(436)** | **(4,003)** |
| Learning Disability Pool | 1,472 | 1,549 | 3,021 |
| **Total (Surplus)/Deficit** | **(2,095)** | **1,113** | **(982)** |

**Recommendations**

17. It is recommended that:

a) The pre audited outturn be noted and:

b) The General Reserve and Collection Fund balances and commitments are noted and confirmed.

## ANNEX 1

**TRAFFORD MBC**

**Report to:** CFW Directorate Management Team
**Date:** 17 June 2014
**Report for:** Discussion
**Report author:** Head of Financial Management

**Report Title**

**Revenue Budget Monitoring 2013/14 – Final Outturn Report**
**(April 2013 to March 2014 inclusive)**

## 1. Summary 2013/14 Outturn and consequences for the 2014/15 budget

1.1 The outturn for 2013/14 is £84.139m, which when compared to the budget of £82.602m is an adverse variance of £1.537m or 1.8%. This is a significant increase on the previously reported position of £(0.420)m favourable, which is now known to be based on unsound forecast assumptions. The outturn includes for:

- An overspend in demand led budgets, such as care packages and SEN transport, of £5.579m, particularly in Older People's and Learning Disability adult social care, this includes for the net in-year shortfall on the Telecare saving of £0.018m.
- Rephasing of projects, other savings and the rationalising of budgets and expenditure of a similar nature across the Directorate, primarily in the area of Public Health, generated a favourable variance of £(1.481)m.
- One-off events such as additional grant income, vacancy management, and modest underspends in running costs has generated a favourable £(2.561)m.

1.2 Further information on the variance is set out later within this report.

1.3 **It has now been identified that the previous reported position (Period 10: January 2014), for Adult Social Care included unsound assumptions regarding care package commitments which are demand led and did not reflect the reclassification of expenditure eligible for Public Health Funding.**

1.4 **In order to provide relevant comparative information January forecasts in respect of Adult Social Services, Community Health & Wellbeing and the Learning Disability Pool have now been reworked. An analysis of the movement in the January forecast is attached as Appendix 1 and any references to previous forecasts within this report relate to this adjusted forecast.**

1.5 In addition to the outturn for 2013/14, and assuming that all budgeted 2014/15 savings are achieved, there is an estimated adverse impact in excess of £5m on the 2014/15 budget, predominantly relating to demand led care package budgets, primarily in the areas of Older People and Learning Disability

Services. This is subject to robust management action being taken to mitigate these additional pressures.

## 2 Explanation of significant outturn variances from 2013/14 Budget

2.1 The outturn variances are summarised below by Portfolio, with more detail at Appendix 2.

Supporting Children & Families and Education Portfolios - £(873)k favourable variance.

- Increased numbers of external child care placements of £717k. This increase has been provided for in the 2014/15 budget.
- Overspend of £404k as a result of increased SEN Transport client numbers, plus £175k unrealised procurement saving from a review of transport costs. The increase in client numbers was provided for in the 2014/15 budget, however, an alternative to the saving will now be required.
- Additional income of £(1,189)k; additional fostering, adoption, Youth Offending and similar grants of £(515)k, contributions from Schools and Academies for Early Years services £(314)k, unbudgeted income in Youth Services of £(227)k, and net adoption fees of £(133)k. These budgets are currently being reviewed to determine whether any of this income can be relied upon in 2014/15.
- Rephasing of project expenditure £(431)k; Youth Offending £(227)k, services commissioned through third parties £(204)k.
- Nursery contingency provision not required £(160)k.
- Vacancy management and underspends in general running costs amounting to £(389)k.

Adult Social Care Portfolio (excluding Learning Disability pool) - £860k adverse movement.

- Increased client numbers across all demographics of £2,501k; Older people £1,745k, Physical Disability £259k, Mental Health £497k. These figures include for the net in-year shortfall on the Telecare saving of £18k. In addition, there are some other demand led budgets which have a net overspend of £48k.
- Other rephased savings and projects and variations in other commitments across all services provides a net £(905)k favourable variance. Contained within this is a £(1,248)k reclassification of expenditure eligible for Public Health Funding.
- This variation in care packages, savings and other commitments has been mitigated by £(537)k of vacancy management, and £(5)k control of running costs.
- End of year adjustments to provisions and the net capitalisation of expenditure provides for a variance of £(242)k.

## 3 Learning Disabilities Pooled Fund

3.1 At the beginning of the year the LD Pool had a carry forward adverse balance of £1,472k, and a recovery plan to deliver cash savings against budget over two financial years to address this. The plan was expected to generate a net cash saving of around £(900)k in 2013/14.

3.2 The 2013/14 outturn is an overspend of £1,550k:

- An underlying structural budget deficit of approximately £1,909k not taken into account in the LD recovery plan which was mostly cash savings not budget savings based.
- The recovery plan achieved savings of £(317)k in 2013/14 compared to the target of £(900)k. This saving will increase to £(404)k in 2014/15 with further savings in 2015/16 also anticipated. In addition, many preliminary recovery actions were taken during the year, which should provide a platform for more savings in 2014/15.
- Net vacancy management and control of running costs provided additional in year savings of £(42)k. Some of this may be repeatable in 2014/15.

3.3 The gross carry forward balance on the LD Pool will be £3,022k, with additional unbudgeted net pressures in 2014/15 in the region of £2m to £2.5m to be addressed. This combined pressure is likely to be met from a mix of:

- Base budget savings; the earlier in the year savings are implemented the greater impact they will have on the cash position of the service. Any remaining base budget pressure will need to form part of the gross savings requirement for the 2015/16 budget.
- One-off cash savings and/or contributions from other services and/or reserves.

3.4 Robust Management action plans to meet the carry forward and in-year pressures are being prepared alongside:

- The need to deliver 2014/15 budget savings;
- The need to control and manage demand in year to avoid new or further pressure, and
- The preparation of initiatives to meet the demands of the 2015/16 budget, introduction of the Better Care Fund, closer and broader service integration with partners, and consequences of the Care Act, 2014.

## 4 Service carry-forward reserves

4.1 At the beginning of April 2013 the Children, Families and Wellbeing Directorate had accumulated balances of £(1,427)k carried forward from previous financial years. The carried forward balance on the Learning Disability Pooled Fund was an adverse £1,472k. The Dedicated Schools balance was a favourable £(2,453)k, but this can only be used for schools related expenditures.

4.2 The remaining carry-forward balances at the end of the year after taking into account the outturn position are:

| **Table 1: Utilisation of Service Carry forward Reserve 2013/14** | **(£000's)** |
|---|---|
| Balance brought forward 1 April 2013 | (1,427) |
| Specific expenditure assigned against the reserve re: invest to save | 569 |
| 2013/14 Outturn | (12) |
| **Balance carried forward at 31 March 2014** | **(870)** |
| **Specific Expenditure planned for 2014/15 (subject to review)** | **806** |
| **Estimated available balance** | **(64)** |

| **Table 2: Utilisation of Carry forward Reserve 2013/14 – Dedicated Schools Grant** | **(£000's)** |
|---|---|
| Balance brought forward 1 April 2013 | (2,453) |
| 2013/14 Outturn | (657) |
| **Balance carried forward at 31 March 2014** | **(3,110)** |
| **Planned allocations to Schools 2014/15** | **750** |
| **Estimated available balance** | **(2,360)** |

| **Table 3: Utilisation of Carry forward Reserve 2013/14 – Learning Disabilities Pooled Fund** | **(£000's)** |
|---|---|
| Balance brought forward 1 April 2013 | 1,472 |
| 2013/14 Outturn | 1,550 |
| **Balance carried forward at 31 March 2014** | **3,022** |

4.3 With an anticipated overspend in the order of £5m to £6m in 2014/15, planned application of available balances will need to be reviewed alongside management and budgetary plans to address these pressures.

## 5 Management Action

5.1 Following a detailed analysis of budgets and plans by management and finance, proposals to address the following are being prepared for Member approval:

- A net non-DSG carried forward overdrawn reserve position of £2,152k, with currently planned use of £806k.
- Demand led client costs in the region of £5m, which had not been budgeted for.
- The extent that some of the one-off savings in 2013/14 of £(2,519)k can be repeated.

**Appendix 1**

**Adjusted January (Period 10) Forecasts**

The following table sets out the reworked Period 10 forecasts based on updated expenditure assumptions in relation to:

- Public Health – the reclassification of expenditure eligible for funding through Public Health Grant.
- Care Package Assumptions – correction of unsound assumptions re client forecasts.
- Itemised changes – specific changes identified and explained in notes below table.
- Minor variations – other variations identified as part of the detailed reworking.

| **Budget Book Format (Objective analysis)** | **Reported Period Variance (£000's)** | **Public Health (£000's)** | **Care Packages Assumptions (£000's)** | **Itemised Changes (£000's)** | **Minor Changes (£000's)** | **Adjusted Period 10 Variance (£000's)** | **Note** |
|---|---|---|---|---|---|---|---|
| **Education Portfolio** | | | | | | | |
| Dedicated Schools Grant | - | - | - | - | - | - | |
| Transfer to Dedicated Schools Grant Reserve | - | - | - | - | - | - | |
| Education Early Years' Service | 157 | - | - | - | - | 157 | |
| **Sub-total** | **157** | **-** | **-** | **-** | **-** | **157** | |
| **Supporting Children & Families Portfolio** | | | | | | | |
| Children's Social Services | 490 | - | - | - | - | 490 | |
| Children with Complex & Additional Needs | (133) | - | - | - | - | (133) | |
| Commissioning | (117) | - | - | - | - | (117) | |
| Multi Agency Referral & Assessment Service (MARAS) | 46 | - | - | - | - | 46 | |
| Youth Offending Service | (82) | - | - | - | - | (82) | |
| Children's Centres | (169) | - | - | - | - | (169) | |
| Youth Service | (75) | - | - | - | - | (75) | |
| **Sub-total** | **(40)** | **-** | **-** | **-** | **-** | **(40)** | |
| **Adult Social Services Portfolio** | | | | | | | |
| Older People | (235) | (461) | 1,967 | - | 95 | 1,366 | |
| Physical Disabilities | (151) | (153) | 451 | - | (47) | 100 | |
| Equipment & Adaptations | 6 | - | - | - | - | 6 | |

| Budget Book Format (Objective analysis) | Reported Period Variance (£000's) | Public Health (£000's) | Care Packages Assumptions (£000's) | Itemised Changes (£000's) | Minor Changes (£000's) | Adjusted Period 10 Variance (£000's) | Note |
|---|---|---|---|---|---|---|---|
| Mental Health | 281 | (365) | 94 | - | (51) | (41) | |
| Other Adult Services | (4) | (188) | - | 99 | - | (93) | a |
| Strategic & Support Services | 45 | - | - | - | 55 | 100 | |
| Adaptations | 135 | - | - | - | - | 135 | |
| Housing Services | 24 | (61) | - | 200 | - | 163 | b |
| Community Services | 4 | (20) | - | (163) | (5) | (184) | |
| Equalities & Diversity | (35) | - | - | - | - | (35) | c |
| **Sub-total** | **70** | **(1,248)** | **2,512** | **136** | **47** | **1,517** | |
| **Community Health & Wellbeing Portfolio** | | | | | | | |
| Public Health | - | 1,248 | - | (1,148) | - | 100 | d |
| **Sub-total** | **-** | **1,248** | **-** | **(1,148)** | **-** | **100** | |
| **Total** | **187** | **-** | **2,512** | **(1,012)** | **47** | **1,734** | |
| Learning Disabilities Pooled Fund | (607) | - | 2,262 | 249 | (36) | 1,868 | E |
| **Total** | **(420)** | **-** | **4,774** | **(763)** | **11** | **3,602** | |

**Note:**

a) Other Adult Services - £99k adverse: re-allocation of transport savings to services.
b) Housing Services - £200k adverse: on-going use of former supporting people budget to support Integrated Community Equipment Service.
c) Equalities & Diversity - £(163)k favourable: services now funded from Public Health on an on-going basis.
d) Public Health - £(1,148)k favourable: in-year underspend against Public Health contracts
e) LD pooled Fund - £249k adverse: The original pooled budget recovery plan included a target of £900k in 2013/14. The original forecast in January 2014 was that this would only achieve £600k. The forecast saving was reduced by a further £249k as part of the reworking. The actual saving achieved in 2013/14 was £317k.

**Outturn revenue expenditure and income variances**

The following tables detail the main variances from the revenue budget to the outturn, and the movements since the last monitoring report in both Management Accounts ("Budget Book") format and by cause or area of impact of the variance.

| Budget Book Format (Objective analysis) | Full Year Budget (£000's) | 2013/14 Outturn (£000's) | 2013/14 Outturn variance (£000's) | Adjusted January Forecast (£000's) | Period movement (£000's) | Ref |
|---|---|---|---|---|---|---|
| **Education Portfolio** | | | | | | |
| Dedicated Schools Grant | - | - | - | - | - | CFW1 |
| Transfer to Dedicated Schools Grant Reserve | - | - | - | - | - | CFW1 |
| Education Early Years' Service | 6,973 | 6,818 | (155) | 157 | (312) | CFW3,10,11,12 |
| **Sub-total** | **6,973** | **6,818** | **(155)** | **157** | **(312)** | |
| **Supporting Children & Families Portfolio** | | | | | | |
| Children's Social Services | 15,214 | 15,721 | 507 | 490 | 17 | CFW2 |
| Children with Complex & Additional Needs | 2,041 | 1,857 | (184) | (133) | (51) | CFW2 |
| Commissioning | 1,712 | 1,437 | (275) | (117) | (158) | CFW8,12,13 |
| Multi Agency Referral & Assessment Service (MARAS) | 1,489 | 1,558 | 69 | 46 | 23 | CFW12,13 |
| Youth Offending Service | 527 | 112 | (415) | (82) | (333) | CFW8,10,12,13 |
| Children's Centres | 2,174 | 2,013 | (161) | (169) | 8 | CFW13 |
| Youth Service | 1,404 | 1,145 | (259) | (75) | (184) | CFW10,13 |
| **Sub-total** | **24,561** | **23,843** | **(718)** | **(40)** | **(678)** | |
| **Adult Social Services Portfolio** | | | | | | |
| Older People | 20,250 | 21,268 | 1,018 | 1,366 | (348) | CFW4,7,9,11,12 |
| Physical Disabilities | 4,194 | 4,037 | (157) | 100 | (257) | CFW4,6,9,11,12 |
| Equipment & Adaptations | 801 | 805 | 4 | 6 | (2) | CFW13 |
| Mental Health | 3,416 | 3,294 | (122) | (41) | (81) | CFW4,9,11,12,13 |
| Other Adult Services | 747 | 628 | (119) | (93) | (26) | CFW8,9,12 |
| Strategic & Support Services | 869 | 970 | 101 | 100 | 1 | CFW6,7,8,12 |

| Budget Book Format (Objective analysis) | Full Year Budget (£000's) | 2013/14 Outturn (£000's) | 2013/14 Outturn variance (£000's) | Adjusted January Forecast (£000's) | Period movement (£000's) | Ref |
|---|---|---|---|---|---|---|
| Adaptations | (52) | 42 | 94 | 135 | (41) | CFW10 |
| Housing Services | 1,247 | 1,406 | 159 | 163 | (4) | CFW8,9 |
| Community Services | 251 | 76 | (175) | (184) | 9 | CFW9,12 |
| Equalities & Diversity | 184 | 141 | (43) | (35) | (8) | CFW8,12 |
| **Sub-total** | **31,907** | **32,667** | **760** | **1,517** | **(757)** | |
| **Community Health & Wellbeing Portfolio** | | | | | | |
| Public Health | (862) | (762) | 100 | 100 | 0 | CFW9 |
| **Sub-total** | **(862)** | **(762)** | **100** | **100** | **0** | |
| **Total** | **62,579** | **62,566** | **(13)** | **1,734** | **(1,747)** | |
| Learning Disabilities Pooled Fund | 20,023 | 21,573 | 1,550 | 1,868 | (318) | Section 3 |
| **Total** | **82,602** | **84,139** | **1,537** | **3,602** | **(2,065)** | |

| Business Reason / Area (Subjective analysis) | Full Year Budget (£000's) | 2013/14 Outturn (£000's) | 2013/14 Outturn variance (£000's) | Adjusted January Forecast (£000's) | Period movement (£000's) | Ref |
|---|---|---|---|---|---|---|
| **Demand Led Activity** | | | | | | |
| Children's Placements | | | 717 | 599 | 118 | CFW2 |
| SEN Transport | | | 404 | 332 | 72 | CFW3 |
| Older People – care packages | | | 1,745 | 1,942 | (197) | CFW4 |
| Physical Disabilities – care packages | | | 259 | 392 | (133) | CFW4 |
| Mental Health – care packages | | | 497 | 529 | (32) | CFW4 |
| Reablement Service | | | 83 | 70 | 13 | CFW5 |
| THT Emergency call-out service | | | (47) | (47) | - | CFW6 |
| Client support equipment | | | (13) | 7 | (20) | CFW6 |
| Kennel Fees & Funeral costs | | | 25 | 24 | 1 | CFW6 |
| **Sub-Total** | | | **3,670** | **3,848** | **(178)** | |
| Savings | | | 347 | 347 | - | CFW7 |
| Projects | | | (236) | 119 | (355) | CFW8 |
| Commissioned Services | | | (1,275) | (1,254) | (21) | CFW9 |
| Income | | | (1,095) | (648) | (447) | CFW10 |
| End of Year adjustments | | | (496) | (75) | (421) | CFW11 |
| Vacancy management | | | (835) | (598) | (237) | CFW12 |
| Running costs | | | (93) | (5) | (88) | CFW13 |
| **Sub-Total** | | | **(3,683)** | **(2,114)** | **(1,569)** | |
| **Total non-Pooled Budgets** | | | **(13)** | **1,734** | **(1,747)** | |
| **Learning Disability Pooled Budgets** | | | | | | |
| Demand led budgets, primarily client care packages | | | 1,909 | 2,262 | (353) | CFW4 |
| Budgeted inactivity | | | - | - | - | CFW7 |
| LD Recovery Plan | | | (317) | (317) | - | Section 3 |

| Business Reason / Area (Subjective analysis) | Full Year Budget (£000's) | 2013/14 Outturn (£000's) | 2013/14 Outturn variance (£000's) | Adjusted January Forecast (£000's) | Period movement (£000's) | Ref |
|---|---|---|---|---|---|---|
| Vacancy management | | | (57) | (92) | 35 | CFW12 |
| Running costs | | | 15 | 15 | - | CFW13 |
| **Sub-Total** | | | **1,550** | **1,868** | **(318)** | |
| **Total for whole Directorate** | | | **1,537** | **3,602** | **(2,065)** | |

**NOTES ON VARIANCES AND PERIOD MOVEMENTS**

**CFW1 – DSG Reserve b/fwd.**

- The brought forward DSG reserve balance is £(2.453)m. There is an underspend of £(657)k in 2013/14 which leaves an overall reserve to carry forward into 2014/15 of £(3.110)m.
- The School Funding Forum will be made aware of this surplus at the July 2014 meeting. In 2014/15 £750k has already been set aside to support one-off allocations to schools on a straight per-pupil basis (£23 per pupil across all schools including academies

**CFW2 – Children's Social Care and Children with Complex & Additional Needs, £717k adverse, period movement £118k adverse**

- Despite a number of actions to reduce demand and the cost of placements, there was an unexpected increase in client numbers in September generating a net overspend of £717k in external placement costs. This level of need has continued for the rest of the year.
- The full year effect in 2014/15 of these additional children is estimated at around £500k for which additional budget provision has been made although this remains a particularly volatile budget area.

**CFW3 – SEN Transport, £404k adverse, period movement £72k adverse**

- There has been a significant increase in high need referrals from schools and parents, which are at a higher unit cost of typically around £140 per day. The budget was based on a more even spread of need classification and therefore a lower average unit cost.
- The full year effect in 2014/15 of this additional demand is estimated at around £400k and was fully provided for in the budget.

**CFW4 – Adult Social Care, care packages £4,410k adverse, £(715)k favourable period movement**

- An underlying structural budget deficit has been identified across all adult demographics linked to demand led pressures, particularly in Older People and the Learning Disability Pool.
- The net full year effect of this under-budgeted position for care packages is estimated at approximately £5m in 2014/15. Plans are being drawn up to deal with this position, alongside in-year pressures, delivery of budget savings, and developing plans to meet the significant demands of the 2015/16 budget. These plans will be a significant item in the first monitoring report of 2014/15 expected around the beginning of August.

**CFW5 – Reablement Services, £83k adverse, period movement £13k adverse**

- Reablement services is a major initiative to reduce the demand for high cost placements. The increase in client numbers has naturally also increased the demands on this service, which in order to prevent even higher costs in Older People's services has responded with additional overtime and agency hours to ensure as many clients as possible benefitted from Reablement.

**CFW6 – Other Demand-Led Budgets, favourable £(35)k, period movement £(19)k**

- Clients have not used the emergency call-out contract with Trafford Housing Trust as much as expected, providing for a saving of £(47)k. A more in depth

review will be needed to identify whether there is a possibility of reducing the budget to help in other areas.
- There are a number of client equipment support budgets which collectively have underspent by £(13)k.
- There is a growing cost to the Council for responsibilities for those taken into care which has caused an adverse variance of £25k. Subject to a review of these costs there may be a pressure for future budgets.

**CFW7 – Rephased and/or incomplete savings proposals, £347k adverse:**
- £175k SEN Transport, following a procurement exercise the market response was not as expected. Further and potentially collaborative work is being considered that will widen the market scope to increase the potential opportunities to make this saving in 2014/15.
- £110k in-year reduction in saving due to the delay in implementing the closure of Katharine Lowe House and the Princess Centre. This will have no impact on future budgets.
- £62k delayed saving in the financial operations team due to the rephasing of the implementation of the Liquid Logic system.

**CFW8 – Rephased projects, £(236)k favourable, period movement of £(355)k**
- Children's commissioning services and community projects have been rephased into 2014/15, subject to review by management against emerging needs, £(204)k.
- Youth Offending services projects rephased subject to review by management, £(227)k.
- £220k of equipment purchases was made under the service heading Supporting People, for which there is no budget provision. Should activity continue in 2014/15 budget provision will need to be found.
- Minor slippage on adult social care projects across a number of areas, £(25)k

**CFW9 – Commissioned Services, £(1,275)k, period movement £(21)k**
- There was significant underspending on services delivered by third parties on the Council's behalf, particularly in Public Health at £(1,153)k. This has allowed £1,248k of expenditure, originally funded from other budget headings, but eligible for Public Health funding, to be reclassified.

**CFW10 – Income and grants, £(1,095)k favourable, period movement £(447)k favourable**
- Unbudgeted grant income applied to relevant services of £(515)k; primarily Adoption reform Grant £(113)k, Intensive Fostering Grant £(203)k, and Youth Placement Grant £(126)k.
- Early Years services to schools £(314)k; charging for services was introduced after the budget had been set. Should this income be sustainable, budgets can be introduced in 2014/15 and future budgets.
- Net adoption fees payable was a favourable variance of £(133)k. Fees are payable to from one Authority to another when one Council organises an adoption in their area for a child from the other Council's area. This variance is not the net income to Trafford, but the net variance from income and expenditure budgets for these fees.
- Youth Services unbudgeted income £(227)k; income for attendance at events is set aside to fund future events and has in the past been carried forward to the year of expenditure. This is an incorrect accounting practice, and this income needs to be budgeted for in the future.

- Temporary loss of income in year as a result of the early termination of the contract and corrective action required re the delivery of the Disabled Facility Grant home improvements. As a result opportunity income to the section of £94k was lost during the year. Dependent upon work load, the section could regain this lost income during 2014/15 and/or 2015/16.

**CFW11 – End of Year adjustments, £(496)k favourable, period movement £(421)k favourable**

- Nursery contingency provision not required £(160)k.
- More expenditure on Telecare equipment has been capitalised at the end of the year than was originally planned for, reducing impact on the revenue account by £(98)k.
- The provision for repayment of income incorrectly charged to clients under s117 of the Mental health Act is to be fully written down at £(118)k, a £(43)k increase on the planned reduction.
- End of year review of consolidated Bad Debt Provision has allowed the return of £120k to Adult Social Care.

**CFW12 – Vacancy Management, £(892)k favourable, period movement £(202)k**

- Across the Directorate management action to delay recruitment to the last possible moment has generated a substantial in-year saving. The period increase mostly relates to a degree of caution in estimating such savings when there could be sudden operational requirements that require overtime and/or agency staffing. It is possible that some of this saving could be repeatable in future years to assist with emerging pressures in 2014/15.
- The above includes a favourable £(57)k contribution from Learning Disability Pooled budgets.

**CFW13 – Management of Running Costs, favourable variance of £(78)k, period movement of £(88)k**

- This variance is the net of a number of minor over and under spends across the Directorate.
- The above includes an adverse variance in Learning Disability Pool budgets of £15k.

**ANNEX 2**

**TRAFFORD MBC**

| | |
|---|---|
| **Report to:** | **ETO Directorate Management Team** |
| **Date:** | **9 May 2014** |
| **Report for:** | **Discussion** |
| **Report author:** | **ETO/EGP Finance Manager** |

**Report Title**

**Revenue Budget Monitoring 2013/14 – Period 12 outturn**

## 1. Outturn for the Year

1.1 The approved revenue budget for the year is £29.192m. The outturn is £29.172m, which is a £(0.020)m underspend for the year.

1.2 There is a favourable movement of £(0.086)m in the outturn compared to the forecast included in the last budget monitoring report. This is across a number of service areas:

- £(0.056)m additional underspend on the Waste Collection contract;
- additional Parking income £(0.043)m;
- holding vacancies and other management action to control costs in Public Protection £(0.042)m;
- Energy cost overspend reduced £(0.017)m;
- Catering and cleaning trading account income less than predicted £0.106m;
- net underspend across various staffing and running cost budgets across the Directorate £(0.034)m.

1.3 The overall underspend of £(0.020)m has been achieved against a background of significant financial challenges for the Directorate throughout the year. This includes the achievement of approved budget savings of £(3.011)m, plus the successful management of budget pressures of £0.669m:

- re-phased savings and other costs relating to the Enforcement review £0.300m and Groundforce £0.123m;
- Public Protection income shortfall, including licencing, of £0.068m;
- Highways traffic management costs £0.054m and increased energy costs £0.018m;
- Catering and cleaning trading account shortfall £0.106m.

1.4 The Directorate has been able to mitigate these pressures in full through additional income streams and active cost management. This includes :

- one-off income from Oakfield Road car park £(0.166)m;
- additional income from other parking £(0.079)m;
- additional Bereavement Services income £(0.093)m;
- contract/other savings in waste management £(0.116)m;

- the remainder from management action to control staffing vacancies and running costs.

1.5 Ongoing variances have been included in the medium term financial plan as appropriate, and management action will continue into 2014/15 to address potential future budget pressures as follows:

- Only necessary spending on supplies and services to be approved;
- Reduced use and greater control of overtime and travel expenses;
- Monitoring and evaluation of existing and potential new income streams;
- Analysis of rechargeable work for both revenue and capital schemes;
- Additional improvements to efficiency through service redesign and better procurement;
- Potential to accelerate future savings proposals.

1.6 The Directorate has also brought forward balances of £(0.439)m from previous years (paragraph 3). This included £(0.202)m earmarked specifically to mitigate one-off budget pressures in the year, such as from the Enforcement and Groundforce reviews. These have been managed without use of reserves, as above, but are continuing for the early part of 2014/15, plus there are a number of known one-off budget pressures which will also require support.

## 2. Summary of Variances

2.1 The overall net underspend for the Directorate is summarised as follows:

- Re-profiling of savings from the ongoing review of Enforcement due to additional staff consultations £0.300m, a reduction of £(0.014)m since last reported;
- Re-profiling of Groundforce staff savings pending the ongoing review of working conditions (e.g. overtime) £0.100m;
- Public Protection income shortfall, particularly from licencing, due to continuing economic climate £0.068m;
- Traffic Management costs for major events – additional costs £0.054m;
- Street Lighting – prices in the new energy contract are higher than anticipated at the start of the year £0.018m, a favourable movement of £(0.017)m since last reported;
- Additional costs from the extension of the Parking enforcement contract prior to full re-tendering exercise during the year £0.032m;
- Head of Operations post part year vacancy (revenue element) £(0.030)m;
- The full closure of Oakfield Road car park has taken longer than predicted when setting the budget and income is £(0.166)m higher than expected for the full year;
- Other Parking income higher than expected £(0.079)m, which includes an additional £(0.020)m from Parking permits from last reported;
- Income in Bereavement Services has continued to be higher than expected at the start of the financial year £(0.093)m;
- School crossing patrols underspend from ongoing net vacancies £(0.068)m;

- Rebate from transport leasing contractor £(0.014)m – an averse movement of £0.036m since last reported due to the ongoing reduction of vehicle fleet as part of the Directorate's 2014/15 savings proposals;
- Waste Management – total underspend of £(0.116)m from the waste collection contract, refurbishing of existing dustbin stock, and other running costs;
- Trading account income from catering and cleaning has not recovered costs as expected at the start of the financial year by £0.106m. This is due to a combination of market conditions (e.g. external competition) and a review of the service provision (e.g. Trafford Town Hall catering).
- Other net overspend from control of vacancies and cost reductions £(0.132)m, including £(0.058)m from Public Protection and £(0.074)m from Sustainability & Greenspace.

## 3. Reserves

3.1 At the end of 2012/13 the Directorate had a surplus on accumulated balances of £(0.439)m, which was carried forward to 2013/14. This was a result of the successful management of budget pressures in 2012/13, plus generated surpluses to assist in mitigating future pressures (if required) while sustainable solutions are implemented.

3.2 The Directorate has been able to mitigate budget pressures in-year through one-off and other income, and control of staffing and running costs across all services, and hence without use of the reserve. However, the reviews of Enforcement and Groundforce are continuing into 2014/15 as part of approved existing and new saving plans, and the reserve will be required to support these budget pressures in the early part of the new financial year.

3.3 The Directorate also has known pressures from project related activity for which the reserve is also being held. This includes support for the new waste collection contract, waste recycling initiatives, parking enforcement contract set up costs and risk mitigation, sustainable drainage implementation, investment in catering relating to the introduction of free schools meals for all infant classes from September 2014.

| **Utilisation of ETO Carry forward Reserve** | **(£000's)** |
|---|---|
| Surplus balance brought forward at 1 April 2013 | (439) |
| New waste contract support now required in 2014/15 | (65) |
| Traded service investment projects spend | 30 |
| Outturn P12 | (20) |
| **Balance at 31 March 2014** | **(494)** |
| **Commitments 2014/15:** | |
| New waste contract support b/f from 2013/14 | 65 |
| Traded services investments b/f (re-phased projects) | 102 |
| Parking enforcement new contract b/f - cost/income | 30 |
| Free School Meals potential additional revenue costs | 50 |
| Re-phased savings (Enforcement & Groundforce) | 97 |
| Waste Recycling projects (to maintain/increase recycling rates) | 50 |
| Sustainable Drainage and Flood Management | 100 |
| **Balance after known commitments** | **0** |

## 4. Savings

4.1 The approved Directorate budget includes savings of £(3.011)m, (9.3)% as follows:

| | Budget (£000's) | Outturn (£000's) | Variance (£000's) |
|---|---|---|---|
| Increased and new income | (307) | (307) | 0 |
| Efficiencies and others | (605) | (575) | 30 |
| Policy Choice | (2,099) | (1,729) | 370 |
| Mitigating action across ETO | 0 | (400) | (400) |
| **Total ETO** | **(3,011)** | **(3,011)** | **0** |

4.2 The shortfall of £0.400m relates to re-profiling of savings in Enforcement and Groundforce above. These have been mitigated in full from management action and other favourable variances across the Directorate, as above.

## 5. Recommendations

5.1 It is recommended that the outturn of £(0.020)m underspend for the year be noted.

**Appendix 1**

**Period 12 Outturn revenue expenditure and income variances.**

The following tables detail the main variances from the revenue budget to the outturn, and the movements since the last monitoring report in both Management Accounts ("Budget Book") format and by cause or area of impact of the variance.

| Budget Book Format (Objective analysis) | Full Year Budget (£000's) | P12 Outturn (£000's) | P12 Outturn Variance (£000's) | Previous Report Variance (£000's) | Period Movement (£000's) | Ref |
|---|---|---|---|---|---|---|
| **Highways & Environment Portfolio** | | | | | | |
| Highway and Network Management, incl. Traffic & Transportation | 5,130 | 5,136 | 6 | 44 | (38) | ETO1 |
| School Crossing Patrols | 512 | 444 | (68) | (55) | (13) | ETO2 |
| Parking Services | (150) | (388) | (238) | (170) | (68) | ETO3 |
| Groundforce | 4,593 | 4,716 | 123 | 111 | 12 | ETO4 |
| Bereavement Services | (998) | (1,070) | (72) | (91) | 19 | ETO5 |
| Sustainability & Greenspace | 410 | 336 | (74) | (59) | (15) | ETO6 |
| Waste Management (incl. WDA levy) | 18,661 | 18,545 | (116) | (60) | (56) | ETO7 |
| Public Protection | 806 | 816 | 10 | 52 | (42) | ETO8 |
| Environmental Enforcement | 30 | 330 | 300 | 314 | (14) | ETO9 |
| Directorate Strategy & Business Support | 470 | 467 | (3) | (20) | 17 | |
| **Sub-total** | **29,464** | **29,332** | **(132)** | **66** | **(198)** | |
| | | | | | | |
| **Operational Services for Education** | **(272)** | **(160)** | **112** | **0** | **112** | ETO10 |
| | | | | | | |
| **Total Outturn Period 12** | **29,192** | **29,172** | **(20)** | **66** | **(86)** | |

| ETO<br><br>Business Reason / Area<br>(Subjective analysis) | P12 Outturn Variance (£000's) | Previous Report Variance (£000's) | Period Movement (£000's) | Ref |
|---|---|---|---|---|
| **Highways and Network Management** | | | | |
| Traffic Management costs - events | 54 | 54 | 0 | |
| Fee income | (8) | 5 | (13) | |
| Transport rebates | (5) | (25) | 20 | |
| Staffing vacancies | (30) | (30) | 0 | |
| Energy – Street Lighting | 18 | 35 | (17) | |
| Other running costs | (23) | 5 | (28) | |
| **Sub-total** | **6** | **44** | **(38)** | ETO1 |
| | | | | |
| **School Crossing Patrols - vacancies** | **(68)** | **(55)** | **(13)** | ETO2 |
| | | | | |
| **Parking Services** | | | | |
| Additional income – Oakfield Road | (166) | (153) | (13) | |
| Additional income - others | (79) | (49) | (30) | |
| Contract extension one-off costs | 32 | 35 | (3) | |
| Staffing and running costs | (25) | (3) | (22) | |
| **Sub-total** | **(238)** | **(170)** | **(68)** | ETO3 |
| | | | | |
| **Groundforce** | | | | |
| Re-profiling of staff/equipment savings | 100 | 100 | 0 | |
| Overtime/other additional running costs | 32 | 36 | (4) | |
| Transport rebates | (9) | (25) | 16 | |
| **Sub-total** | **123** | **111** | **12** | ETO4 |
| | | | | |
| **Bereavement Services** | | | | |
| Essential maintenance costs | 21 | 21 | 0 | |
| Income above budget | (93) | (112) | 19 | |
| **Sub-total** | **(72)** | **(91)** | **19** | ETO5 |
| | | | | |
| **Sustainability & Greenspace** | | | | |
| Vacancy, supplies & services | **(74)** | **(59)** | **(15)** | ETO6 |
| | | | | |
| **Waste Management** | | | | |
| Refurbishment and reduced demand for bin replacement | (20) | (20) | 0 | |
| Contract costs | (86) | (30) | (56) | |
| Running costs | (10) | (10) | 0 | |
| **Sub-total** | **(116)** | **(60)** | **(56)** | ETO7 |
| | | | | |

| ETO<br><br>Business Reason / Area<br>(Subjective analysis) | P12 Outturn Variance (£000's) | Previous Report Variance (£000's) | Period Movement (£000's) | Ref |
|---|---|---|---|---|
| **Public Protection** | | | | |
| Income shortfall including licencing | 68 | 68 | 0 | |
| Mitigating action – hold on filling vacancies | (58) | (16) | (42) | |
| **Sub-total** | **10** | **52** | **(42)** | ETO8 |
| | | | | |
| **Environmental Enforcement** | | | | |
| Re-profiling of staff/equipment saving | **300** | **314** | **(14)** | ETO9 |
| | | | | |
| **Director & ETO Business Support** | | | | |
| Staffing and Running costs | **(3)** | **(20)** | **17** | |
| | | | | |
| **Operational Services for Education** | | | | |
| Trafford Town Hall catering | 30 | 0 | 30 | |
| Catering and Cleaning cost recovery shortfall | 82 | 0 | 82 | |
| **Sub-total** | **112** | **0** | **112** | ETO10 |
| | | | | |
| **Total Outturn Variance Period 12** | **(20)** | **66** | **(86)** | |

**ADDITIONAL NOTES ON OUTTURN VARIANCES**

**ETO 1 – Highways & Network Management - £0.006m (adverse)**
Traffic management costs associated with major events are £0.054m above budget for the year. These costs have arisen due to clarification on the statutory responsibilities, and are being addressed in the Medium Term Financial Plan. A number of options have been evaluated up to reduce this pressure in 2014/15.

Receipt of rebates from the vehicle leasing contractor is £(0.005)m for the year. This is £0.020m less than previously reported due to the vehicle fleet being reduced to control costs and also as part of delivering approved budget savings.

There is an underspend on staffing arising from a vacant managerial post £(0.030)m.

Street Lighting energy costs are £0.018m higher than budgeted as a result of increases in the annual energy supplier contract in the year. This is £(0.017)m less than previously reported.

Running costs are £(0.020)m less than budget, and reflects management action to control costs throughout the year across the service.

**ETO 2 – School Crossing Patrols – £(0.068)m (favourable)**
There is an underspend on staffing of £(0.068)m due to the ongoing difficulties in the filling of vacancies, which has continued from 2012/13. Leavers and new starters

have broadly matched each other in recent months, which has meant the net staffing level has not increased as intended. The underspend is, hence, £(0.013)m higher than had been forecast in the last report.

**ETO 3 – Parking Services – £(0.238)m (favourable)**
The approved budget included assumptions regarding the partial, then full closure of Oakfield Road car park during the year as part of the regeneration of Altrincham Town Centre. The re-phasing of the town centre project has resulted in income being £(0.166)m above budget for the year.

Other car parking income is above expectations by £(0.079)m, following on from 2012/13. This includes a favourable movement of £(0.030)m from last reported relating to permit income.

The contract for Parking enforcement was extended for a further 12 months while a full tender exercise was undertaken. The extension has increased costs by £0.032m from the previous contract period which has now expired. The new contract has been awarded from April 2014 and will deliver an annual saving of £(0.150)m, and this is included in the Council's approved 2014/15 budget.

**ETO 4 – Groundforce - £0.123m (adverse)**
Approved savings associated with staffing, supplies, vehicles and equipment have been re-profiled, and there is an overspend of £0.100m this year. A review is ongoing and includes revised terms and conditions, overtime and procurement accordingly. The review is informing the action plan to bring future spend in line with budget as well as deliver on new approved savings in 2014/15.

Other supplies, services and overtime costs are £0.032m above budget. An element of this relates to one-off reactive service requests, which are often out of normal working hours. The review of the service above is looking to address these issues.

Receipt of rebates from the vehicle leasing contractor is £(0.009)m for the year. This is £0.016m less than previously reported due to the vehicle fleet being reduced in order to deliver the approved budget savings.

**ETO 5 – Bereavement Services £(0.072)m (favourable)**
Net income levels for the year have exceeded the budget by £(0.093)m, and follows the levels from the last financial year. Running costs are above budget by £0.021m and relates to essential works.

**ETO 6 – Sustainability and Greenspace £(0.074)m (favourable)**
Management action to control running costs, plus staff vacancies, gives rise to a predicted underspend of £(0.074)m.

**ETO 7 – Waste Management £(0.116)m (favourable)**
There is an underspend of £(0.020)m relating to a reduction in spending on replacement bins. This correlates to an increase in the refurbishing of existing bin stock and also a reduction in demand generally.

There is an underspend of £(0.086)m on the waste collection contract costs for the year, a favourable movement of £(0.056)m since last reported. This includes a

£(0.020)m saving due to successful negotiations with the supplier regarding the annual inflationary increase which applies from October each year.

Other running costs are £(0.010)m less than budget.

**ETO 8 – Public Protection £0.010m (adverse)**
There is a shortfall in income of £0.068m across the service. This relates in particular to licencing, which is due to lower levels of applications received. This is to a large extent related to the economic climate and has continued from previous financial years. This has been addressed as part of the Medium Term Financial Plan.

The shortfall has been mitigated through a variety of management actions to control costs throughout the year, including restricting running cost spending and in particular delays in filling vacant posts in the latter part of the year £(0.058)m. This is a favourable movement of £(0.042)m since last reported.

**ETO 9 – Environmental Enforcement £0.300m (adverse)**
The savings associated with the review of Enforcement have been re-profiled following additional staff consultations. This has resulted in an adverse variance of £0.300m for the year, which is £(0.014)m less than last reported. This includes the effect of additional time being taken to review and consult on the proposals, and incorporate feedback.

**ETO 10 – Operation Services for Education £0.112m (adverse)**
A review of the catering provision at Trafford Town Hall has led to one-off costs of £0.030m which have not been able to be recovered from income in the financial year. Following the review and implementation of changes, the ongoing catering provision is operating on a sustainable business model.

Catering and cleaning traded services to schools have not recovered costs as expected at the start of the year by £0.082m. This is a combination of increasing costs (e.g. of food and supplies) and prevailing market conditions leading to increased external competition.

**ANNEX 3**

**TRAFFORD MBC**

| | |
|---|---|
| **Report to:** | **EGP Directorate Management Team** |
| **Date:** | **9 May 2014** |
| **Report for:** | **Discussion** |
| **Report author:** | **EGP/ETO Finance Manager** |

**Report Title**

**Revenue Budget Monitoring 2013/14 – Period 12 outturn**

## 1. Outturn

1.1 The approved revenue budget for the year is £3.282m. The outturn is £2.984m, which is a £(0.298)m underspend against budget.

1.2 There is a movement of £(0.298)m from the forecast included in the last budget monitoring report as follows:

- Backrent and head rents received in February/March from Stamford Centre £(0.108)m and confirmed from Broomwood £(0.037)m;
- Improved efficiency in Major Projects team in latter part of year leading to an increase in fee income £(0.065)m;
- Reduced overspend in Facilities Management staffing £(0.040)m;
- Increase in planning income surplus against budget £(0.028)m;
- Other net favourable variance across the Directorate £(0.020)m.

1.3 The underspend for the year has been achieved against a background of a number of significant financial challenges. This includes achieving the approved budget savings of £(0.696)m, plus the successful management of a number of in-year and ongoing pressures affecting the Directorate budget. Underlying pressures include the adverse effects of the economy on budgeted levels of income (and taken forward in the Medium Term Financial Plan as appropriate):

- shortfall in investment property and other rental income £0.165m;
- Housing green deal income shortfall £0.048m;
- Housing capital income shortfall £0.047m.

1.4 The budget pressures have been able to be mitigated through a combination of successful management actions but also a number of one-off income streams from backdated rents, which includes £(0.111)m from Stretford Arndale in addition to those mentioned above.

1.5 The Directorate started the year with balances of £(0.312)m brought forward from previous years which largely included for re-phased project costs. A number of EGP budgets are for project related activity, in particular in the areas of Housing Growth, Strategic Planning and Economic Growth, and some of the project-based work started or planned in 2013/14 will now be delivered in the new financial year. As a result further associated budgets of £(0.109)m will be carried over in the EGP Reserve and recorded with other commitments for 2014/15 accordingly (Section 3).

## 2. Explanation of Variances

2.1 The outturn variances are summarised below, with more detail at Appendix 1:

- Shortfall in property rent income of £0.165m due to the on-going adverse effect of the economy, primarily on town centre rents;
- Backdated and head rent income of £(0.108)m received in February and March 2014 relating to the Stamford Centre;
- Rental income from airport land is £(0.019)m higher than budgeted, based on the notification received from Manchester City Council in March 2013;
- Confirmation of the final 2012/13 rental income from Stretford Arndale by the agents of the owners was received in September, and was £(0.111)m higher than had been anticipated;
- Backdated rental income of £(0.073)m confirmed in November 2013 relating to Shrewsbury Street;
- Backdated rental income confirmed this month relating to Broomwood £(0.037)m;
- Improved efficiency in the Major Projects team in the latter part of the year has led to an increase in fee income from capital and external projects £(0.065)m
- Facilities management staffing is £0.030m above budget due to the later than planned disposal of a number of properties;
- There is a staffing underspend across EGP relating to the ongoing restructure and appointments to vacancies £(0.077)m;
- Planning Application fees income is expected to be £(0.046)m above budget, a favourable movement of £(0.018)m from last reported. Building control income is less than planned by £0.007m. This income is monitored and reported on a weekly basis during the year;
- Fee income from housing improvement capital schemes is a net £0.047m less than budget due to a reduced volume of property sales;
- Shortfall in income of £0.048m due to re-phasing of the implementation of Green Deal;
- Net underspend on other running costs £(0.059)m.

## 3. Reserves

3.1 At the end of the last financial year the Directorate had £(0.312)m of balances brought forward from previous years, of which £0.126m was earmarked on re-phased projects, with the remainder held to provide one-off mitigation for other budget pressures during the year.

3.2 During 2013/14 the Directorate spent £0.059m from the reserve and has added a further £(0.109)m from project budgets which are to be utilised in 2014/15. It has also not been necessary to utilise the reserve against the adverse variances in the Directorate budget in 2013/14, as these have been able to be fully mitigated from a combination of one-off income streams (e.g. property back rents) and management action to control staffing and running costs.

| **Utilisation of EGP Carry forward Reserve** | **(£000's)** |
|---|---|
| Surplus balance brought forward at 1 April 2013 | (312) |
| Use of reserve on project based activity | 59 |
| Re-phased projects from 2013/14 | (109) |
| Outturn P12 | (298) |
| Committed on 2014/15 projects plus mitigation for potential future budget pressures | 462 |
| **Balance after outturn/commitments** | **(198)** |

## 4. Savings

4.1 The approved Directorate budget includes savings of £(0.696)m, (17.4)% as follows:

| | **Budget (£000's)** | **Outturn (£000's)** | **Variance (£000's)** |
|---|---|---|---|
| Increased and new income | (122) | (122) | 0 |
| Efficiencies and others | (351) | (351) | 0 |
| Policy Choice | (223) | (183) | 40 |
| **Total EGP** | **(696)** | **(656)** | **40** |

4.2 The shortfall of £0.040m relates to savings in Facilities Management staffing which have needed to be re-profiled due to the disposal of certain buildings taking longer than had been planned. This has been mitigated by management action and other favourable variances across the Directorate.

## 5. Recommendations

5.1 It is recommended that:

- The outturn underspend of £(0.298)m for 2013/14 be noted.

Appendix 1

**Period 12 Outturn revenue expenditure and income variances**

The following tables detail the main variances from the revenue budget to the outturn, and the movements since the last monitoring report in both Management Accounts ("Budget Book") format and by cause or area of impact of the variance.

| **Budget Book Format**<br><br>**(Objective analysis)** | **Full Year Budget (£000's)** | **P12 Outturn (£000's)** | **P12 Outturn Variance (£000's)** | **Previous Report Variance (£000's)** | **Period Movement (£000's)** | **Ref** |
|---|---|---|---|---|---|---|
| **Economic Growth & Prosperity Portfolio** | | | | | | |
| Asset Management | 1,090 | 821 | (269) | 7 | (276) | EGP1 |
| Planning & Building Control | 174 | 97 | (77) | (45) | (32) | EGP2 |
| Strategic Planning & Development | 525 | 527 | 2 | (6) | 8 | |
| Economic Growth | 723 | 727 | 4 | (21) | 25 | |
| Housing Strategy | 522 | 591 | 69 | 65 | 4 | EGP3 |
| Directorate Strategy & Business Support | 248 | 221 | (27) | 0 | (27) | |
| **Total Outturn Period 12** | **3,282** | **2,984** | **(298)** | **0** | **(298)** | |

| EGP<br><br>**Business Reason / Area (Subjective analysis)** | **P12 Outturn Variance (£000's)** | **Previous Report Variance (£000's)** | **Period Movement (£000's)** | **Ref** |
|---|---|---|---|---|
| **Asset Management** | | | | |
| Investment Property Rental Income: | | | | |
| - Stamford Centre - shortfall | 34 | 34 | 0 | |
| - Stamford Centre – backdated rent | (108) | 0 | (108) | |
| - Other properties - shortfall | 90 | 76 | 14 | |
| - Airport - surplus | (19) | (19) | 0 | |
| - Stretford Arndale 12/13 final rent | (111) | (111) | 0 | |
| - Shrewsbury St. backdated rent | (73) | (73) | 0 | |
| - Broomwood backdated rent | (37) | 0 | (37) | |
| Community buildings – income and running costs | 41 | 35 | 6 | |
| Administrative Buildings running costs | (62) | 0 | (62) | |
| Facilities Management - staffing | 30 | 70 | (40) | |
| Asset Management – staffing vacancies | (18) | (12) | (6) | |
| Major Projects – fee income | (65) | 0 | (65) | |
| Other minor running cost variances | 29 | 7 | 22 | |
| **Sub-total** | **(269)** | **7** | **(276)** | EGP1 |
| | | | | |
| **Planning & Building Control** | | | | |
| Planning applications income surplus | (46) | (18) | (28) | |
| Building Control income shortfall | 7 | 11 | (4) | |
| Staffing vacancies | (38) | (38) | 0 | |
| **Sub-total** | **(77)** | **(45)** | **(32)** | EGP2 |
| | | | | |
| **Strategic Planning & Development** | | | | |
| Staffing/running costs | 2 | (6) | 8 | |
| **Sub-total** | **2** | **(6)** | **8** | |
| | | | | |
| **Economic Growth** | | | | |
| Staffing/running costs | 4 | (21) | 25 | |
| **Sub-total** | **4** | **(21)** | **25** | |
| | | | | |
| **Housing Strategy** | | | | |
| Housing improvements capital fee income shortfall | 47 | 46 | 1 | |
| Green Deal income shortfall | 48 | 31 | 17 | |
| Running cost savings | (26) | (12) | (14) | |
| **Sub-total** | **69** | **65** | **4** | EGP3 |
| | | | | |
| **Directorate Strategy/Business Support** | | | | |
| Staffing vacancy/running costs | **(27)** | **0** | **(27)** | |
| **Total Outturn Variance Period 12** | **(298)** | **0** | **(298)** | |

## NOTES ON OUTTURN VARIANCES

### EGP1 – Asset Management - £(0.269)m (favourable)

The effect of the economy is continuing to adversely affect rents across the property portfolio, including Stamford Centre £0.034m, and Community Buildings £0.041m. Other investment property has a shortfall of £0.090m. Airport rent is £(0.019)m above budget following notification in March 2013 from Manchester City Council of new rent levels for the next five years.

For Stretford Arndale, the Agents for the owners have managed to continue to make a number of short term lettings to ensure the number of vacant units is minimised and this has held up gross rental income. This is despite rent reductions on the bigger units of around 40% upon lease renewals. The year-end rental payment notified during September is hence £(0.111)m higher than expected.

Backdated rental income was confirmed in November 2013 relating to Shrewsbury Street £(0.073)m. Backdated and head rent of £(0.108)m has been received relating to the Stamford Centre in February/March, with a further £(0.037)m in backdated rent confirmed for Broomwood.

Improved efficiency in the Major Projects team in the latter part of the financial year has led to an increase in fee income from capital and external projects £(0.065)m.

Facilities Management staffing is expected to be £0.040m above budget. The associated saving has needed to be re-profiled as the planned disposal of buildings has taken longer than expected.

Other variance in staffing and running cost across the service are £(0.062)m.

### EGP2 – Planning and Building Control – £(0.077)m (favourable)

Income from planning fees is £(0.046)m above budget, which is a favourable movement of £(0.018)m from last reported.

Building control income is below budget by £0.007m.

Planning and building control fees are monitored and reported on a weekly basis.

There is an underspend from staffing vacancies of £(0.038)m. The filling of vacant posts will be addressed by the ongoing restructure of EGP.

### EGP3 – Housing Strategy – £0.070m (adverse)

This includes an adverse variance of £0.046m relating to Housing Improvement fee income. The cost of housing improvement work is recouped when properties are sold in the future, and the sale proceeds are reinvested in new works to top up the existing capital programme. Where new improvement works are carried out, this generates fee income for the service to recover the Council's management and administration costs. There has been a reduction in the number of property sales due to the adverse economic climate and this has reduced the availability of capital funds for new works. Fee income has, hence, reduced compared to that expected in the revenue budget. This has been taken forward in the Medium Term Financial Plan.

There is a shortfall in income of £0.048m due to re-phasing of the implementation of Green Deal. Running cost savings are £(0.026)m.

# ANNEX 4

**TRAFFORD MBC**

| | |
|---|---|
| **Report to:** | **Transformation & Resources Directorate Management Team** |
| **Date:** | **8 May 2014** |
| **Report for:** | **Discussion** |
| **Report author:** | **T&R Senior Accountant** |

**Revenue Budget Monitoring 2013/14 – Period 12**
**(April 2013 – March 2014 inclusive)**

## 1 Outturn

1.1 The current approved revenue budget for the year is £20.357m. The outturn of £19.420m is £(0.937)m (4.6%) below the approved budget. This is a £(0.331)m favourable movement since the last period.

The cumulative variance for the year ending 31st March 2014 of £(937)k favourable to budget is a result of:

**£(473)k** favourable variance in staffing costs, including £(292)k due to vacancies not being filled in Revenues & Benefits and Partnerships & Performance where staffing reductions were planned for 2014/15 and £(102)k on recruitment freezes during staff restructures. There were favourable variances on training, £(23)k and staff advertisements, £(56)k. (T&R 1)

**£180k** adverse variance on legal and court costs, mainly regarding childcare and planning. This overspend would normally be charged to the Legal smoothing reserve but, given the general underspend across T&R, the cost has been charged to the T&R Revenue budget in the year. (T&R 2)

**£(209)k** favourable variance on Public Health costs absorbed into T&R and included as a budget saving in 2014/15. (T&R 3)

**£(115)k** net favourable variance in various running costs across the Directorate, including delayed grant-funded expenditure in Finance, £(59)k, slippage in the introduction of video links in the libraries £(47)k, purchases of library books, £(35)k and expenditure in Communications on events £(35)k. This was partly offset by additional ICT costs, £78k and Occupational Health costs linked to the reduction in sickness days, £48k. (T&R 4)

**£(157)k** favourable variance on Legal income, including costs recharged to capital £(41)k, Trafford Housing Trust and Probation income £(38)k, Court income £(25)k, property based income £(19)k, land charges income £(13)k and income from Schools Appeals £(11)k. (T&R 5)

**£(96)k** favourable variance on HR income, particularly SLA income but including increased income from Salary Sacrifice schemes and handling charges from CRB checks (T&R 6).

**£(67)k** net favourable movement in other income streams, including £(46)k on Liability Order income. (T&R 7)

1.2 The £(331)k favourable movement in the final period is a result of:

£20k adverse variance on staffing costs due to reduced staff turnover and increased training spend.

£(59)k favourable variance due to delayed grant –funded expenditure in Finance.

£(47)k favourable variance due to the delayed expenditure on the video link project in the Libraries.

£(35)k underspend on book purchases in the Libraries.

£(35)k favourable variance on Events expenditure in Communications.

£(27)k favourable variance due to slippage on maintenance and improvement work at Sale Water Park.

£(47)k net favourable variance on other running costs.

£(46k) favourable variance on liability order income.

£(34)k favourable variance on legal recharges to capital projects.

£(21)k net favourable variance on other income streams.

## 2 Reserves

2.1 The Directorate has accumulated balances of £(1.389)m brought forward from 2012/13. Over the year the surplus balance was used to ensure that the Directorate met and sustained the challenges of the future, including support for the Reshaping Trafford Programme. The table below summarises the movement during 2013/14 and earmarked expenditure in 2014/15:

| **Table 1: Utilisation of Carry Forward Reserve 2013/14** | **£000's** |
|---|---|
| Balance b/f 1 April 2013 | (1,389) |
| 2013/14 Outturn | (937) |
| Use of Reserves | 348 |
| **Remaining Balance at 31 March 2014** | **(1,978)** |
| Planned expenditure in 2014/15 | 1,354 |
| **Remaining Balance at 31 March 2015** | **(624)** |

2.2 In 2014/15 and future years the surplus balance will be used to ensure that the directorate can continue to meet the challenges of the future, particularly ensuring support for Reshaping Trafford and the New Operating Model.

## 3 Welfare Reform

3.1 In the twelve months of operation, Trafford Assist has made awards to 3,011 different individuals with a total value of £168,277. The total value of awards are shown in the table below:

| **Item** | **Awards** | **Value** |
|---|---|---|
| Furniture | 570 | £123,611 |
| Paypoint (cash) | 1,368 | £26,001 |
| Food | 1,767 | £18,665 |
| **Total** | **3,705** | **£168,277** |

3.2 The Trafford Assist scheme is within budget after the first twelve months in operation. There are no plans to adjust the qualifying criteria at this stage, as demand on the scheme may increase when further Welfare Benefit changes are introduced. The scheme continues to receive favourable comments from customers, DWP and other Partners particularly about positive intervention and signposting.

3.3 In addition to the above, 1,273 awards, out of 1,710 requests, for Discretionary Housing Payment have been made amounting to £387,216. This was in line with budgeted expectations.

**Appendix 1**

**Period 12 Outturn revenue expenditure and income variances**

The following tables detail the main variances from the revenue budget to the outturn, and the movements since the last monitoring report, in both Management Accounts ("Budget Book") format and by cause or area of impact of the variance.

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| Budget Book Format (Objective analysis) | Full Year Budget (£000's) | P12 Outturn (£000's) | P12 Outturn variance (£000's) | Previous Outturn variance (£000's) | Period Movement (£000's) | Note ref |
|---|---|---|---|---|---|---|
| **Transformation and Resources Portfolio** | | | | | | |
| Legal & Democratic | 1,935 | 2,036 | 101 | 164 | (63) | T&R2,4,5 |
| Communications & Customer Services | 6,865 | 6,519 | (346) | (209) | (137) | T&R1,4 |
| Partnerships & Performance | 2,712 | 2,445 | (267) | (269) | 2 | T&R1,3 |
| Strategic Human Resources | 2,304 | 2,279 | (25) | (63) | 38 | T&R1,4,6 |
| Corporate Leadership and Support | 367 | 328 | (39) | (10) | (29) | |
| **sub-total** | **14,183** | **13,607** | **(576)** | **(387)** | **(189)** | |
| | | | | | | |
| **Finance Portfolio** | | | | | | |
| Finance Services | 4,002 | 3,655 | (347) | (237) | (110) | T&R1,4,7 |
| **sub-total** | **4,002** | **3,655** | **(347)** | **(237)** | **(110)** | |
| | | | | | | |
| **Safe and Strong Communities** | | | | | | |
| Culture & Sport | 2,172 | 2,158 | (14) | 18 | (32) | T&R,4,7 |
| **sub-total** | **2,172** | **2,158** | **(14)** | **18** | **(32)** | |
| | | | | | | |
| **Total** | **20,357** | **19,420** | **(937)** | **(606)** | **(331)** | |

| Business Reason / Area (Subjective analysis) | P12 Outturn variance (£000's) | Previous Outturn variance (£000's) | Period movement (£000's) | Note ref |
|---|---|---|---|---|
| Management of Vacancies | (473) | (493) | 20 | T&R1 |
| Court Costs and Legal fees | 180 | 189 | (9) | T&R2 |
| Running costs relating to Public Health | (209) | (209) | 0 | T&R3 |
| Running Costs | (115) | 126 | (241) | T&R4 |
| Legal income | (157) | (111) | (46) | T&R5 |
| HR Income | (96) | (84) | (12) | T&R6 |
| Other Income | (67) | (24) | (43) | T&R7 |
| **Total** | **(937)** | **(606)** | **(331)** | |

**NOTES ON CUMULATIVE PROJECTED VARIANCES**

**T&R1**
There are a number of posts which were held vacant whilst staffing structures were being reviewed, particularly in ICT and Revenues & Benefits.

**T&R2**
Legal expenses were £180k adverse to budget due to a continuing increase in childcare cases and a number of new development projects.

**T&R3**
Savings from support services that the Council can provide within its existing resources for Public Health functions are £(209)k. This budget is included within Partnerships & Performance but related to back office services across T&R. This sustainable saving has been included within the T&R MTFP for 2014/15.

**T&R4**
There were significant unbudgeted favourable and unfavourable running costs across the T&R Directorate. They include by election costs £23k, video link £(47)k, Library books purchase £(35)k, ICT costs £78k, Events expenditure £(35)k, slippage on grant funded expenditure in Finance £(59)k, Printing, Postage, Stationery and Transactional costs in Finance £(35)k, Occupational Health fees £48k and slippage on maintenance at Sale Water Park £(27)k.

**T&R5**
Legal income was favourable to budget linked to, and partly offsetting, the increased staffing and running costs. Some income streams, such as probation income, will not be received in 2014/15.

**T&R6**
HR has developed its product offering to schools and improved its cost recovery. The service has also developed new income streams based on Salary Sacrifice and CRB administration fees.

**T&R7**
There were various minor variances on other income streams including a favourable variance of £(46)k on Liability Order income.

**ANNEX 5**

**TRAFFORD MBC**

| | |
|---|---|
| **Report to:** | **Director of Finance** |
| **Date:** | **12 May 2014** |
| **Report for:** | **Information** |
| **Report author:** | **Head of Financial Management** |

**Report Title**

**Revenue Budget Monitoring 2013/14 – Period 12 Outturn - Council-Wide Budgets (April 2013 to March 2014 inclusive)**

## 1 Outturn

1.1 The current approved revenue budget for the year is £23.572m. The outturn is £19.614m, which is £(3.958)m under budget, and a favourable movement of £(2.003)m since the last report.

1.2 Appendix 1 details the variances from the approved budget and the period movement from the previous forecast by both function and activity, which in summary are:

Treasury Management - £(1.321)m relating to Manchester Airport Group dividend received above budget and £(0.899)m relating to the reimbursement of costs and interest in relation to the sale of Urmston Town Centre redevelopment;

Members expenses - £(0.069)m, relating to the voluntary 1.9% reduction in allowances and savings in telephony and other running costs, a favourable movement of £(0.024)m since last month;

One-off NNDR refunds from backdated Exemptions and Rateable Value reductions on Council buildings £(0.070)m;

Housing and Council Tax Benefits overpayment recovery net variance of £(0.406)m, a favourable movement of £(0.143)m since the last report;

£(0.152)m, Discretionary Rate Relief budget no longer required;

£0.054m payment due to CLG relating to previous years' NDR accounts;

Savings on Grant Thornton fees for audit of grant claims, £(0.024)m, a favourable movement of £(0.004)m since last period;

Some of the savings from the proposed changes to staff terms and conditions will not be achieved in full this year, £0.136m, a favourable movement of £(0.005)m since last period;

£(0.534)m underspend on provision & contingency budgets following year-end adjustments, primarily due to exceptional general debtor collection performance;

£(0.076)m, costs of off-site document storage are lower than budget;

Non ring-fenced grants - £(0.531)m relating to several grants that were not included in the 2013/14 budget, a favourable movement of £(0.134)m;

There were a number of other minor variances across Council Wide budgets in the sum of £(0.066)m for the year.

## 2 Service carry-forward reserve and Recommendations

2.1 The underspend within Council-wide budgets is transferred to the General Reserve, as detailed in the summary report.

**Appendix 1**

**Period 12 Outturn revenue expenditure and income variances**

The following tables detail the main variances from the revenue budget to the forecasted outturn, and the movements since the last monitoring report, in both Management Accounts ("Budget Book") format and by cause or area of impact of the variance.

| Budget Book Format (Objective analysis) | Full Year Budget (£000's) | P12 Outturn (£000's) | P12 Outturn variance (£000's) | Previous report Outturn variance (£000's) | Period movement (£000's) | Ref |
|---|---|---|---|---|---|---|
| **Finance Portfolio** | | | | | | |
| Precepts, Levies & Subscriptions | 17,852 | 17,855 | 3 | 4 | (1) | |
| Provisions (bad debts & pensions) | 1,770 | 1,350 | (420) | 141 | (561) | C-W1 |
| Treasury Management | 8,366 | 6,061 | (2,305) | (1,316) | (989) | C-W2 |
| Insurance | 659 | 659 | | | | |
| Members Expenses | 944 | 875 | (69) | (45) | (24) | C-W3 |
| Grants | (6,342) | (6,873) | (531) | (397) | (134) | C-W4 |
| Other Centrally held budgets | 323 | (313) | (636) | (342) | (294) | C-W5 |
| **Total** | **23,572** | **19,614** | **(3,958)** | **(1,955)** | **(2,003)** | |

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| Business Reason / Area (Subjective analysis) | P12 Outturn variance (£000's) | Previous report Outturn variance (£000's) | Period movement (£000's) | Ref |
|---|---|---|---|---|
| Staff terms and conditions | 136 | 141 | (5) | C-W1 |
| Document Storage | (76) | 0 | (76) | C-W1 |
| NNDR Repayment | 54 | 0 | 54 | C-W1 |
| Provision for bad debts & other contingencies | (534) | 0 | (534) | C-W1 |
| Treasury Management: | | | | |
| - Investment Income | (2,259) | (1,305) | (954) | C-W2 |
| - Debt Management cost savings | (46) | (11) | (35) | C-W2 |
| Members expenses | (69) | (45) | (24) | C-W3 |
| Grants | (531) | (397) | (134) | C-W4 |
| Other Centrally held budgets | (636) | (342) | (294) | C-W5 |
| Precepts, Levies & Subscriptions | 3 | 4 | (1) | |
| **Total** | **(3,958)** | **(1,955)** | **(2,003)** | |

**NOTES ON PROJECTED VARIANCES**

**C-W1 – Provisions - £(0.420)m (favourable), £(0.561)m favourable movement**

A budget saving of £(0.180)m was set aside for the part-year effect of proposed changes to staff terms and conditions. Some of these savings have not been achieved in full this year, £0.136m.

The costs of off-site document storage are lower than budget, £(0.076)m.

A repayment of £0.054m is due to the Government in relation to previous years' NDR accounts.

There has been further improvements in general debtor collection performance during the year, not only on debt raised during the year, but particularly on the previous years' debt balances. These general debtors relate to charges to individuals or organisations for the supply of goods and services by the Council. The provision has been reduced accordingly producing a saving against budget of £(0.522)m.

Other minor savings in contingency budgets of £(0.012)m.

**C-W2 – Treasury Management - £(2.305)m (favourable), £(0.989)m favourable movement**

Increase in Airport Dividend received as a consequence of the Stansted Airport acquisition by Manchester Airport Group (MAG) and the subsequent change in the Council's share allocation, £(1.321)m. The base budget for 2014/15 has been amended to reflect the dividend expected from Trafford's new share allocation in the expanded group.

As part of the Urmston Town Centre redevelopment scheme, the Council incurred £4.4m of capital expenditure in respect of acquiring the vacant possession of the old retail units. The sale of the town centre development is currently taking place and the Council will receive reimbursement for these costs together with interest equating to £(0.899)m from the disposal proceeds.

Additional savings in annuity debt interest £(0.028)m, a refund of S106 interest of £(0.026)m and additional investment interest of £(0.014)m have also been achieved in the latest period.

Other minor variances of £(0.017)m.

**C-W3 – Members Allowances - £(0.069)m (favourable), £(0.024)m favourable movement**

All 63 Trafford Members agreed to take a voluntary 1.9% reduction in the value of their allowances, generating a saving of £(0.016)m. Other savings from pay, telephony and running costs have also been achieved of £(0.053)m, a favourable movement of £(0.024)m since the last report.

**C-W4 – Grants - £(0.531)m (favourable), £(0.134)m favourable movement**
Final monies were received for the following non ring-fenced grants which are held within Council-wide:

- Education Services Support - £(0.132)m, an adverse movement of £0.059m from the previous report following confirmation of final pupil numbers and the number of Schools moving to Academy status in the year.
- Council Tax New Burdens - £(0.114)m, workload has been contained within existing resources.
- New Burdens Zero Based Review Adult Social Care - £nil, an adverse movement of £0.059m. This grant is now reported in Annex 4.
- Local Flood - £(0.025)m, budget now amended for 2014/15.
- Council Tax freeze - £(0.008)m, late notification.
- Capitalisation grant £(0.252)m, late notification in the latest period.

**C-W5 – Other Centrally held budgets - £(0.636)m (favourable), £(0.294)m favourable movement**

- **NNDR Refunds - £(0.070)m (favourable)**
  A number of backdated Exemptions and Rateable Value reductions to Council buildings has generated one-off income of £(0.070)m.

- **Housing & Council Tax Benefits - £(0.406)m (favourable), £(0.143)m (favourable) movement**
  There was a net variance of £(0.142)m within the Housing Benefit budget, a favourable movement of £(0.125)m since the last report. The Council Tax Benefit Scheme ceased in 2013 and was replaced by the Council Tax Support Scheme. Any recovery of overpaid Council Tax Benefit from previous years is retained by the Council and the final 2013/14 outturn was £(0.264)m, a movement of £(0.018)m, since last period.

  The credit from the recovery of overpaid Council Tax Benefit is difficult to predict and will eventually taper off.

- **NNDR Discretionary Rate Relief - £(0.152)m**
  Changes in the administration of Discretionary Rate Relief has allowed the Council to release the budget for costs associated with Rate Relief awarded at its discretion. Discretionary Rate Relief is now fully charged against the NDR Collection Fund and shared proportionately between Central Government (50%), Trafford Council (49%) and the Fire and Rescue Authority (1%).

- **External Audit Fees - £(0.024)m (favourable), £(0.004)m favourable movement**

  The final charge from Grant Thornton for 2012/13 grant certification work has generated a budget saving of £(0.024)m.

- **Other minor variances of £0.016m, an adverse movement of £0.005m.**

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