



# TRAFFORD

— METROPOLITAN BOROUGH —

# ACCOUNTS

# 2005

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## foreword by the director of finance

### Introduction

This booklet contains a summary of the Council's financial performance for the year ended 31 March 2005 and has been prepared in accordance with the Accounts and Audit Regulations 1996 & 2003.

To assist you, a glossary can be found on page 78 explaining some of the terms used.

Below is a summary of the overall financial position.

### General Fund

The original budget was set by the Council on 25 February 2004 in the sum of £223.784m. This resulted in a Band D Council Tax of £849.16 for Trafford Services, or £990.34, when precepts from the Greater Manchester Police and Fire and Civil Defence Authorities are included. This is £164.03 below the average tax level of all Metropolitan Authorities.

The 2004/05 budget was financed from the following sources:

	£m
Government RSG	98.2
Redistributed Business Rates	58.6
Council Tax	64.3
Reserves	2.7
	<b>223.8</b>

Monthly budget monitoring took place from July. The actual spending in the year was £221.455m, which reduced the planned use of reserves by £2.329m, from £2.650m to £0.321m

	Original Budget £m	Actual £m
Trafford Services	205.8	203.5
Levies:		
Passenger Transport	9.5	9.5
Waste Disposal	8.4	8.4
Flood Defence	0.1	0.1
	<b>223.8</b>	<b>221.5</b>

The major variations from the original budget are:

	£m
Demand led areas of:	
- Education	1.2
- Social Services (Children)	(0.2)
Transport	(0.5)
Dividends, Interest and NNDR refunds	(2.6)
Reductions in Liabilities ( eg Bad Debt Provision)	(0.5)
Other	0.3
	<b>(2.3)</b>

### General Reserve

The general reserve is needed as cover for unforeseen expenditure and to provide working capital. The balance at the start of the year was £9.36m, which was supplemented with £2.52m from other reserves. A sum of £0.32m was used to support spending during the year to leave a balance at 31 March 2005 of £11.56m. The agreed budget for 2005/06 includes the use of £1.75m from the General Reserve.

### Housing Revenue Account

On 14 March 2005 all but 14 of the dwelling stock was transferred to the Trafford Housing Trust (THT) under a Large Scale Voluntary Transfer (LSVT) agreement (9,544 dwellings transferred). The gross receipt for this stock was £4.35m. Between 1 April 2004 and 13 March a total of £31m was spent on the average dwelling stock of 9,189 properties, taking account of the transfer of the stock on 14 March 2005. This includes £15m on management and day to day maintenance, £5m transferred to the Major Repairs Reserve (used for works needed to maintain the current condition of the stock) and a £9m payment to the Government, as required by the Housing Subsidy formula.

The average rent for the year, to date of transfer, was £48.95 per week, generating a gross income of £23m. The Government paid £5m in respect of the Major Repairs Allowance to assist in the maintenance of the stock, referred to above.

Overall, income exceeded expenditure in the year by £0.6m. This leaves £3.6m in reserves at the year-end.

### **Trading Organisations**

The Council maintains a number of trading operations (see page 18).

These trading operations made a deficit on normal activity of £72k.

### **Capital Investment**

Capital expenditure in the year amounted to £26.99m; details of which can be found on page 33.

Like many local authorities the Council has been financing a significant level of its capital expenditure from the sale of assets and from reserves. In 2004/05, £3.9m of spending was financed by these means.

The Council has a Capital Strategy and Asset Management Plan in place to identify priorities for capital investment. There is a three-year indicative spending plan, which is reviewed each year following notification of Government allocations.

### **Treasury Management**

Treasury management is ongoing throughout the year to minimise the interest paid on external borrowings and to invest any surplus cash to generate income.

For 2004/05 the Council set an authorised borrowing limit of £160m. The actual average level of debt was £105.5m. Although no new borrowings were taken up in the year, the opportunity to restructure £15m of existing debt and repay £13m was taken, which reduced the amount of interest payable.

### **Collection of Council Tax and Business Rates**

A total of £171m was collected during the year. The collection performance was 96.5% for Council Tax and 97.3% for Business Rates.

The Collection Fund on page 63 shows a surplus of £2.5m, which is available for use in future years.

### **Net Pensions Asset / Liability**

The Council participates in the Local Government Pension Scheme, administered by Thameside Metropolitan Borough Council. At 31 March 2005, the Council had a net liability for pensions in the Scheme of £63.9m, compared to £10.7m at 31 March 2004.

The Council also has liabilities in the Teachers Pension Scheme, administered nationally by the Teachers Pensions Agency. These total £16.9m at 31 March 2005 compared to £15.6m at 31 March 2004. The Councils' overall net Pensions assets/liability is explained further in Note 21 to the Consolidated Balance sheet.

Although the Council's total pension liabilities are committed, these will actually be paid over many years and the net pension asset / liability will vary considerably from year to year as market values of investments fluctuate.

In particular, the increase in the net liability in 2004/05 reflects a change in the CIPFA requirements regarding the use of discount rates in actuarial valuations.

**Significant Business Changes**

On 25 June 2004 the Council moved the management of 3 community sports centres from Parkwood Holdings (formerly City Centre Leisure) to the Trafford Leisure Trust (TCLT). Contract payments to Parkwood Holdings ceased, and an increased grant was paid to TCLT.

On 2 April 2004, housing tenants voted in favour of transferring all of the Council's housing stock to a Registered Social Landlord (Trafford Housing Trust) and the transfer took place on 14 March 2005. The effects on The Council's finances and assets are explained in the Housing Revenue Account on page 54.

***Ian Duncan CPFA***  
***Director of Finance***  
***18 October 2005***

## **statement of responsibilities for the statement of accounts**

### **The Authority's Responsibilities**

The Authority 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 Authority that officer is the Director of Finance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

### **Responsibilities of the Director of Finance**

The Director of Finance is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year.

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

### **Certification**

#### **By the Chief Finance Officer**

I certify that the Statement of Accounts set out on the following pages represents fairly the financial position of Trafford Metropolitan Borough Council at 31 March 2005, and its income and expenditure for the year ended 31 March 2005.

**Ian Duncan CPFA  
Director of Finance,  
18 October 2005**

#### **By Chairman of the Accounts & Audit Committee**

I confirm that these accounts were approved by the Accounts & Audit Committee at the meeting held on 26 October 2005.

**S. Ogden  
Chairman of the Accounts Committee  
26 October 2005**

## **Independent Auditor's Report to Trafford Metropolitan Borough Council**

I have audited the statement of accounts on pages 1 to 77 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 13 to 16. This report is made solely to Trafford Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### **Respective Responsibilities of the Chief Finance Officer and Auditor**

As described on page 4 the Chief Finance Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance. I report to you my opinion as to whether the statement of accounts presents fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on internal control on pages 6 to 12 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

### **Opinion**

In my opinion the statement of accounts presents fairly the financial position of Trafford Metropolitan Borough Council as at 31 March 2005 and its income and expenditure for the year then ended.

### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Gill Eastwood

31<sup>st</sup> October 2005

Signed

Date

Gill Eastwood  
District Auditor  
Audit Commission  
Aspinall House  
Aspinall Close  
Middlebrook  
Horwich  
BOLTON BL6 6QQ

## **statement on internal control**

### **1. Scope of Responsibility**

Trafford Metropolitan Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Trafford MBC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regards to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Trafford MBC is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Trafford MBC functions and which includes arrangements for the management of risk.

### **2. The Purpose of the system of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Trafford MBC policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at Trafford MBC for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts.

### **3. The Internal Control Environment**

The key elements of the internal control environment include:

#### **3.1 Establishing and monitoring the achievement of the authority's objectives:**

- The Council has adopted a constitution which sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
- The Council has adopted a "Local Code of Corporate Governance " (September 2004) in accordance with the CIPFA (Chartered Institute of Public Finance & Accountancy)/ SOLACE (Society of Local Authority Chief Executives) framework for Corporate Governance. An annual cycle of review of the code commenced with the first review in beginning in May 2005.
- The Council has approved its corporate objectives as included in the Best Value Performance Plan 2004/5 and the recently approved (June 2005) Corporate Plan. These objectives were supported, during 2004/5, with a set of focused political priorities for the year.

#### **3.2 The facilitation of policy and decision making:**

- The full Council meets regularly, as does the Executive, to consider the strategic plans and policies of the Authority
- The Authority has 4 Overview & Scrutiny Committees that meet regularly and whose role includes the scrutiny of decisions made, policy development and implementation.
- Meetings where key decisions are made and scrutinised are open to the public except where personal or confidential matters are disclosed.
- The Council publishes a forward plan which contains details of key decisions to be made by the Council, the Executive, members and officers under their delegated powers.

### **3.3 Ensuring compliance with established policies, procedures, laws and regulations:**

- The Council's Head of Legal & Democratic Services is designated as "Monitoring Officer". It is the function of the Monitoring Officer to oversee and monitor compliance with established policies, procedures, laws and regulations. The Monitoring Officer will, after consulting with the Head of Paid Service and the Chief Finance Officer, report to the full Council or to the Executive in relation to an Executive function, if she considers that any proposal, decision or omission would give rise to unlawfulness or has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- The Director of Finance, as the Council's Chief Finance Officer, has responsibility for the legality of the Council's financial transactions.
- The Council has an Internal Audit function which is required to operate to the standards set out in the CIPFA "Code of Practice for Internal Audit in Local Government". The Head of Audit, Scrutiny & Governance Services reports impartially and in her own name on the adequacy and effectiveness of the Council's internal control environment. The scope of Internal Audit covers all Council activities and Internal Audit has unrestricted access to all Council personnel, records and assets in order to conduct its business.
- The Council has introduced an Accounts & Audit Committee (May 2005) whose terms of reference require it to monitor and evaluate the Council's internal control arrangements.
- The Council is subject to external audit by the Audit Commission and external inspection and review by a number of agencies. The Council has a positive and constructive approach to the reports and recommendations made by these agencies
- The Council established an Employment Committee in 2004/05. The Committee agreed a Human Resources Strategy (September 04) for implementation across the Council and is in the process of updating HR procedures and policies. During 2004/05 a corporate performance review and development process was introduced with 97% of targeted officers having participated in this process.

### **3.4 Identifying, assessing and managing the risks to the authority's objectives:**

- The Council has adopted a risk management policy and strategy and has actively been developing an internal risk management system
- Services have produced operational risk registers which have informed service business and improvement planning
- A strategic evaluation of risk management arrangements was conducted during 2004/05
- A strategic risk register was also developed as were plans for the ongoing monitoring and reporting of risks by senior officers and members

### **3.5 Ensuring best value and continuous improvement:**

- This has been achieved through reviews by External Audit, external agencies, Internal Audit, overview & scrutiny reviews, the annual budget scrutiny process and service self assessment conducted during 2004/05.
- The Council continually seeks ways of ensuring the economical, effective and efficient use of resources and for ensuring continuous improvement in the way its functions are exercised having regard to a combination of economy, efficiency and effectiveness as required by its Best Value duties.
- The Authority is committed to ensuring services are delivered by individuals with the capacity and skills to enable continuous improvement. A Human Resources Strategy has been adopted as has a corporate approach to performance and development planning reviews for staff and the Council is currently reviewing corporate arrangements for training and development.

### **3.6 The financial management of the authority and the reporting of financial management:**

- The financial management of the authority is conducted in accordance with the Financial Procedure Rules set out in part 4 of the constitution
- The Council has designated the Director of Finance as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.
- The Council operates professional corporate and departmental finance functions and has an effective financial ledger system
- Regular revenue budget monitoring, indicating actual expenditure and full year forecasts, is undertaken and reported to Directors and the Executive. Quarterly monitoring and reporting of the capital budget was introduced during 2004/05.
- Work planned to develop a longer term approach to financial management commenced during the latter part of the year with the production of a Medium Term Financial Strategy for the Council which was approved in June 2005.

### **3.7 The performance management of the authority and the reporting of performance management:**

- The Council has established a set of performance indicators that are reported to the Executive Management Team.
- A Performance Improvement Board has been created, the membership of which includes the Leader, Chief Executive, Director of Finance and external experts. The purpose of the Board is to advise the management of the Council about its plans for improvement and the strategies for implementing those plans in order to achieve a realistic, positive improvement in services provided by the Council.
- A corporate performance improvement plan and associated monitoring and reporting arrangements was developed during the year. All services have a service business plan that incorporates key improvement targets which are linked to the delivery of the Council's corporate objectives. The officer performance review and development plans support the cascade of corporate objectives through to individual employee targets

## **4. REVIEW OF EFFECTIVENESS**

Trafford Metropolitan Borough Council has a responsibility for conducting, at least annually, a review of the system of internal control. The review of effectiveness is informed by the work of internal audit, senior managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- The Head of Legal & Democratic Services (the "Monitoring Officer") has a duty to monitor and review the operation of the constitution to ensure its aims and principles are given full effect and to recommend amendments to the Council, as necessary, on an ongoing basis. The Council reviews elements of the Constitution each year at its Annual meeting.
- The Council has undertaken its first annual review of the newly adopted Code of Corporate Governance and associated arrangements. The review has been reported on by Internal Audit and an action plan has been adopted to address issues and areas for improvement identified.
- The Council has four Overview & Scrutiny Committees who can "call in" any decision made by the Executive, or on their behalf with delegated authority, to challenge whether the decision has been made appropriately and ask the Executive to reconsider it if necessary.
- The Council has created an Accounts & Audit Committee (May 2005) who have considered the Annual Internal Audit report and opinion, for 2004/05, and this statement and its robustness

- The Internal Audit opinion for the year is that the internal control environment is generally operating to a satisfactory standard in that controls were considered to be adequate and effective for the majority of the areas reviewed by Internal Audit. Nonetheless there remain areas where improvements in the control environment are required, notably in respect of some fundamental financial systems and a number of establishments, including schools. This is reflected by the number of low opinions in audit reports for those areas.
- The Internal Audit section is responsible for monitoring the quality and effectiveness of systems of internal control. The section works to a risk based audit plan. The key internal controls, operating during 2004/05, across all the Council's business critical financial systems have been reviewed and reported on by Internal Audit. The reporting process for Internal Audit requires a report to be produced for each review and submitted to the relevant Director, Head of Service and senior manager. The reports include recommendations for improvement that are included within an action plan and require agreement or rejection by the responsible manager
- The Internal Audit Section, within Audit, Scrutiny & Governance Services, is subject to annual inspection by the Council's external auditors who place reliance on the work carried out by the section
- All Heads of Service produced an assurance statement on the internal control arrangements operating within their service during 2004/05 which included a self evaluation of governance standards including risk management and internal control, performance management and financial management. Internal Audit conducted verification checks on all statements in order to give independent assurance on their robustness and accuracy.
- A strategic risk register was produced and Directors, the Executive and the Accounts & Audit Committee have considered the associated arrangements in place for improving control and mitigating risks faced by the Council.
- The Council's Performance Improvement Board has met four times since it was created, to review, challenge and advise the Council on its performance at a strategic level. A Corporate Performance Champions Group, made up of Heads of Service, has met on a monthly basis since it was formed, in November 2004, to review performance and performance management arrangements.
- Quarterly reporting of performance indicators has been undertaken, using a traffic light system (since quarter two), to the Executive Management Team as has reporting on the achievement of LPSA (Local Public Service Agreement) targets
- Regular financial monitoring and reporting, on the revenue budget, to the Executive Management Team and the Executive has been operating during the year. Quarterly monitoring and reporting arrangements on the capital budget commenced towards the end of 2004/05.
- External Audit in their Annual Audit and Inspection Letter comment on the performance of the Council and the adequacy of financial and governance arrangements
- Other external review and inspection agencies report on the Council's performance and service delivery arrangements

The overall level of internal control within the Council has improved over the year and was considered to be effective, providing assurance that principal risks to the achievement of the authority's policies, aims and objectives are adequately managed. The Chief Executive and Leader have been advised on the implications of the result of the review of effectiveness of the system of internal control.

A number of areas for improvement within the control environment exist, and action plans are in place to address these. Significant control issues and associated improvement actions the Council is taking are detailed below.

Specifically the standards of internal financial control have also improved over the period. The number of business critical financial systems with adequate control arrangements has increased since last year, these were the systems for: Benefit Payments, Cashiers, National Non Domestic Rates, Council Tax, Housing Rents, Treasury Management and the Financial Ledger. Significant control issues were identified in the Councils Accounts Payable, Accounts Receivable, Payroll and Housing Benefits systems and actions plans have been developed to address these. Budgetary control has also improved. The Council has delivered its services within budget for the first time in four years which has had a positive impact on the stability of its financial position.

## 5. SIGNIFICANT INTERNAL CONTROL ISSUES

The following significant internal control issues have been identified:

ISSUES	ACTIONS
<p><b>5.1</b> Need to strengthen arrangements for communications and consultation with the community and improve the co-ordination of communication channels</p>	<ul style="list-style-type: none"> <li>- The Council will provide clear corporate leadership and a coherent strategic approach through the introduction of a lead member and senior officer and the production of a corporate communication strategy by December 2005.</li> <li>- The Council will review our range of communication channels and their effectiveness and develop an improvement plan to address any weaknesses by March 2006</li> </ul>
<p><b>5.2</b> Need to ensure that the Council's vision and medium term objectives are adequately communicated and understood.</p>	<ul style="list-style-type: none"> <li>- Enhance the understanding and ownership of the corporate vision and medium term objectives throughout the Council via the roll out of the internal communications strategy by March 2006 and the introduction of an induction course for new employees by February 2006.</li> <li>- Raise awareness and understanding of partners and other stakeholders through the Local Strategic Partnership, Area Boards and other appropriate mechanisms throughout the year to March 2006.</li> </ul>
<p><b>5.3.</b> Need to develop corporate arrangements for feedback to the community on Council performance and how the Council has responded to their needs and views in its service delivery arrangements.</p>	<ul style="list-style-type: none"> <li>- Produce a plan to address areas for development by December 2005</li> </ul>
<p><b>5.4</b> Continue to improve standards of corporate governance</p>	<p>Develop a structured plan to address areas for improvement, identified in the recent corporate governance review, by September 2005</p>
<p><b>5.5</b> Need to address control weaknesses within the following business critical systems:</p> <ul style="list-style-type: none"> <li>• Accounts payable – weaknesses include the risk of error or fraud as a result of the delayed implementation of the IT procurement module and the speed of payments made to creditors.</li> </ul>	<p>Produce improvement plans to address the control weakness identified by:</p> <ul style="list-style-type: none"> <li>- Accounts Payable – July 2005</li> <li>- Accounts Receivable – August 2005</li> <li>- Payroll – August 2005</li> </ul>

ISSUES	ACTIONS
<ul style="list-style-type: none"> <li>• Accounts receivable – weaknesses include the interface with legal services, the accuracy of correspondence, management reporting and systems guidance</li> <li>• Payroll – weaknesses include the control arrangements around the interface with human resource records and management reporting and systems guidance</li> </ul>	
<p><b>5.6</b> Need to address the control weaknesses that led to an overpayment of £2m housing benefits during March 2005.</p>	<p>The error was identified immediately and prompt and effective action taken to recover the overpayments. An investigation of the control failure was instigated directly after the event and as a result improved control arrangements have been implemented</p>
<p><b>5.7</b> Cost pressures associated with children with special educational needs continue to be an issue for the Council</p>	<p>Substantial progress has been made in this area in 2004/05 with the level of overspend reducing from £1.5m to £0.5m. A structured action plan to address the issues was produced in September 2004 and is being implemented.</p>
<p><b>5.8</b> Need to develop medium term financial planning</p>	<p>The Council approved and published a Medium Term Financial Strategy in June 2005. A medium term financial plan will be produced by September 2005 – for consultation. The Medium Term Financial Strategy and Plan will be linked to the production of Service Improvement Plans 2006/07- December 2005</p>
<p><b>5.9</b> Need to embed and develop financial reporting arrangements</p>	<p>All services to produce monthly budget monitoring reports to the Director of Finance, Reporting commenced from July 2004. Monthly revenue budget monitoring reports submitted to members within a month of the period end from July 2005. Quarterly capital budget monitoring reports submitted to members within 4 weeks of the quarter end from June 2005. Commitment accounting to be developed and implemented by March 2006</p>
<p><b>5.10</b> Need to update the Council's Financial and Contract Procedure Rules</p>	<p>The Contract Procedure Rules are currently being updated and the revised document is to be produced by October 2005. The Financial Procedures Rules will be updated and the revised document produced by October 2005</p>
<p><b>5.11</b> Need to improve arrangements in place to support good financial management in schools and other Council establishments.</p>	<p>Improvement action plans have been produced and are being implemented for all schools and establishments identified as having low level financial controls</p>

ISSUES	ACTIONS
<b>5.12</b> Need to further embed performance management and monitoring	A more robust performance management and monitoring framework was introduced at the start of 2005/06.
<b>5.13</b> Need to improve officer and member capacity	Continue to implement the Council's Human Resources Strategy adopted in September 2004 A formal induction process for members was designed and implemented from July 2005. Personal development policies to be developed with members, on an annual basis, from September 2005
<b>5.14</b> Need to develop an effective strategic framework to support the performance management of Council partnerships and the control of associated risks.	The Council will map and review the function of all structured partnerships it is involved with by March 2006 A framework for financial and performance accountability of all Council partnerships will be developed by December 2005
<b>5.15</b> The Council's procurement practices need to be further developed in accordance with the Procurement Strategy and national guidelines	Continue to implement the actions included in the procurement strategy approved in December 2004 The Council have created the post of Head of Procurement to provide leadership and capacity in this area. The post to be filled by December 2005
<b>5.16</b> Need to further embed risk management across the Council.	Produce an updated risk management strategy and structured development plan by September 2005
<b>5.17</b> Need to further embed arrangements to deliver the Council's of anti- fraud and corruption, whistle blowing and standards of conduct policies and procedures.	Produce an action plan to effectively implement the Council's fraud and corruption policy by September 2005 Commence a series of half day workshops covering anti – fraud and corruption, whistle blowing and conduct policies for officers from November 2005
<b>5.18</b> Need to further improve the effectiveness of Internal Audit	An improvement action plan, in response to the recent Audit Commission review of Internal Audit, was completed in July 2005.
<b>5.19</b> Need to develop the Council's approach to project management	The Council obtained resources for project management training from April 2005 Key officers from across the Council's services to receive project management training by September 2005 Officers trained in project management to develop a corporate standard for project management methodology by September 2005
<b>5.20</b> Continue to develop arrangements for, and assurances on, the Council's business continuity arrangements – particularly in respect of ICT resilience.	A draft ICT business continuity plan has been agreed by senior management and is currently out to consultation with Service Heads to confirm priorities. To be finalised by September 2005 A review of ICT business continuity arrangements and the management of associated risks to be conducted by March 2005

**S. Fildes**  
**Leader of the Council**  
**26 July 2005**

**David McNulty**  
**Chief Executive**  
**26 July 2005**

## accounting policies

### Fundamental Accounting Concepts

The accounts are prepared in accordance with the statement of recommended practice (SORP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The revenue and capital accounts are maintained on an accrual basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received. Income is also matched with associated costs and expenses as far as the relationship can be established or justifiably assumed.

Consistent accounting policies have been applied both within the years and between the years, except for the introduction of a new classification of Fixed Assets called Intangible Assets as required by the SORP (see below for definition).

Income has only been recognised within the accounts where there is reasonable certainty, and proper allowances have been made for all foreseeable losses and liabilities.

The accounts have been prepared on a going concern basis.

The accounting statements have been prepared so as to reflect the reality or substance of the transaction and activities underlying them, rather than their formal legal character.

As allowed under the SORP the concept of materiality has been utilised in the process of preparing the accounts, such that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts.

### Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis, subject to a de minimus level (£6k). Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the authority for a period of more than one year. Routine repairs and maintenance of

fixed assets are charged direct to service revenue accounts.

Assets have been valued at the lower of net current replacement cost or net realisable value, with the exception of:

- investment properties which are included in the balance sheet at open market value;
- infrastructure assets, vehicles, plant and equipment and community assets which are shown at historical cost.

Assets are revalued on a five-year rolling programme and any resulting change in value is debited or credited to the Fixed Asset Restatement Account as appropriate. Assets acquired are included at their cost of acquisition until revalued.

When council houses are sold under Right To Buy (RTB) legislation they are written out of the accounts at their discounted selling price. Any difference between this and their recorded book value is not considered to be material.

### Intangible Assets

A new class of assets has been created for software licences – Intangible Assets. Their costs will be written down to revenue over the life of the licence (6 and 10 years).

### 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

### Depreciation

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

- Freehold land and non-operational investment properties 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 over 40 years
- Intangible Assets 6 and 10 years.

### **Charges for Fixed Assets**

General fund service revenue accounts, central support services, HRA and DSOs bear a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The rate of interest used in 2004/05 was 3.5% for fixed assets included in the balance sheet at current value, and 4.8% for infrastructure and community assets, which are at historical cost.

Where assets have been revalued during the year, capital charges have been based on the revaluation amount.

External interest payable and the provision for depreciation are debited to the asset management revenue account, whilst the capital charges met by services are credited to the account. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

### **Deferred Charges**

Deferred charges represent expenditure which may properly be capitalised, but which do not represent tangible fixed assets. They are written off to service revenue accounts in the year in which the expenditure is incurred.

### **Government Grants and Contributions**

Government grants and other contributions are accounted for on an accruals basis.

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, and the asset is subject to depreciation, the amount of the grant or contribution is credited initially to a government grants deferred account. Amounts are released to the asset management revenue account over the useful life of the asset to match depreciation charged on the asset to which it relates.

If depreciation is not charged on the asset then the grant is transferred to the capital financing account.

Where capital expenditure is classified as a deferred charge then any grants or contributions are transferred to the deferred charge account. Any grants in support of revenue expenditure are credited to the appropriate service revenue account.

### **Leases**

Rentals payable under operating leases are charged to revenue on an accruals basis.

### **Investments and Interest Charges**

Major investments are shown at cost. Investment income is credited to the revenue account when it falls due.

All interest received on investments or paid on external borrowing is accrued and accounted for in the period to which it relates, on a basis which reflects the actual cost of the borrowing. For LOBO loans which have a potential break clause, the interest payable has been calculated using the rate applicable to the period up to the first break date. This is consistent with accounting guidelines and previous year's accounting practice.

### **Repurchase of Borrowing**

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the consolidated revenue account in the period during which the repurchase or early settlement is made. Where, however, 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 recognised over the life of the replacement borrowing.

### **Minimum Revenue Provision**

In accordance with the requirements of the Local Government Act 2003 ( Capital Finance & Accounting Regulations 2003 ), the Authority is required to set aside a minimum revenue provision for repayment of debt. This is 4% of the Capital Financing Requirement at the beginning of the year for the General Fund.

If depreciation does not equal this amount, a transfer to or from the Capital Financing Account is required for the difference.

### **Debtors and Creditors**

The accounts of the Council are kept on an accruals basis in accordance with the Code of Practice and SSAP2. Debtors and creditors are based on known amounts or best estimates.

However, no accrual of wages costs is made for the period between the end of the wages week and 31 March as the amount is not considered material.

### **Provisions**

Provisions are included in the accounts for specific future costs, which are likely or certain to be incurred, but uncertain as to the amount or the dates on which they will arise.

### **Reserves**

Amounts set aside for purposes falling outside the definition of provisions have been accounted for as a reserve. In line with the SORP, expenditure is charged to revenue and not directly to any reserve.

The exception to the above is the Major Repairs Reserve (MRR) which is now required under the Accounts and Audit Regulations 2003. In respect of the MRR Authorities are able, through statute, to charge capital expenditure on HRA assets directly to the reserve.

### **Insurance**

In a move towards more self-insurance, the Council created an Insurance Fund for this purpose. Further details can be found on page 37.

### **Stocks and Work in progress**

Stocks and work in progress are valued at cost.

### **Support Services**

All central and departmental support services are fully recharged to users. 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.

### **Pensions**

Contributions are paid to the Department for Education and Skills (DfES) for the teachers pension scheme administered nationally by the Teachers' Pensions Agency. The scheme is not funded, but the DfES uses a notional fund as the basis for calculating the employer's contribution rate.

For other staff, contributions are paid to the Greater Manchester Pension Fund administered by Tameside MBC on behalf of the ten Greater Manchester District Councils. It is a contributory, final salary type, occupational pension scheme, which is contracted out of the state earnings related scheme. The contribution rate is determined by the Fund's Actuary, based on triennial valuations, the last review being at 31 March 2004. Under Superannuation Regulations, contribution rates are set to meet 100% of overall liabilities.

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

The actuarial valuation of pension liabilities are in accordance with CIPFA guidance, and for 2004/05 the discount rate employed is the yield available on long-dated, high quality corporate bonds at the valuation date of 31 March 2005 (which was 5.4% per annum). Prior to 2004/05 the CIPFA guidance adopted a fixed discount rate of 3.5% per annum in excess of RPI (6.5% per annum in nominal terms). The result of this change is a significant increase in post service liabilities for the Council of approximately 20%.

**Value Added Tax**

VAT has only been included in income and expenditure accounts to the extent that it is irrecoverable.

**Financial Relationships with Companies**

The Council established a wholly owned company, The Trafford Children and Young Peoples' Services Ltd. in June 2002 (please see Group Accounts on page 65)

In addition, the Council owns minority interests in a small number of companies, mainly arising from the dissolution of the former Greater Manchester County Council (these are not included in the Group Accounts).

**Long Term Contracts**

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 cost of the arrangement is charged annually to the service revenue account and partly offset by a prepayment provision that was set up to reflect the transfer of assets to the private sector partner at the inception of the scheme. Special Grant is also received from the Government and this is credited to the revenue account over the life of the contract.

## consolidated revenue account

### About this Account

The Summary Revenue Account brings together the transactions in the year on the Council's General Fund and Housing Revenue Account.

2004	Year ended 31 March		2005		
Net Expenditure £000	Service	Notes	Expenditure £000	Income £000	Net Expenditure £000
	<b>Continuing Operations</b>				
15,751	Central Services to the Public	1	28,054	12,139	15,915
28,421	Cultural, Environmental and Planning Services	1	43,527	12,749	30,778
117,058	Education Services		161,259	36,984	124,275
16,339	Highways, Roads and Transport Services		18,892	3,021	15,871
3,817	Housing Services		41,201	38,342	2,859
48,916	Social Services		82,336	29,627	52,709
4,741	Corporate and Democratic Core		3,918	241	3,677
4,618	Non distributed costs		4,243	774	3,469
239,661	<b>NET COST OF GENERAL FUND SERVICES</b>		383,430	133,877	249,553
9,991	<b>HOUSING REVENUE ACCOUNT</b>	19	31,150	32,047	(897)
249,652			414,580	165,924	248,656
(2,608)	Interest & Dividends Receivable	2			(4,027)
(158)	Trading Operations	3			72
(19,349)	Transfer from Asset Management Revenue Account	4			(10,116)
0	Housing capital receipts transfer to Government pool	6			9,379
16,000	Pensions interest cost	7			15,500
(14,900)	Pensions expected return on assets	7			(18,700)
228,637	<b>NET OPERATING EXPENDITURE</b>				240,764
512	Surplus/(Deficit) transferred to/(from) HRA balances				647
(25)	Contribution to/(from) schools reserves				(187)
594	Contributions to/(from) earmarked reserves				953
(6,653)	Provision for repayment of external loans	5			(7,095)
485	Grants and contributions deferred				747
(4,163)	Deferred charges				(4,669)
0	Transfer from Usable Capital Receipts equal to the contribution to Housing Pooled Capital Receipts	6			(9,379)
(4,488)	Contribution from Pensions Reserve	7			(326)
214,899	<b>AMOUNT TO BE MET FROM GOVERNMENT AND LOCAL TAXPAYERS</b>				221,455
(59,160)	Precept demanded from the Collection Fund				(64,279)
(1,451)	Collection Fund transfer for the previously estimated surplus				(69)
(88,506)	Revenue Support Grant				(98,190)
(61,529)	Contribution from non-domestic rate pool				(58,596)
<b>4,253</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>				<b>321</b>
<b>8,032</b>	<b>General Reserve balance at 1 April</b>				<b>9,356</b>
(4,253)	Surplus / (Deficit) for the year				(321)
5,577	earmarked reserves				2,525
0	DSO reserves				0
<b>9,356</b>	<b>General Reserve Balance at 31 March</b>				<b>11,560</b>

## notes to the consolidated revenue account

### 1. Services

Included are levies as follows:

2003/04		2004/05
Expenditure		Expenditure
£000		£000
8,131	Waste Disposal Authority	8,428
9,247	Passenger Transport Authority	9,482
1,000	Flood Defence	92
<b>18,378</b>	<b>Total</b>	<b>18,002</b>

### 2. Interest Received

During 2004/05 the average amount invested was £61.0m at an average interest rate of 4.68%, generating investment interest in the year of £2.858m. In addition to this, share dividends of £344k and £825k were received from Modesole and Manchester International Airport respectively. For 2003/04 the average amount invested was £62.5m at an average rate of 3.73%, producing £2.333m of investment interest. A share dividend of £275k was received from Manchester International Airport.

### 3. Trading Operations

The Council operates a number of Direct Service Organisations which have been awarded a contract for services following a competitive tendering exercise. The statement below is a summary of their operations.

2004 (Surplus)/ Deficit		2005 Turnover	2005 (Surplus)/ Deficit
£000	Year ending 31 March	£000	£000
0	Building Maintenance	4,395	0
23	Highways Maintenance	4,544	2
(59)	Building Cleaning	2,459	(74)
(122)	Education Catering	4,149	144
<b>(158)</b>	<b>Total</b>	<b>15,547</b>	<b>72</b>

With the replacement of Compulsory Competitive Tendering legislation and the introduction of Best Value in 1999, Councils have been free to consider whether the operation of trading accounts presents the best economic and efficient way of delivering internal services. Over the last few years the Council has decided to remove the separation of client and contractor roles, and dispense with the operation of formal trading accounts for the following services; Building Maintenance (now part of the HRA, as it is a service that transferred to the Trafford housing Trust with the sale of housing on 13 March 2005). Grounds Maintenance and Other Cleaning (now fully integrated into Cultural, Environmental and Planning Services), Sports and Leisure Management (as all leisure facilities are now operated under contract by Trafford Leisure Centre Trust), and Vehicle Maintenance (now operated in partnership with an external organisation).

The Council has a number of other trading operations, which are reported within the service expenditure analysis of the Consolidated Revenue Account. These are:

<b>2004 (Surplus)/ Deficit £000</b>		<b>Turnover £000</b>	<b>2005 (Surplus)/ Deficit £000</b>
62	Markets	207	21
(1,361)	Commercial lettings (e.g. shops)	2,439	(726)
<b>(1,299)</b>	<b>Total others</b>	<b>2,646</b>	<b>(705)</b>

All the above figures are inclusive of depreciation and a notional charge on the value of the assets used.

#### 4. Transactions on the asset management revenue account

<b>2003/04 £000</b>			<b>2004/05 £000</b>
<b>Income</b>			
(22,586)	Capital Charges	General Fund	(24,660)
(17,434)		Housing Revenue Account	(276)
(485)	Write down of grants deferred		(747)
(229)	Magistrates Court	Grant to support capital financing costs	(218)
<b>(40,734)</b>			<b>(25,901)</b>
<b>Expenditure</b>			
8,730	Provision for depreciation	General Fund	9,522
5,985		Housing Revenue Account	116
6,670	External Interest charges		6,147
<b>21,385</b>			<b>15,785</b>
<b>(19,349)</b>	<b>Balance to consolidated revenue account</b>		<b>(10,116)</b>

#### 5. Provision for Debt Repayment

In accordance with Section 63 of the Local Government and Housing Act 1989 a minimum amount has to be set aside for the repayment of debt. 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 Consolidated Revenue Account

<b>2004 £000</b>		<b>2005 £000</b>
2,077	Minimum Revenue Provision	2,427
(8,730)	Depreciation charged to services	(9,522)
<b>(6,653)</b>	<b>Adjustment required</b>	<b>(7,095)</b>

## 6. Contribution to Housing Pooled Capital Receipts

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, is required to be paid to the Office of the Deputy Prime Minister. 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 Local Authority Consolidated Revenue Account after the Net Cost of Services, but wholly offset by an appropriation from Usable Capital Receipts shown after Net Operating Expenditure.

The amount paid to the pool in 2004/05 is £9.379m, and has a neutral effect on the overall surplus/deficit on the Council's Consolidated Revenue Account.

## 7. Movements in Net Pensions Assets / Liability

The Council offers a number of retirement benefits as part of the general terms and conditions of employment. Although the costs of these benefits are not immediately payable until employees retire, the liability to make those payments in the future accrues each year. This liability to pay for future retirement benefits has been independently actuarially assessed.

The Council is a member of the funded Local Government Pension scheme (LGPS), which is administered by Tameside Metropolitan Borough Council. The scheme's fund collects payments made by both the employee and the employer, known as contributions to the scheme.

The Council is also responsible for added years' benefits paid to teachers who are members of the Teachers' Pension Scheme, administered nationally by the Teachers' Pension Agency.

The cost of future liability for retirement benefits is now recognised in the Net Cost of Services as this is earned by employees, as opposed to the cash payments made into the fund. However, the charge made against Council Tax will always be the actual cash paid in each year.

So that the Consolidated Revenue Account only shows the cash paid as a charge against the Council Tax, a contra entry to the net difference between cash payments and accrued liability, £(326)k, is made after Net Operating Expenditure.

Entries required in the Consolidated Revenue Account as a result of FRS17:

2003/04 £000	General Fund	2004/05 £000
	<b>Included in Net Cost of Services</b>	
8,167	Current Service Cost (LGPS)	10,770
475	Past Service Cost (Teachers Pension Scheme)	0
1,000	Past Service Costs (LGPS)	0
1,200	Settlement & Curtailments (LGPS)	500
	<b>Net Operating Expenditure:</b>	
16,000	Interest Cost (LGPS)	15,500
(14,900)	Expected Return on Assets in the Scheme (LGPS)	(18,700)
	<b>To be met from Government Grants and Local Taxation:</b>	
(4,488)	Movement on Pensions Reserve	(326)
	<b>Actual Charge against Council Tax for Pensions:</b>	
<b>7,454</b>	Employers contributions payable to scheme (General Fund)	<b>7,744</b>

2003/04 £000	General Fund	2004/05 £000
6,299	Local Government Pension Scheme	6,602
1,155	Teachers Pension Scheme	1,142
<b>7,454</b>		<b>7,744</b>

Note 21 to the Consolidated balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 6 to the Statement of Total Movements in Reserves details the costs that have arisen through the year.

## 8. Leases and PFI Schemes

### Finance Leases

No liabilities, other than minor secondary rentals, existed at 31 March 2005 in respect of finance leases.

### Operating Leases - Authority as Lessee

Name of Property	Length of Lease Years	Start Date	Termination Date	Annual Rental £
<b>Leases expiring within 1 year:</b>				
Shop units at Partington Shopping Centre	3	26/1/2003	7/12/2004	6,500
Offices at Arndale House, Stretford	5	1/4/2000	31/3/2005	49,000
Mecca Bingo, Sale	2	1/10/2003	30/9/2005	22,500
60 Seymour Grove, Old Trafford	5	15/10/2001	15/10/2006	9,900
<b>Leases expiring between 2 and 5 years:</b>				
Carrington Depot	5	27/2/2002	27/2/2007	60,000
Land at Victoria Road, Hale, Car park	10	25/3/1997	24/3/2007	4,750
3 <sup>rd</sup> Floor Arndale House, Stretford	5	7/10/2002	6/10/2007	48,620
<b>Leases expiring after more than 5 years:</b>				
Car Park, The Firs, Bowdon	20	25/6/1986		2,160
Land at Seamons Rd/Henshall Ln, Dunham Massey	50	29/9/1996		nil
Hereford St, Sale, Public Conveniences	99	1/7/1986	2085	nil
Altrincham Library	125	26/11/1979		1
Land at Ashton Weir, Sale	2,000	28/9/1999		1
Car Park at Sumner Way, Urmston	No end date	21/3/2002		nil
				<b>203,432</b>

Note – the only leases in excess of 10 years relate to property where no rent/peppercorn rent is payable, and hence no credit cover is required to be set aside (there are no options to buy the assets).

### PFI Schemes

The Council occupies premises at Sale Waterside under a PFI arrangement. Annual rental payments are made to the private sector provider, Cofatech, and are partially offset by PFI grant from the Government. Details of the PFI scheme are included in more detail in note 5 to the Consolidated Balance Sheet (page 35).

## Operating Leases - Authority as Lessor

Name of Property	Valuation 1st April 2004 £	Length of Lease Years	Start Date	Termination Date	Rental Income 2004/05 £
Urmston Shopping Centre	3,255,259	43	25/12/1971	19/12/2014	407,786
Manor Farm Industrial Estate	248,250	42	12/9/1980	11/9/2021	35,288
School Road, Sale	411,900	72	24/6/1988	22/5/2060	1,600
Britannia Road, Sale	129,600	99	13/3/1978	13/3/2077	24,300
Bowlers, Trafford Park	640,000	99	1/7/1986	30/6/2085	80,000
Clarke Trading Estate	456,000	100	28/11/1986	15/12/2086	68,193
Sibson Road/Hereford Street	3,120,000	125	1/7/1977	30/9/2102	195,000
Stamford Centre, Altrincham	2,136,400	125	26/11/1979	26/11/2104	91,969
Station House, Altrincham	Incl.above	99	1/1/1991	31/12/2190	12,033
Brewery Street, Altrincham	46,200	122	1/8/1984	1/8/2106	6,840
Unysis House, Barrington Road	480,720	125	22/11/1984	22/11/2109	48,077
Seymour Grove/Tennis Street	466,676	125	30/11/1990	29/11/2115	30,742
Stretford Arndale Centre	7,800,240	150	30/6/1967	29/6/2117	726,002
Curzon Road, Sale	604,650	150	22/7/1996	21/7/2146	42,975
Shopping Precinct, Hale Road	141,820	200	25/3/1992	24/3/2192	11,962
					<b>1,782,767</b>

No depreciation is charged on the above assets.

## 9. Publicity Expenditure

Local authorities are required to maintain a separate account of their expenditure on publicity in accordance with Section 5 of the Local Government Act 1986. In 2004/05, expenditure within this definition totalled £831k.

2004 £000	Year ending 31 March	2005 £000
643	Staff recruitment advertising	564
134	Other publicity expenditure	203
85	Employee expenses	64
<b>862</b>	<b>Total</b>	<b>831</b>

## 10. Agency Arrangements

The Sewerage Service Agreement with United Utilities terminated on 31 March 2004. No other agency work was undertaken in 2004/05. Total expenditure in 2003/04 amounted to £1.548m and was fully recharged. This is not included in the summary revenue account.

The Council acted as the host body in an agency capacity for both the Health Action Zone (HAZ) and for the reimbursement of emergency contraception costs across the Manchester, Salford and Trafford area. The Health Action Zone paid Trafford MBC £20k for these services. Total expenditure on the Health Action Zone was £427k and on the Emergency Contraception Scheme £337k, all of which was fully recharged and is not shown in Trafford's revenue accounts.

## 11. Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. Grounds maintenance, payroll and information technology services have been provided during the year to

Manchester Investment Development Agency Service (MIDAS),  
Trafford Community Leisure Trust,  
Better Choices.

Income earned from these sources was £178k (£28k in 2003/04)

In addition service level agreements with Trafford Housing Trust in the period 17<sup>th</sup> March 2005 to 31 March 2005 generated income of £93k. Services provided include:

- Pest Control
- Asset Management – Valuation Services
- Asset Management – Administration Buildings
- Grounds Maintenance
- Transport
- CCTV system
- Payroll Services
- E-Government
- Legal and Democratic Services

## **12. Pension costs**

### Teachers

The Council paid £8.387m (£8.791m in 2003/04) to the Department for Education and Skills (DfES) in respect of teachers' pension costs. This was based on 13.5% of the teachers' pensionable pay (13.5% in 2003/04). 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 2004/05, these amounted to £1.107m, representing 1.78% of pensionable pay (£1.155m or 1.77% previously).

### 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 latest actuarial valuation of the Fund was at 31 March 2004. 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 employers contribution rate was, 9.2% in 2004/05 and will be 10.2% in 2005/06.

In 2004/05, the Council paid an employer's contribution of £6.768m (£6.542m in 2003/04) into the Greater Manchester Pension Fund, representing 9.2% of pensionable pay (8.6% in 2003/04).

The Council is also responsible for pension payments relating to the award of added years, together with related increases. In 2004/05 these amounted to £0.966m, which is 1.3% of pensionable pay (£0.989m or 1.3% in 2003/04). The estimated capital cost to the fund of the payments agreed in 2004/05 is £0.4m, and the capital cost of payments agreed in previous years is £16.5m.

**Further information regarding the Pension Fund and its accounts can be obtained from the Director of Finance, Tameside MBC (Telephone number 0161-342 2883).**

Further details on pension liabilities are provided in note 21 to the Consolidated Balance Sheet.

## **13. Members Allowances**

The Council consists of 63 Members (Councillors) to whom £0.548m was paid in allowances in the year (£0.518m in 2003/04).

#### 14. Remuneration of Officers

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in 2004/05 was:

2003/04		Remuneration Band	2004/05	
21	(3 leavers)	£50,000 - £59,999	26	(3 leavers)
9		£60,000 - £69,999	14	
5		£70,000 - £79,999	4	(3 leavers)
3	(1 leaver)	£80,000 - £89,999	6	
1		£90,000 - £99,999	0	
0		£130,000 - £140,000	1	(1 leaver)
<b>39</b>	<b>(4 Leavers)</b>	<b>Total</b>	<b>51</b>	<b>(7 leavers)</b>

#### 15. Related Party Transactions

In accordance with Financial Reporting Standard No.8 the Council is required 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 the cash flow statement and accompanying notes.

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

During the year a number of transactions were made to *other local authorities*. Payments to Tameside MBC in respect of pension contributions are disclosed in the notes to the revenue account (note 12, page 23) and precept payments are shown in the collection fund accounts on page 63. A levy of £9.482m was paid to Greater Manchester Passenger Transport Authority and £8.428m to Greater Manchester Waste Disposal Authority.

Trafford has operated a pooled fund for *Learning Disability Services* in conjunction with Trafford North and South Primary Care Trusts (PCTs) since 1 April 2003. Trafford MBC acts as the host authority for this pool, which is managed by a jointly appointed associate director, managing and monitoring finances and making payments on behalf of the pool. Trafford MBC is also responsible for accounting arrangements for the pool and has provided an audited memorandum of accounts to both partner agencies.

The pool provides a wide variety of services to Learning Disabled 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.

Trafford PCTs act as host body for the *Community Equipment Pooled Fund*, in partnership with the Council. The pooled fund commenced operation on 1 April 2004. The total value of the pool was £809,155, with £688,744 funded by the Council and £120,411 by the PCTs. The fund overspent by £38,634, which has been carried forward to 2005/06 according to the terms of the partnership agreement.

The pooled fund provides funding for a variety of community equipment services designed to enable clients to remain in and return to their own homes. It also funds the One Stop Resource Centre and an advice line run in partnership with Trafford Disability Information and Advice Line (DIAL).

## Community Equipment Pooled Budget 2004/05

Partners : Trafford Metropolitan Borough Council  
Trafford South Primary Care Trust  
Trafford North Primary Care Trust

<b>Service Area</b>	<b>TMBC Contribution 2004/05</b>	<b>PCT Contribution 2004/05</b>	<b>Total Contributions</b>	<b>Actual Expenditure</b>	<b>Period Variance</b>
	£	£	£	£	£
Stairlifts	104,507		<b>104,507</b>	112,792	8,285
Sensory Aids	15,375		<b>15,375</b>	9,929	-5,446
Minor Adaptations	146,928		<b>146,928</b>	178,313	31,385
DIAL Aids	35,939		<b>35,939</b>	13,384	-22,555
Equipment Purchase (Local Authority)	243,474		<b>243,474</b>	299,093	55,619
Equipment Purchase (PCT)		120,411	<b>120,411</b>	156,361	35,950
Development Fund	41,000		<b>41,000</b>	0	-41,000
Recovery Service	10,250		<b>10,250</b>	0	-10,250
FAST Scheme	6,596		<b>6,596</b>	11,671	5,075
Advice Line	27,675		<b>27,675</b>	9,522	-18,153
Equipment Write-Offs	57,000		<b>57,000</b>	56,724	-276
<b>Total</b>	<b>688,744</b>	<b>120,411</b>	<b>809,155</b>	<b>847,789</b>	<b>38,634</b>

Approved as a true and accurate record

Joe McGuigan 23 July 2005

Deputy Director of Finance  
Trafford South Primary Care Trust  
Trafford North Primary Care Trust

**TRAFFORD METROPOLITAN BOROUGH COUNCIL**

**POOLED FUND FOR ADULTS WITH LEARNING DISABILITIES IN TRAFFORD 2004/05**

Partners: Trafford Metropolitan Borough Council  
 Trafford South Primary Care Trust  
 Trafford North Primary Care Trust

Purpose Of The Pooled Fund Agreement

'To improve the lives of adults with learning disabilities and their carers in Trafford'

	Funding £000					Outturn £000			Variance
	TMBC Gross	TMBC Client & Other Income	Trafford South PCT	Trafford North PCT	Total	Actual Gross Expenditure	Actual Client and Other Income	Net call on Pool resources	
Policy, Assessment & Management	392	-108	485	359	1,128	992	(73)	918	(209)
Residential Care	1,496	-1,341	1,691	1,429	3,275	4,629	(1,409)	3,220	(56)
Supported Living	4,112	-858	721	661	4,636	5,478	(635)	4,843	206
Day Care	2,091	-176	0	0	1,915	2,033	(189)	1,843	(71)
Home Care	400	-215	0	0	185	495	(278)	217	33
Service Contracts	121	-10	0	0	111	115	(10)	105	(6)
Other	832	0	46	37	915	1,066	0	1,066	151
<b>TOTAL</b>	<b>9,442</b>	<b>-2,708</b>	<b>2,944</b>	<b>2,486</b>	<b>12,164</b>	<b>14,807</b>	<b>(2,595)</b>	<b>12,212</b>	<b>48</b>

CERTIFICATE OF HEAD OF FINANCE

I certify that the above pooled fund memorandum account accurately discloses the income received and expenditure incurred in accordance with the partnership agreement, entered into under section 31 of the Health Act 1999.

Signed .....

Date .....

Director Of Finance

Note: excess phone charges reduced from above outturn figures

The Council has transactions with the *Trafford Housing Trust* following the Large Scale Voluntary Transfer (LSVT) of the Council's housing stock and there are various notes throughout the accounts regarding this, in particular in the notes to the Consolidated Balance Sheet (page 42), and in the Housing Revenue Account (page 53).

The Council has paid *earmarked grants to voluntary organisations* for 2004/05 as follows:

<i>Organisation</i>	<i>£ Amount</i>
Sale Citizens Advice Bureau (CAB)	34,790
Partington CAB	34,190
Urmston CAB	32,430
Altrincham CAB	34,110
Stretford CAB	36,300
Old Trafford CAB	20,150
Partington & Carrington Development Trust Ltd.	8,560
St. John's Day Centre	33,700
Sale Charities Management	4,170
Relate Greater Manchester South	4,380
Trafford Athletic Club	2,000
Trafford Victim Support	12,780
Sale Council for Voluntary Service	640
Voluntary Community Action Trafford	54,644
Manchester/Salford/Trafford Groundwork	35,820
Special Educational Needs Family Support Group	10,000
Trafford Law Centre	5,000
Carrington Parish Council	1,460
Dunham Massey Parish Council	4,060
Partington Town Council	18,450
Warburton Parish Council	1,460
<b>Total Earmarked Grants</b>	<b>389,094</b>

## **16. Building Control**

The Council has set a level of charges for the administration of the Building Control Function. During the year turnover was £0.701m and a surplus of £0.06m was made (£0.171m in 2003/04).

## **17. Preparing for the Euro**

The Council is a member of the CIPFA Euro Forum which advises authorities on preparations for the Euro currency. There is as yet no firm indication that the UK will join the Single Currency in the near future. Preparatory work carried out in 2004/05 was met from existing resources.

## 18. External Audit Costs

In 2004/05 the council incurred the following fees relating to external audit and inspection:

<b>2003/04</b>		<b>2004/05</b>
<b>£000</b>		<b>£000</b>
286	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	<b>314</b>
102	Fees payable to the Audit Commission in respect of statutory inspection	<b>70</b>
99	Fees payable to the Audit Commission for the certification of grant claims and returns	<b>95</b>
15	Fees payable in respect of other services provided by the appointed auditor	<b>2</b>
<b>502</b>	<b>Total</b>	<b>481</b>

## 19. Discontinued Operations

On 14 March 2005 the Council transferred all its council dwelling stock (except 14 units) to a Registered Social Landlord (Trafford Housing Trust) following a resolution of the Council and subsequent ballot of tenants on 2 April 2004. The effects of the stock transfer are explained on page 53, and the amounts and liabilities are detailed in Note 20(c) of The Consolidated Balance Sheet, page 42.

## consolidated balance sheet

### About this Account

The Balance Sheet brings together the assets and liabilities of all activities of the Council.

2004		Year ended 31 March		2005	
£000	£000		Note	£000	£000
		<b>Fixed Assets</b>	<b>1,2</b>		
607		Intangible Fixed Assets			1,137
		Tangible Fixed Assets			
		Operational Assets			
315,181		- Council Dwellings			0
215,521		- Other Land and Buildings			237,185
120,986		- Infrastructure Assets			122,150
5,004		- Vehicles, Plant & Equipment			3,415
8,446		- Community Assets			8,649
		Non-operational Assets			
8,309		- Assets under Construction			3,945
24,658		- Investment Properties			25,930
3,512		- Surplus Assets			3,908
	702,224				406,319
	10,214	<b>Long Term Investments</b>	<b>4</b>		10,214
	29,491	<b>Long Term Debtors &amp; Prepayments</b>	<b>5</b>		27,282
	741,929	<b>Total Long Term Assets</b>			443,815
		<b>Current Assets</b>			
550		Stocks and Work in Progress		561	
38,081		Debtors	<b>6</b>	40,753	
1,977		Cash in hand and imprests		3,930	
57,369	97,977	Short Term Investments	<b>7</b>	46,300	91,544
	<b>839,906</b>	<b>Total Assets</b>			<b>535,359</b>
		<b>Current Liabilities</b>			
(419)		Borrowing - amounts falling due within one year		(464)	
(36,391)		Creditors	<b>8</b>	(36,573)	
0	(36,810)	Cash Overdrawn		0	(37,037)
	<b>803,096</b>	<b>Total Assets Less Current Liabilities</b>			<b>498,322</b>

2004		Year ended 31 March		2005	
£000	£000	Note	£000	£000	
	(111,818)	<b>Long Term Liabilities</b>	<b>9</b>		(74,204)
	(3,888)	<b>Deferred Income</b>	<b>10</b>		(3,915)
		<b>Provisions</b>			
(8,316)		Insurance Fund	<b>11</b>	(8,273)	
(939)	(9,255)	Other		(1,275)	(9,548)
	(26,300)	Liability related to a defined benefit pension scheme	<b>21</b>		(80,800)
	<b>651,835</b>	<b>Total Assets Less Liabilities</b>			<b>329,855</b>
		<b>Fund Balances and Reserves</b>			
394,410		Fixed Asset Restatement Account	<b>12</b>		87,503
217,507		Capital Financing Account	<b>12</b>		250,267
9,356		General Reserve			11,560
2,932		Housing Revenue Account			3,614
7,092		Schools	<b>13</b>		6,905
433		Collection Fund Surplus			2,465
6,070		Earmarked Reserves	<b>15</b>		7,431
(26,300)		Pension reserve	<b>21</b>		(80,800)
7,712		Usable Capital Receipts	<b>14</b>		0
531		Housing Major Repairs Reserve			1,843
10,912		Capital Grants & Contributions	<b>16</b>		8,458
15,429		Government Grants Deferred	<b>17</b>		24,857
5,751		Other Balances	<b>18</b>		5,752
	<b>651,835</b>	<b>Total Equity</b>			<b>329,855</b>

Ian Duncan CPFA  
Director of Finance  
18 October 2005

## notes to the consolidated balance sheet

### 1. Statement of Major Physical Assets

Trafford MBC owned the following assets at 31 March 2005:

#### Schools

51	Primary schools
8	Secondary schools
6	Special schools
1	Curriculum development centre
1	Behaviour Attendance Centre

#### Youth Centres

8	Youth centres
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#### Office Buildings

7	Administrative buildings
3	Public halls

#### Crematoria

1	Crematorium
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#### Depots & Workshops

3	Depots
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#### Sports Centres & Pools

5	Leisure centres with pools
2	Leisure centres without Pools
1	Water sports centre
2	Athletics stadia

#### Other

2	Markets
96	Commercial properties

#### Libraries & Community Centres

11	Libraries
12	Community centres

#### Residential Homes & Day Centres

4	Childrens' and young persons' resource centres
4	Family centres
8	Elderly persons' homes
6	day centres
1	Homes for people with learning disabilities

#### Vehicles

13	Mini-buses
16	Ambulances
1	Mobile library
2	Limousines
165	Other vehicles

#### Council Dwellings

14	Dwelling Stock
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#### Infrastructure

56.4	Km of principal roads
101.8	Km of other classified roads
648.0	Km of unclassified roads

## 2. Fixed Assets

Movements in fixed assets during the year were as follows:-

	Council Dwellings £000	Other land & buildings £000	Vehicles, plant & equipment, Intangible assets £000	Infra - structure assets £000	Community assets £000	Non-operational assets £000	Total £000
Gross book value as at 31 March	332,937	228,689	14,478	131,977	8,822	36,507	753,410
Accumulated Depreciation	(17,756)	(13,168)	(8,867)	(10,991)	(376)	(28)	(51,186)
<b>Net Book Value at 31 March 2004</b>	<b>315,181</b>	<b>215,521</b>	<b>5,611</b>	<b>120,986</b>	<b>8,446</b>	<b>36,479</b>	<b>702,224</b>
Expenditure in Year	3,892	7,706	837	4,266	420	3,519	20,640
Revaluations & Restatements	(298,811)	#16,056	(154)			(6,199)	\$(289,108)
Transfers	(2,979)	2,979					0
Disposals	\$(17,167)	(621)	(11)				\$(17,799)
Depreciation for the year	(116)	(4,456)	(1,731)	(3,102)	(217)	(16)	(9,638)
<b>Net Book Value at 31 March 2005</b>	<b>0</b>	<b>237,185</b>	<b>4,552</b>	<b>122,150</b>	<b>8,649</b>	<b>33,783</b>	<b>406,319</b>

# Disposals of Council Dwellings and Restatements of Other Land and Buildings both exclude £2.979m of assets which were not part of Housing Stock Transfer and which are shown as transfers in the above table.

### Valuation of Fixed Assets held at current value

This statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are undertaken by appropriately qualified staff under the supervision of the Head of Asset Management. The basis for valuation is set out in the statement of accounting policies on page 13.

	Council Dwellings £000	Other land & buildings £000	Vehicles, plant & equipment, Intangible assets £000	Infra-structure Assets £000	Community Assets £000	Non-Operational assets £000	Total £000
Held at historic cost			4,552	122,150	8,649	11,829	147,180
Valued at current value in:							
Current Year (1 April 2004)		71,526				17,045	88,571
Previous year (1 April 2003)	0	104,663					104,663
Two years ago (1 April 2002)		46,360				4,516	50,876
Three yrs ago (1 April 2001)							0
Four years ago (1 April 2000)		14,636				393	15,029
<b>Total</b>	<b>0</b>	<b>237,185</b>	<b>4,552</b>	<b>122,150</b>	<b>8,649</b>	<b>33,783</b>	<b>406,319</b>

The Council has complied with the requirements of revaluing its assets in accordance with the rolling programme. This states that all assets should be revalued within a five year period. The Council's internal valuation service has ensured that all asset values are up to date.

### Movement on Intangible Assets

During the year £591k was spent on software licences. This will be amortised to the revenue account over the life of the licence.

Purchased Software Licences	£000
Original Cost	674
Amortisation to 1 April 2004	(67)
Balance as at 1 April 2004	607
Expenditure in current year	591
Written off to revenue in year	(61)
<b>Balance at 31 March 2005</b>	<b>1,137</b>

### Foundation Schools

The School Standards and Framework Act 1998 changed the status of Grant Maintained schools to Foundation schools. Their fixed assets and long-term liabilities remain vested in the Governing Bodies of individual Foundation schools and therefore values and amounts have not been consolidated in this balance sheet. In this area there are nine Foundation schools, of which three are voluntary-aided and these are vested with the appropriate religious bodies.

### 3. Statement of Deferred Charges

	Expenditure in year 04/05 £000	Amounts written off in 04/05 £000	Balance at 31.3.05 £000
Improvement Grants	1,375	1,375	
Improvement Areas	848	848	0
Other	4,127	4,127	0
<b>Total</b>	<b>6,350</b>	<b>6,350</b>	<b>0</b>

The following amounts have been written off to:

Government Grants	1,681
General Fund	4,669
<b>Total</b>	<b>6,350</b>

Summary of Capital Expenditure and Sources of Finance	2004/05 £000
Opening Capital Financing Requirement	<b>89,672</b>
<b>Capital Investment</b>	
- Fixed Assets	20,049
- Intangible Assets	591
- Deferred Charges	6,350
	<u>26,990</u>
<b>Sources of Finance</b>	
- Grants & Contributions	(11,856)
- Revenue Contributions & Reserves	(3,908)
- Capital Receipts	(11,226)
	<u>(26,990)</u>
<b>Other Changes to Capital Financing Requirement</b>	
Minimum Revenue Provision	(2,427)
Capital Receipts : Voluntary Set-aside	(6,327)
LSVT : Overhanging Debt repayment	(22,973)
Other Adjustments	555
	<u>(31,172)</u>
Closing Capital Financing Requirement	<b>58,500</b>

### 4. Long term Investments

*The valuation of the Council's shareholding is based on historical cost unless otherwise stated*

at 31.3.04 £000		at 31.3.05 £000
10,214	Shareholdings in Manchester Airport PLC	10,214
<b>10,214</b>	<b>Total</b>	<b>10,214</b>

a) **Manchester Airport PLC**

The Council's investment in Manchester Airport represents 5% of the company's share capital.

at 31.3.04 £m	<i>Manchester Airport Consolidated Profit and Loss Account and Balance Sheet (Extract)</i>	at 31.3.05 £m
50.6	Profit before Tax	66.4
35.5	Profit after Tax	42.2
885.7	Net Assets	939.2

Dividends of £825k were received in the year 2004/05 (£275k in 2003/04). Further information on these accounts can be obtained from the company's Director of Finance (telephone no. 0161 489 9000)

b) **Modesole Ltd**

Modesole Ltd, (formerly GM Property Trust) is the holding company for the ten Greater Manchester districts' interest in the Midland Hotel & Conference Centre Ltd and G-Mex Ltd (formerly Central Station properties Ltd). Modesole Ltd is 100% owned by the ten districts. Trafford MBC's shareholding in Modesole Ltd is 838 £1 shares, which represents 8.4% of the company and its liability is limited to the extent of this shareholding. Shares were distributed to the districts pro-rata to the population of each date of transfer from the Greater Manchester County Council (GMC) on 1 April 1986. These mechanisms arise from the GMC initiative to redevelop the area of land around the G-Mex site, which the ten districts inherited in April 1986 on the abolition of the GMC. G-Mex Ltd is 52% owned by Modesole Ltd.

On the 24 February 2004, Modesole Ltd sold the whole of its 22.9% shareholdings in the Midland Hotel & Conference Centre Ltd. Part of the proceeds were used by Modesole to repay loans and loan guarantees that were owed to the Greater Manchester districts.

Trafford MBC received £0.370m as its share, which was treated in the accounts as a capital receipt. Subsequently Modesole Ltd declared a dividend, part of which was paid May 2004.

In Modesole's accounting year ended 30 September 2004, the company made a profit on ordinary activities after tax of £5.813m (previous year loss of £1.549m).

Further information and details of the financial statements of Modesole Ltd can be obtained from the Company Secretary; W J Lawley, PO Box 15, Town Hall, Rochdale. OL16 1AB.

c) **Mast Lift Co.**

The Council has a 2% share holding of £200 (200 £1 equity shares) in the Mast Lift Co. This is a cross-sector partnership company, set up with the intent of improving primary health care facilities. Further information and details of the financial statements of Mast Lift Co. Ltd can be obtained from the Company Secretary; E. Dyson, MST NHS LIFT, 3<sup>rd</sup> Floor, Oakland House, Talbot Road, Old Trafford, Gtr. Manchester M16 0PQ.

d) **Trafford Children and Young People's Service** - see Group Accounts (page 65) for details.

## 5. Long Term Debtors & Prepayments

At 31.3.04 £000		at 31.3.05 £000
	<b>Mortgages:</b>	
572	Council Houses	461
194	Private Dwellings	146
1,756	Probation Service (i)	1,663
65	Car Loans to Staff	49
8,875	Manchester Airport Plc (ii)	8,382
10,283	Sale PFI Deferred Consideration (iii)	9,600
7,746	PWLB debt restructuring (iv)	6,981
<b>29,491</b>	<b>Total</b>	<b>27,282</b>

- (i) The Council acts as 'lead' authority in providing loans to the Greater Manchester Probation Service (GMPS) to assist in the financing of their capital programme. These advances are repaid with interest over varying periods of up to 60 years.
- (ii) This relates to loan advances made to the company to assist in the financing of Terminal 2, which opened in 1993.
- (iii) Private Finance Initiative (PFI) - The Council has embarked on a PFI scheme for the provision of new office and community facilities in Sale Town Centre. Under such arrangements the responsibility for operating the facilities rests with our private sector partner, Cofatech. Within the accounts a prepayment provision has been created to reflect the reduction in the annual payments over the life of the contract. This results from the transfer of assets, which formed part of the scheme. This provision will be written down over the period of the reduced PFI payments.
- The contract commenced in October 2003, with the initial contract period ending in 2028/29. The estimated value of the remaining PFI payments is £31m. 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 £750k
  - negotiate with Cofatech for an extension to the contract
  - Cofatech can sell its interest to another company who can then negotiate a new contract with the Council.
- In the meantime and in order to keep all options open, provision will be made in the accounts, commencing in 2005/06, to meet any final payments. These will be partially met from the Special PFI Grant from the Government.
- (iv) During 2004/05, the Council restructured £15m of its long-term debt, enabling it to reduce the amount of annual interest payable. As a consequence of this a premium was incurred, which will be charged to the revenue account over the life of the replacement loan. In addition to this, thus the Council also undertook to repay £13m, thus generating a discount, to be credited in full to the revenue account during 2004/05

## 6. Debtors and Payments in Advance

at 31.3.04		at 31.3.05
£000	Amounts falling due within one year	£000
	Amounts falling due within one year	
2,231	Housing Rents	0
10,812	Council Tax, Community Charge and Non Domestic Rates	13,120
11,340	Business Rates: contribution from National Pool (i)	8,108
4,621	Other Government Departments	4,465
2,644	Payments in advance	3,266
20,520	Other	23,082
52,168	Sub Total	52,041
(14,087)	Less Provision for Bad and Doubtful Debts	(11,288)
<b>38,081</b>	<b>Total</b>	<b>40,753</b>

- (i) This represents the difference between the amount of rates paid over to the Government national pool and the amount due from local businesses.

## 7. Short Term Investments

The figure of £46.3m represents the investment of funds that are temporarily surplus to requirements. They are invested for short periods and earn market rates of interest.

## 8. Creditors

At 31.3.04		At 31.3.05
£000		£000
1,365	Public Works Loan Board (Loan Interest)	653
185	Market Loans ( Loan Interest)	358
3,543	Inland Revenue	3,729
2,234	Other Government Departments	3,085
29,064	Sundry Creditors	28,748
<b>36,391</b>	<b>Total</b>	<b>36,573</b>

## 9 Borrowings

At 31.3.04		Interest Rates	At 31.3.05
£000			£000
<b>Analysis by type of loan</b>			
95,816	Public Works Loans Board (PWLB)	2.5% - 11.5%	43,202
16,000	Money Market Loans	3.5% - 3.8%	31,000
2	Local Bonds and Mortgages	3.25%	2
<b>111,818</b>	<b>Total</b>		<b>74,204</b>
<b>Analysis by date of maturity</b>			
6,719	Maturing in more than 1 year and less than 2 years		308
1,472	Maturing in more than 2 years and less than 5 years		987
12,873	Maturing in more than 5 years and less than 10 years		7,818
20,623	Maturing in more than 10 years and less than 15 years		14,050
70,131	Maturing in more than 15 years		51,041
<b>111,818</b>	<b>Total Loan Debt Outstanding</b>		<b>74,204</b>

## Movements in borrowings

	£000	£000
<b>Opening Balance 1 April 2004</b>		<b>111,818</b>
Less Maturing Debt not replaced	(453)	
Less debt repaid prematurely and not replaced (no premium/discount incurred)	(13,000)	
Less debt restructures	0	
Less debt written off by the Government upon transfer of housing stock to Trafford Housing Trust on 14 March 2005	(24,161)	
Add new debt taken out	0	(37,614)
<b>Closing Balance 31 March 2005</b>		<b>74,204</b>

### 10 Deferred Income

This includes an amount of £0.622m 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.

Prior to its wind up on 31 March 1998 the Trafford Park Urban Development Corporation paid the sum of £1.300m in recognition of the Council agreeing to pay some of the corporation's outstanding liabilities and carrying out certain works. The Council has also received commuted sums from developers for the development and maintenance of open spaces. This total sum of £3.294m will be released to the revenue account when the cost of providing these services falls due.

### 11 Provisions

The Council is practically self-insured for Public and Employers Liability claims. The Council is therefore obliged to make a provision each year in respect of potential claims, most of which are received in future years.

In 2004/05, from a starting balance of £8.3m contributions of £2.217m were made to the provision, £1.853m of claims were paid and £0.407m was transferred to the insurance reserve, leaving a balance on the provision of £8.3m - which is deemed appropriate by the Council's Underwriters.

The Council has also made provision of £600k for charges which may have been unlawfully levied under S117 of the Mental Health Act 1983 and which may be required to be repaid. This is as a result of court and subsequent Ombudsman rulings affecting all local authorities who have made such charges.

The Council also has a provision for obligations relating to the Health Action Zone £556k (£289k in 2003/04). These will be fully discharged in 2005/06.

There is a provision for VAT on car parking £79k (£9k in 2003/04). 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.

### 12 Fixed Asset Restatement Account and Capital Financing Account

Full details of these accounts can be found in the notes accompanying the statement of total movements in reserves on pages 50 to 52

### 13 Reserves held by schools

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 balances at 31 March 2005 were £6.905m (£7.092m at 31 March 2004).

At 31 March 2005 there were 14 schools with a debit balance on their revenue reserves, amounting to £0.511m, whilst 83 schools had credit balances amounting to £6.658m. Reserves for capital purposes amounted to £0.758m.

### 14 Capital Receipts

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, known as Usable Capital Receipts, is used to meet new capital expenditure, debts or other liabilities.

2004 £000		2005 £000
0	<b>Balance carried forward at 1 April</b>	<b>7,712</b>
22,033	Capital receipts in the year from sale of assets	19,516
0	Capital Receipts from sale of housing stock	4,350
22,033		31,578
(9,233)	Less amounts set aside to meet credit liabilities	(6,378)
(46)	credited to mortgage accounts	(51)
(9,279)		(6,429)
12,754		25,149
0	Less amounts used to cover costs of stock transfer	(4,350)
0	Less amount payable to Government re pooling liability	(9,379)
		(13,729)
	0 Amount used to finance capital expenditure in year	(11,226)
(5,042)	Amount used to finance accruals from 2003/04	(194)
		(11,420)
<b>7,712</b>	<b>Balance carried forward at 31 March</b>	<b>0</b>

### 15 Earmarked Reserves

2004 £000		2005 £000
614	<b>Imperial War Museum Reserve</b> To meet the Council's contribution towards the construction of the Imperial War Museum North in Trafford Park.	614
248	<b>Economic Development Reserve</b> For use towards economic and community regeneration initiatives	134
658	<b>Information and Communication Technology Strategy Reserve</b> To finance planned developments in network infrastructure, new systems and hardware	607
110	<b>Corporate Identity Reserve</b> Financing of various initiatives to raise the profile and image of the borough	108
183	<b>Accommodation Strategy Reserve</b> The Council is rationalising its office accommodation and short term finance has been made available to improve those premises being retained.	262
271	<b>Synthetic Pitch Replacement Reserve</b> This will be used towards replacing synthetic pitches across the Borough	315
45	<b>Private Finance Initiative Reserve</b> To provide pump-priming finance towards future projects	45
23	<b>Town Centre Reserves</b> To facilitate improvements in town centres in the borough	23
180	<b>Training Reserve</b> To undertake some corporate training across the Council	180
1,839	<b>Insurance and Risk Management Reserve</b> Funds earmarked for future claims and to carry out various risk management initiatives	2,251
1,328	<b>Vehicle Renewals Reserve</b> To finance the planned replacement of the Council's fleet of vehicles	1,506
216	<b>Trading Operations</b> Direct Service Organisations	164
171	<b>Building Control Fees</b> For the future review of building control costs and fee income	171
184	<b>Other Reserves</b> Other amounts earmarked for specific purposes	1,051
<b>6,070</b>		<b>7,431</b>

## 16 Capital Grants and Contributions

This represents the unused balance of the grants contributions received to assist in the financing of capital projects. They are carried forward until such time that they are required for specific schemes.

<b>31.03.04</b>			<b>31.03.05</b>
<b>£000</b>			<b>£000</b>
	4,809	Balance brought forward 1 April	10,912
		Receivable in year	
10,405		From government departments	32,914
7,454		From other sources	3,174
	<u>17,859</u>		<u>36,088</u>
	22,668		47,000
		Less	
(1,408)		Amounts used in financing capital expenditure	(1,681)
0	0	Amount used to cover debt repayments.	(22,973)
0		Amount used to cover premiums on debt repaid	(1,187)
0		Adjustment of grant to reserves	(2,526)
(10,348)		Transferred to Government Grants Deferred account	(10,175)
	<u>(11,756)</u>		<u>(38,542)</u>
	<b>10,912</b>	<b>Balance carried forward at 31 March</b>	<b>8,458</b>

## 17 Government Grants Deferred Account

This account represents grants and contributions to finance the enhancement or acquisition of fixed assets which are subject to depreciation. The balance is written off to the asset management revenue account over the life of the assets to offset annual depreciation charges.

<b>31.03. 04</b>			<b>31.03.05</b>
<b>£000</b>			<b>£000</b>
(5,566)		Balance brought forward 1 April	(15,429)
(10,348)		Grants receivable in year from government departments	(10,175)
485		Grant written down in year to revenue	747
<b>(15,429)</b>		<b>Balance carried forward at 31 March</b>	<b>(24,857)</b>

## 18 Other Balances

This includes a balance of £5.702m, which was created in 1986/87, following the dissolution of the Greater Manchester County Council and the distribution of its main interest in Manchester Airport to the ten district councils. The proceeds have been invested in shares in Manchester Airport PLC.

## 19 Trust Funds

The Council administered a number of Trust Funds, mainly in respect of education and social services. The values of these funds, which are not included in the consolidated balance sheet, were £0.672m at 31 March 2005 and are listed below.

<b>£ Value of Fund 31.03.04</b>		<b>£ Value of Fund 31.03.05</b>
42,751	FW Bates Scholarship	44,941
4,562	Ireland bequest	5,131
9,692	Renshaw Foundation	10,117
7,128	Urmston BS Education Charity	7,371
1,690	J Birkenhead Trust Fund	1,690
132	Garner Seat Legacy	160
50,442	Benjamine Wade Trust	55,926
351,974	CD Del Panno Trust	367,890
18,311	Miss Muckley Dec'd Legacy	18,311
137,423	Clifford Wilcox	152,744
624,105		664,281
8,127	Monies held in various CICS* Trusts	8,127
<b>632,232</b>	<b>Total monies held in Trusts</b>	<b>672,408</b>

\*Criminal Injuries Compensation Scheme

## 20 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. As at 31 September 2004 £1.787m of claims had already been paid with outstanding claims estimated at £0.290m.

At present time it is not known whether the clawback clause will be invoked, and therefore no provision for the potential liability has been made in the balance sheet.

### (b) Manchester Airport

Note 5 to the balance sheet outlines the position regarding borrowings of £8.382m on behalf of the Airport. The airport has agreed to reimburse the Council for all repayments due on the loans, which have varying maturity dates up to 2027. No provision has been made in the balance sheet for any potential losses arising from this agreement.

### (c) Modesole Ltd

As a result of the Council receiving a distribution from the proceeds of Modesole's sale of its shares in the Midland Hotel & Conference Centre, a liability may arise, the extent of which can not yet be determined, to repay its share of a grant given in 1986 towards the refurbishment of the hotel.

**(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.

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

- a) 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.
- b) 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.
- c) 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.
- d) 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.
- e) Street Lighting on unadopted roads; a joint survey is being commissioned in 2005/06 to identify the condition of street lighting on unadopted roads. 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 2005/06.
- f) Windows; the Council has indemnified THT against any repair or replacement works necessary on certain buildings in relation to windows to a maximum liability of £300,000 and for a maximum period of 5 years. No such payments are anticipated, however, should they be necessary they would impact on revenue or capital sources in the year the liability arose.
- g) 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.
- h) 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 the next ten years amounting to £21m. The liabilities and risks of the warranties will be kept under constant review, and monies put aside from the VAT receipts as appropriate.
- (h.1) **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.

(h.2) **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.

**21 Net Pensions Asset/Liability**

In accordance with the Accounting Code of Practice the following FRS17 disclosure note for 2004/05 applies to the Local Government Pension scheme for officers and other non-teaching staff, plus the Teachers Pension Scheme for teaching staff.

As part of the terms and conditions of employment of its officers, the Authority offers retirement benefits, although these will not actually be payable until employees earn their entitlement.

The Authority participates in the Greater Manchester Pension Fund administered by Tameside MBC. This is a funded scheme, meaning that the Authority and employees pay contributions into the fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

In 2004/05, pension costs have been charged to the consolidated revenue account on the basis of contributions payable for the year to the Greater Manchester Pension Fund together with the pensions payable in the year to retired officers. The latest formal actuarial valuation was at 31 March 2004 and on this date the Authority had the following overall assets and liabilities for pensions, with the net figure shown in the balance sheet:

<b>31.3.04</b>		<b>31.3.05</b>
<b>£000</b>	<b>GM Pension Fund</b>	<b>£000</b>
(279,900)	Estimated liabilities in scheme	(364,300)
269,200	Estimated assets in scheme	300,400
<b>(10,700)</b>	<b>Net assets/(liabilities)</b>	<b>(63,900)</b>

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions in their calculations are:

<b>31.3.04</b>		<b>31.3.05</b>
<b>%</b>	<b>GM Pension Fund</b>	<b>%</b>
2.9	Rate of Inflation	2.9
4.4	Rate of increase in salaries	4.4
2.9	Rate of increase in pensions	2.9
6.5	Rate for discounting liabilities	5.4

Assets in the Greater Manchester Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

<b>31.3.04</b>	<b>Long Term</b>		<b>Long Term</b>	<b>31.3.05</b>
<b>%</b>	<b>%</b>	<b>GM Pension Fund</b>	<b>%</b>	<b>%</b>
67.6	7.7	Equity Investments	7.7	67.7
15.9	5.1	Bonds	4.8	14.1
10.3	6.5	Property	5.7	10.1
6.2	4.0	Cash	4.8	8.1
<b>100.0</b>	<b>6.9</b>	<b>Total</b>	<b>6.9</b>	<b>100.0</b>

The movement in the surplus/(deficit) for the year to 31 March 2005 is as follows:

<b>31 March 2004</b>		<b>GM Pension Fund</b>	<b>31 March 2005</b>
<b>£000</b>			<b>£000</b>
(44,400)	Surplus (deficit) at the beginning of the year (1 April )		(10,700)
	Movement in the year:		
(8,800)	Current service cost		(11,500)
6,000	Employers' contributions payable to scheme		6,800
0	Retirement benefits payable to pensioners		0
(1,000)	Past service costs		0
(1,200)	Impact of settlements and curtailments		(500)
(1,100)	Expected return on assets in the scheme		3,200
39,800	Actuarial gains/(losses)		(51,200)
<b>(10,700)</b>	<b>(Deficit) at the end of the year (31 March)</b>		<b>(63,900)</b>

The actuarial loss can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005:

<b>Fund Value as at</b>			<b>Fund Value as at</b>	
<b>31 March 2004</b>			<b>31 March 2005</b>	
<b>£000</b>	<b>%</b>		<b>£000</b>	<b>%</b>
38,500	14.3	Differences between the expected and actual return on assets	13,800	4.6
1,300	0.5	Experience gains/(losses) on liabilities	(21,300)	5.8
		Changes in financial assumptions underlying the Present value of the Scheme liabilities	(43,700)	12.0
<b>39,800</b>	<b>14.2</b>		<b>(51,200)</b>	

With regard to the Teachers Pensions Scheme, this is a defined benefit scheme, administered by the Teachers Pensions Agency (TPA). Although the scheme is unfunded, the TPA uses a national fund as the basis for calculating the employers' contribution rate paid by local education authorities (LEAs). However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme. The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme.

The overall total unfunded value of liabilities in the scheme at 31 March 2005 is £16.9m (£15.6m at 31 March 2004 ). Payments to the Scheme in 2004/05 were £1.1m

The overall Pension deficit at 31 March as shown in the Balance Sheet is £80.8m, which is comprised of £63.9 GM Pension Fund and £16.9m in respect of unfunded teachers.

## **22. Analysis of Net Assets Employed**

The net assets of the Council can be analysed into the following separate operations

<b>31 March 2004</b>		<b>31 March 2005</b>
<b>£000</b>		<b>£000</b>
359,997	General Fund	385,907
317,489	Housing Revenue Account	22,118
216	Trading Operations	164
<b>677,702</b>	<b>Total</b>	<b>408,189</b>

## **23. Post Balance Sheet Events**

### **Trafford Children and Young Peoples' Service Ltd**

The Company provides a Connexions service under contract on behalf of the Council. This service will be brought back into the Council as of 1 October 2005.

On this date the Company will produce statutory cessation accounts and will no longer be a separate legal entity from the Council. All assets and liabilities will transfer to the Council.

## cash flow statement

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2003/04	2004/05
£000	£000
<b>Revenue Activities ( Note 1)</b>	
<u>Cash Outflows</u>	
189,337	Cash paid to and on behalf of employees 192,992
141,629	Other operating costs 137,755
19,664	Housing Benefit paid out 21,354
10,047	Precepts paid from Collection Fund 10,698
100,165	460,842 Payments to NNDR pool 103,544 466,343
<u>Cash Inflows</u>	
(10,620)	Rents (after rebates) (9,784)
(61,684)	Council Tax (67,409)
(88,506)	Revenue Support Grant (98,190)
(61,529)	Redistributed Non-Domestic Rates (58,596)
(85,249)	Government grants (note 5) (93,150)
(26,516)	Cash received for goods and services (28,912)
(28,251)	Other revenue cash payments/income (22,541)
(102,710)	465,065 Business Rates (99,060) (477,642)
<b>Dividends from Joint Ventures &amp; Associates</b>	
(275)	Cash Inflows – Dividends Received (1,169)
<b>(4,498)</b>	<b>Net Cash (Inflows)/Outflows: Revenue Activities (12,468)</b>
<b>Investments and Servicing of Finance</b>	
6,631	Interest paid 6,394
(2,538)	Interest received (2,996)
<b>4,093</b>	<b>Net Cash Outflow From Investments/Servicing of Finance 3,398</b>
<b>Capital Activities</b>	
<u>Cash Outflows</u>	
37,517	Purchase of fixed assets 25,739
0	37,517 Other Capital Cash Payments ( note 6) 9,379 35,118
<u>Cash Inflows</u>	
(21,867)	Sale of fixed assets (19,530)
(17,299)	(39,166) Capital grants and contributions received (34,971) (54,501)
<b>(1,649)</b>	<b>Net cash (Inflow)/Outflow from capital activities (19,383)</b>
<b>Acquisitions and Disposals</b>	
<u>Cash Inflows</u>	
0	Sales of Investments in Joint Ventures & Associates 0
<b>(2,054)</b>	<b>Net cash (Inflow)/Outflow before financing (notes 2 &amp; 3) (28,453)</b>
<b>Management of Liquid Resources</b>	
<b>(4,370)</b>	<b>Increase/(decrease) in short-term deposits (note 4) (11,069)</b>
<b>Financing</b>	
2,391	<u>Cash Outflows</u> – Repayments of amounts borrowed 52,569
0	<u>Cash Inflows</u> – New Loans raised (15,000)
<b>2,391</b>	<b>Net cash (Inflow)/Outflow from Financing 37,569</b>
<b>(4,033)</b>	<b>(Increase)/decrease in cash (1,953)</b>

## notes to the cash flow statement

### 1. Revenue Activities

The net cash flow can be reconciled to the consolidated revenue account (page 17) as follows:

2003/04 £000		2004/05 £000
4,253	Deficit per Consolidated Revenue Account (Page 17)	321
1,372	Deficit/(Surplus) on Collection Fund (Page 63)	(2,032)
<b>5,625</b>		<b>(1,711)</b>
<b>(4,093)</b>	Interest	<b>(3,398)</b>
	<b>Add non cash movements in revenue account:</b>	
(410)	Contributions to reserves	(2,727)
(6,480)	Financing of capital expenditure	(3,908)
<b>(3,060)</b>	Contributions to provisions	<b>(3,128)</b>
	<b>Items on an accruals basis:</b>	
(106)	Net increase/(decrease in stock)	11
5,348	Net increase/(decrease in debtors)	1,396
<b>(1,322)</b>	Net (increase)/decrease in creditors	<b>997</b>
<b>(4,498)</b>	<b>Net cash inflow on revenue activities</b>	<b>(12,468)</b>

### 2. Movement in Net Debt

The following table reconciles the movement in cash to the movement in net debt during the year.

2003/04 £000		2004/05 £000
4,033	Increase/(decrease) in cash	1,953
(4,370)	Net increase/(decrease) in liquid resources	(11,069)
2,391	Net (increase)/decrease in borrowing	37,569
<b>2,054</b>	<b>Movement in net debt for the year</b>	<b>28,453</b>
(54,945)	Net debt at the beginning of the year	(52,891)
<b>(52,891)</b>	<b>Net debt at the end of the year</b>	<b>(24,438)</b>

### 3. Analysis of Changes in Net Debt

The table below reconciles the movement in the components of net debt to the corresponding items as shown on the notesidated Balance Sheet.

	Balance at 31.03.04 £000	Movement in year £000	Balance at 31.03.05 £000
Cash in hand	1,977	1,953	3,930
Cash Overdrawn	0	0	0
Borrowing repayable within 12 months	(419)	(45)	(464)
Long term borrowing	(111,818)	37,614	(74,204)
Short term investments	57,369	(11,069)	46,300
<b>Net Debt</b>	<b>(52,891)</b>	<b>28,453</b>	<b>(24,438)</b>

#### 4. Liquid Resources

The Council defines "liquid resources" as comprising short term investments (i.e. less than one year). These have decreased by £11.069m from £57.369m at 31 March 2004 to £46.300m at 31 March 2005 (note 7 to Consolidated Balance Sheet).

#### 5. Government Grants

2003/04 £000	Grant	Awarding Department	2004/05 £000
30,659	Rent allowances, Rent Rebates and Council Tax Benefit Subsidy	Department for Work & Pensions	43,979
10,428	Housing Revenue Account Subsidy	Department for Work & Pensions	3,793
0	Access and Systems Capacity (Social Services)	Department of Health	1,938
8,130	Other Social Services Grants	Department of Health	5,551
80	Student Awards	Dept for Education & Skills	184
630	Early Years Grant	Dept for Education & Skills	1,721
3,888	Schools Standards	Dept for Education & Skills	4,117
6,686	Education Standards Fund	Dept for Education & Skills	7,278
13,943	Other Education Grants	Dept for Education & Skills	13,076
37	Probation Service	Home Office	31
214	Administration of Justice	Lord Chancellors Department	220
5,645	Supporting People	Office of the Deputy Minister	5,729
4,909	Other	Various	5,533
<b>85,249</b>	<b>Total</b>		<b>93,150</b>

#### 6. Other Capital Cash Payments

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, is required to be paid to the Office of the Deputy Prime Minister. This replaces the previous regulations whereby 75% of these receipts were set aside by the Local authority against the repayment its own debt, and therefore did not constitute a cash transaction for the purposes of inclusion in this statement.

## total movements in reserves

This statement is intended to show all the recognised gains and losses of the Authority during the year. All large organisations are required to produce such a statement but this particular format has been adopted to reflect the statutory framework in which local authorities work.

2003/04		2004/05
£000		£000
	Surplus/(deficit) for the year:	
1,324	General Fund	2,204
512	Housing Revenue Account	682
(6,861)	Add back Movements on specific revenue reserves (note 1)	3,206
(4,662)	Deduct Appropriation from pensions reserve (note 6)	(556)
(738)	Difference in actual to estimated Pension contributions (note 1 & 6)	(344)
39,800	Actuarial gains and losses relating to pensions (note 6)	(53,600)
<b>29,375</b>	<b>Total increase/(decrease) in revenue resources</b>	<b>(48,408)</b>
7,712	Increase/(decrease) in usable capital receipts	(7,712)
6,103	Increase/(decrease) in unapplied capital grants & contributions (note 2)	(2,454)
<b>13,815</b>	<b>Total increase/(decrease) in realised capital resources</b>	<b>(10,166)</b>
31,769	Gains/(losses) on revaluation of fixed assets	(286,129)
0	Impairment losses on fixed assets due to general changes in prices	0
<b>31,769</b>	<b>Total increase/(decrease) in unrealised value of fixed assets (note 3)</b>	<b>(286,129)</b>
<b>(12,726)</b>	<b>Value of assets sold, disposed of or decommissioned (note 4)</b>	<b>(20,778)</b>
14,276	Capital receipts set aside (note 5i)	17,747
(173)	Revenue resources set aside (note 5ii)	(3,187)
9,863	Movement on Government Grants Deferred (note 5iii)	9,428
(9,896)	Other movements on Capital Financing Reserve (note 5iv)	18,202
(671)	Movements on Major Repairs Reserve	1,311
<b>13,399</b>	<b>Total increase / (decrease) in amounts set aside to finance capital investment</b>	<b>43,501</b>
<b>75,632</b>	<b>Total recognised gains and (losses)</b>	<b>(321,980)</b>

## notes on total movements in reserves

### 1. Movements in Revenue Resources

	General Fund Balances £000	HRA Balances £000	Earmarked Revenue Reserves £000	Pensions Reserve £000
Surplus/(deficit) for 2004/05	(321)	647		
Appropriations to/from revenue	2,525	35	3,206	(556)
Actuarial gains and losses relating to pensions				(53,600)
Differences in actual to estimated pension contributions				(344)
	<b>2,204</b>	<b>682</b>	<b>3,206</b>	<b>(54,500)</b>
Balance brought forward at 1 April 2004	<b>9,356</b>	<b>2,932</b>	<b>13,595</b>	<b>(26,300)</b>
<b>Balance carried forward at 31 March 2005</b>	<b>11,560</b>	<b>3,614</b>	<b>16,801</b>	<b>(80,800)</b>

### Earmarked Reserves

	Balance B/Fwd 01/04/04	Movement in Year	Balance C/Fwd 31/03/05
Schools' Reserves	7,092	(187)	6,905
Collection Fund Surplus	433	2,032	2,465
Other Earmarked Reserves (see note 16 to Balance Sheet)	6,070	1,361	7,431
<b>Total</b>	<b>13,595</b>	<b>3,206</b>	<b>16,801</b>

### 2. Movements on realised capital resources

	Usable Capital Receipts £000	Unapplied Capital Grants & Contributions £000
Amounts receivable in 2004/05 (net)	19,516	36,088
Amounts used in financing capital expenditure	(11,420)	(11,856)
Less – Amounts to cover pooling liability	(9,379)	
Amounts used to redeem debt and premium	(6,429)	(24,160)
Amounts transferred to Capital Reserve	0	(2,526)
<b>Total increase/(decrease) in realised capital resources in 2004/05</b>	<b>(7,712)</b>	<b>(2,454)</b>
<b>Balance b/f at 1 April 2004</b>	<b>7,712</b>	<b>10,912</b>
<b>Balance c/f at 31 March 2005</b>	<b>0</b>	<b>8,458</b>

These reserves are committed for use on capital projects contained in the Council's Capital Programme.

## Fixed Asset Restatement Account

	£000
<b>3. Movements in unrealised value of fixed assets:</b>	
Gains/(losses) on revaluation of fixed assets in 2004/05	(286,129)
Impairment losses on fixed assets due to general changes in prices in 2004/05	0
<b>Total Increase in unrealised capital resources in 2004/05</b>	<b>(286,129)</b>
<b>4. Value of assets sold, disposed of or decommissioned</b>	
Amounts written off fixed asset balances for disposals in 2004/05	(20,778)
	<b>(20,778)</b>
Total movement on reserve in 2004/05	(306,907)
<b>Balance brought forward 1 April 2004</b>	<b>394,410</b>
<b>Balance carried forward at 31 March 2005</b>	<b>87,503</b>

The Fixed Asset Restatement account was created in April 1994 following a major revaluation of the Council's assets. The difference between the old and new valuations was transferred to the account and each year it is written down by the net book value of assets as they are disposed of and debited or credited with deficits or surpluses arising from future revaluations.

## 5. Total increase/(decrease) in amounts set aside to finance capital investment

	Capital Financing Account £000	Govt Grants Account £000	Total £000
Capital receipts set aside 2004/05 :			
Reserved receipts	6,327		6,327
Usable receipts applied	11,420		11,420
<b>(i) Total receipts set aside in 2004/05</b>	<b>17,747</b>		<b>17,747</b>
Revenue resources set aside in 2004/05 :			
Capital expenditure financed from revenue	3,908		3,908
Reconciling amount for provisions for loan repayment	(7,095)		(7,095)
<b>(ii) Total revenue resources set aside 2004/05</b>	<b>(3,187)</b>		<b>(3,187)</b>
Grants applied to capital investment in 2004/05		10,175	10,175
Amounts credited to the Asset Management Revenue Account in 2004/05		(747)	(747)
<b>(iii) Movement on Government Grants Deferred Account</b>		<b>9,428</b>	<b>9,428</b>
Deferred charges written off in the year	(4,669)		(4,669)
Depreciation in Housing Revenue Account assets	(116)		(116)
Sale PFI – deferred consideration	(733)		(733)
Write down of PWLB loans following stock transfer	22,973		22,973
Grants applied to capital investment in 2004/05	747		747
<b>(iv) Other Movements on Capital Financing Account</b>	<b>18,202</b>		<b>18,202</b>

	Capital Financing Account £000	Govt Grants Account £000	Total £000
<b>Total increase/decrease in amounts set aside to finance capital investment</b>			<b>42,190</b>
Total movement on account in 2004/05	<b>32,762</b>	<b>9,428</b>	
Balance b/f 1 April 2004	217,507	15,429	
Balance c/f 31 March 2005	<b>250,269</b>	<b>24,857</b>	

The Capital Financing 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.

#### 6. Pensions Reserve – actuarial gains and losses

The actuarial gains identified as movement on the Pensions Reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005.

2004 £000		2005 £000	%
38,500	Difference between the expected and actual return on assets	13,800	4.6%
1,300	Differences between actuarial assumptions about liabilities and actual experience	(21,300)	(5.6)%
0	Changes in the demographic and financial assumptions used to estimate liabilities	(46,100)	(12.3)%
39,800		(53,600)	
(4,662)	Less appropriations to revenue account	(556)	
(738)	Difference in actual to estimated Pension contributions	(344)	
<b>34,400</b>	<b>Total movement on Pensions Reserve</b>	<b>(54,500)</b>	

## **housing revenue account**

### **About this Account**

It is a ring-fenced account which means local authorities have no general discretion on the transfer of sums into or out of the Housing Revenue Account.

Under the New Financial Framework for the HRA (Resource Accounting), introduced in April 2001, the statutory credits and debits remain largely unchanged. However, Rent Rebates are now to be accounted for in the General Fund. As a consequence two new items appear –

Payment to ODPM

Rent Rebates – transitional Arrangements

These changes are explained further in the notes to the accounts.

The Authority sold all its dwelling stock except for 14 dwelling units on 14<sup>th</sup> March 2005, following a resolution of the Council and a subsequent ballot of tenants on 2<sup>nd</sup> April 2004. The financial implications of this transfer are highlighted throughout this Statement of Accounts.

It should be noted that the Authority is statutorily required to retain a Housing Revenue account until such time that Secretary of State approval has been granted to close the account. The timescales involved with an application for closure are such that the earliest date for permission for closure is with effect from 1 April 2006. The Authority has received a direction under Section 74 (3) d, which has the effect of disapplying from 1 April 2005 the requirement to keep within its Housing Revenue Account the property and land named in the direction.

For 2005/06 there will continue to be some residual transactions in the HRA. It is anticipated that the HRA, subject to the approval of the Secretary of State, will close with effect from 1 April 2006, at which time any balance on the HRA will transfer to the Authority's General Fund. At 31 March the HRA balance stood at £3.614m

In making comparisons between the 2003/04 and 2004/05 figures it needs to be taken into account that the housing stock was transferred on 14 March 2005, therefore the income and expenditure for the financial year 2004/05 relates mainly to the period 1 April 2004 to 13 March 2005 ( except in respect of those assets which were retained.)

### **About Stock Transfer**

The gross receipt for the transfer of housing stock was £4.350m. The receipt was fully allocated to meet set –up costs. The HRA-related debt at the point of transfer was calculated in accordance with specific and detailed guidance issued by the ODPM, and was assessed at £24.161m.

As part of the consent granted by the ODPM for the disposal of the Council's housing stock the ODPM undertook to repay in full the HRA-related debt held by the PWLB. In addition the ODPM also met premiums of £5.950m, resulting from the early redemption of borrowing. The full payment of £30.111m was made by the ODPM on 17<sup>th</sup> March 2005.

## housing revenue account

2004		Year ended 31 March		2005	
£000	£000		Notes	£000	£000
		<b>Expenditure</b>			
	7,597	Repairs and Maintenance			7,182
	7,517	Supervision and Management			7,801
	40	Rent, Rates and Other Charges			85
	14,414	Rent Rebates granted	12		0
		Rent Rebates – Transitional arrangements	12		320
		Payment to ODPM	11		9,054
	39	Debt Management			40
	11,449	Cost of Capital	6		161
	5,985	Depreciation	7		116
	643	Provision for bad and doubtful debts			49
	<b>47,684</b>	<b>Total Expenditure</b>			<b>24,808</b>
		<b>Income</b>			
		Gross Rent Income			
(24,006)		- dwellings	8	(22,704)	
(409)	(24,415)	- other property	8	(430)	(23,134)
	(2,535)	Charges for services and facilities	10		(2,465)
	(10,304)	Housing Subsidy receivable	11		(5,299)
		Reduction in provision for Bad or Doubtful debts			(287)
	(61)	Transfer from General Fund	13		0
	<b>(37,315)</b>	<b>Total Income</b>			<b>(31,185)</b>
	<b>10,369</b>	<b>NET COST OF SERVICES</b>			<b>(6,377)</b>
	(10,810)	Adjusting Transfer (from) to Asset Management Revenue Account	6		173
	272	Amortised Premiums			272
		Income from:-			
(66)		Mortgage Interest		(49)	
(169)	( 235)	Interest on Revenue Balances		(146)	(195)
	(10,773)				250
	<b>(404)</b>	<b>NET OPERATING EXPENDITURE</b>			<b>(6,127)</b>
		<b>Appropriations</b>			
	270	Provision for repayment of debt		0	
(205)		Transfer (from)/to Major Repairs Reserve	3	5,090	
(173)		Contribution from Pensions Reserve	15	(230)	
0		LSVT - Pension Fund	16	620	
	(108)				5,480
	<b>(512)</b>	<b>NET CHANGE IN BALANCES</b>			<b>(647)</b>
		<b>Housing Revenue Account Reserves</b>	14		
	2,420	Balance brought forward 1 April			2,932
	512	Transfer (from)/to Revenue Account			647
	0	Transfer from other reserves			35
	<b>2,932</b>				<b>3,614</b>

The expenditure and income for the financial year 2004/05 relates to the period 1 April 2004 to 31 March 2005, but the entire housing stock, except for 14 dwelling units, was transferred to Trafford Housing Trust on 14 March 2005.

## notes to the housing revenue account

### 1. Housing Stock

	As at 31.3.04	Right to Buy Sales	Closures	Reclassified and new units	Transferred to THT	Dwellings Retained
<b>Low rise flats</b>						
Bedsits	87		(30)		57	
1 Bed	1,215	(4)	(15)	20	1,216	
2 Bed	1,047	(18)	(4)		1,025	
3 Bed	14				14	
<b>Total</b>	<b>2,363</b>	<b>(22)</b>	<b>(49)</b>	<b>20</b>	<b>2,312</b>	<b>0</b>
<b>Medium rise flats</b>						
Bedsits	14				14	
1 Bed	625	(3)	(1)		621	
2 Bed	481	(10)	(7)		464	
3 Bed	80	(2)			78	
<b>Total</b>	<b>1,200</b>	<b>(15)</b>	<b>(8)</b>		<b>1,177</b>	<b>0</b>
<b>High rise flats</b>						
1 Bed	340	(1)			339	
2 Bed	699	(7)			692	
3 Bed	0					
<b>Total</b>	<b>1,039</b>	<b>(8)</b>			<b>1,031</b>	<b>0</b>
<b>Houses and Bungalows</b>						
Bedsits	177				177	
1 Bed	645	(1)			644	
2 Bed	1,040	(48)			992	
3 Bed	3,224	(152)			3,069	3
4 Bed	142	(8)		1	135	
<b>Total</b>	<b>5,228</b>	<b>(209)</b>		<b>1</b>	<b>5,017</b>	<b>3</b>
<b>Multi Occupied Dwelling</b>						
Equivalents	18				7	11
<b>Total</b>	<b>9,848</b>	<b>(254)</b>	<b>(57)</b>	<b>21</b>	<b>9,544</b>	<b>14</b>

In addition to the 9,544 dwellings above, 6 non-HRA dwellings and 49 closed dwelling units were transferred to Trafford Housing Trust – a total of 9,599 dwellings.

14 dwelling units were retained by the Council – Tamworth Court (11 equivalent dwelling units) and three other dwellings.

## 2. Valuation of housing stock and other assets

	Council dwellings £000	Equipment £000	Surplus Properties £000	Commercial and other non operational properties £000	Total £000
<b>Balance 1 April 2004</b>	<b>315,181</b>	<b>152</b>	<b>253</b>	<b>5,398</b>	<b>320,984</b>
b/fwd					
Expenditure	3,892	0	0	0	3,892
Revaluations & Restatements	(3,892)	0	0	0	(3,892)
Revaluation - LSVT	(294,919)	(152)	(253)	(5,398)	(300,722)
Disposals - RTB	(12,817)	0	0	0	(12,817)
Disposals - LSVT	(4,350)	0	0	0	(4,350)
Disposals – Retained – Transfer to General Fund	(2,979)	0	0	0	(2,979)
Depreciation	(116)	0	0	0	(116)
<b>Balance 31 March 2005</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Note : Vacant Possession Value of Council Housing Stock – the vacant possession value of dwellings within the HRA as at 1 April 2004 is £533.75m which is based on the stock of dwellings available to let and a number of closed dwellings. To arrive at the Balance Sheet value of dwellings the vacant possession value is reduced to reflect the fact that there are sitting tenants enjoying sub-market rents and tenant rights including Right to Buy. The adjustment factor measures the difference between market rents and sub market rents. It shows the economic cost to Government of providing council housing at less than market rents.

## 3. Depreciation and Major Repairs Reserve

Under resource accounting, authorities are required to maintain a Major Repairs Reserve. The main credit to the reserve is an amount equivalent to the total depreciation charges for HRA dwellings. Authorities are able to charge capital expenditure to this reserve.

2003/04 £000	Depreciation	2004/05 £000
5,832	Dwellings	116
153	Equipment	0
<b>5,985</b>		<b>116</b>

The Council has used in previous years the Major Repairs Reserve as the measure of depreciation of dwelling properties in line with Government guidance. For 2004/05 the charge for depreciation takes into account the stock transfer valuation of £4.350m.

The Major Repairs Reserve for 2004/05 has been credited with the difference between the total depreciation charge and the Council's Major Repairs Allowance, adjusted for the transfer of stock on 14 March 2005, with the charge being made to the HRA in the appropriations section – below net operating expenditure.

2004 £000	Major Repairs Reserve	2005 £000
(1,202)	Balance 31 March 2004 b/fwd	(531)
6,480	Financing of Capital Expenditure in 2004/05	3,892
0	Financing of Capital Expenditure – Accrual from 2003/04	2
(29)	Interest	0
(5,984)	Depreciation	(116)
204	Transfer from HRA	(5,090)
<b>(531)</b>	<b>Balance 31 March 2005 c/fwd</b>	<b>(1,843)</b>

#### 4. Summary of Capital expenditure in 2004/05

2004 £000		2005 £000
2,532	Major Repairs	577
694	Buildings – Heating and Energy	692
1,646	General	1,195
424	Modernisation	223
281	Environmental Improvements and local initiatives	100
2,441	Neighbourhood Regeneration	1,105
<b>8,018</b>	<b>Total</b>	<b>3,892</b>

#### This expenditure was financed as follows

2004 £000		2005 £000
1,429	Credit approvals	0
107	Grants	0
6,480	Major Repairs Allowance	3,892
2	Accruals	0
<b>8,018</b>	<b>Total</b>	<b>3,892</b>

#### 5. Capital Receipts from Land Disposals and Other Sources

	Gross Receipts £000	Offset Expenditure £000	Net Total £000	Pooled £000	Usable £000
Land Sales	435	0	435	0	435
Repayments of Discounts	161	0	161	121	40
Council House Sales (i)	12,817	(474)	12,343	9,258	3,341 #
Mortgage Repayments	153	0	153	0	153
Stock Transfer Receipts	4,395	(4,350)	45	0	45
	<b>17,961</b>	<b>(4,824)</b>	<b>13,137</b>	<b>9,379</b>	<b>4,014</b>

- i) Eligible expenditure has been offset against council house sales and comprises £218k of Right to Buy Administration and £256k of previous enhancement expenditure.  
 (# The Usable amount, £3,341k, from council house sales includes £256k of previous enhancement expenditure).

#### 6. Cost of Capital charge

2004 Amount of Interest £000		Balance at 01/04/04	2005 Amount of Interest £000
11,272	Council Dwellings	315,181	161
11	Equipment	152	0
0	Surplus properties	253	0
166	Non-operational assets	5,398	0
11,449		320,984	161
	Less		
(639)	External Interest		(334)
<b>10,810</b>	<b>Transfer from (to) Asset Management Revenue Account</b>	<b>320,984</b>	<b>(173)</b>

The charge is based on 3.5% of the value of HRA operational assets over the course of the year and reflects the costs of capital tied up in housing assets. Following the positive ballot on 2 April 2004 in favour of stock transfer, the charge for 2004/05 reflects the stock transfer valuation of £4.350m. For the remainder of the year capital charges were based on the valuation for stock transfer in accordance with guidance.

To ensure that the Cost of Capital charges do not impact on tenants, an adjustment is made in the form of a transfer from the Asset Management Revenue Account. This adjustment, £173k, ensures that the HRA continues to bear its share of the Authority's debt financing costs.

#### **7. Provision for Repayment of Debt**

The HRA-related debt was paid by the receipt from the ODPM for the overhanging debt. Consequently no further repayment of debt was required to be made from the HRA.

#### **8. Rent Levels**

The average rent of a dwelling in 2004/05 was £48.95 ( £47.27 per week in 2003/04). Income from other property includes shops and commercial rents.

#### **9. Rent Arrears**

Rent Arrears for current and former tenants at the time of transfer to Trafford Housing Trust were purchased by the Trust on an agreed formula basis as part of the Transfer Agreement. The balance of arrears not covered by the agreed purchase price from Trafford Housing Trust has been written off to the Provision for Bad or Doubtful Debts, which was left with a balance remaining of £287,395. As this balance would no longer be required it has been transferred to the credit of the Housing Revenue Account.

<b>Impact upon the Provision for Bad &amp; Doubtful Debts</b>	
	<b>£000</b>
Balance b/fwd at 1 April 2004	1,666
Less :	
Write-offs of rents made during year	(34)
Balance of arrears : Current Tenants	(222)
Balance of arrears : Former Tenants	(1,123)
<b>Balance credited to Housing Revenue Account</b>	<b>287</b>

#### **10. Charges for Services and Facilities**

This includes income received in respect of the Warden Services, Caretaking Services, communal facilities in Sheltered Housing, support charges for temporary accommodation and other miscellaneous charges.

#### **11 ODPM Payment and HRA Subsidy**

HRA subsidy is a deficit subsidy, which is paid to meet the difference between expenditure and income, based on a model of each authority's HRA.

The amount of subsidy is calculated by applying 'notional' costs and income to the number and type of dwellings owned by the Council. It also takes account of the financing costs the Authority incurs in borrowing for capital expenditure. Up to 2003/04 it also took account of the costs of rent rebates made to tenants who need help with the cost of their housing.

From April 2004 the costs of Rent Rebates were transferred from the HRA to the General Fund. Consequently, without the costs of Rent Rebates the previous deficit on the 'notional' housing revenue account became a surplus, as assumed income was now greater than assumed expenditure. This surplus is repaid to the ODPM.

The Major Repairs Allowance is an element of subsidy which provides the resources to meet the ongoing capital costs of maintaining the current condition of the Council's housing stock. The allowance is based on the annual cost, averaged over 30 years, of replacing individual building components as they reach the end of their useful life.

The 2004/05 payment to the ODPM and the Major Repairs Allowance take into account that the Council's housing stock was transferred on 14 March 2005.

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From April 2004 the costs of Rent Rebates were transferred from the HRA to the General Fund. Consequently, without the costs of Rent Rebates the previous deficit on the 'notional' housing revenue account became a surplus, as assumed income was now greater than assumed expenditure. This surplus is repaid to the ODPM.

The Major Repairs Allowance is an element of subsidy which provides the resources to meet the ongoing capital costs of maintaining the current condition of the Council's housing stock. The allowance is based on the annual cost, averaged over 30 years, of replacing individual building components as they reach the end of their useful life.

The 2004/05 payment to the ODPM and the Major Repairs Allowance take into account that the Council's housing stock was transferred on 14 March 2005.

The various components of housing subsidy are shown below :

<b>2004</b>		<b>2005</b>
<b>£000</b>		<b>£000</b>
<b>0</b>	<b>ODPM payment</b>	<b>(9,054)</b>
4,436	Housing Revenue Account Subsidy	0
5,779	Major Repairs Allowance	5,206
39	Defective Housing Grant	39
50	Balance of subsidy from previous years	54
<b>10,304</b>	<b>Housing Subsidy Receivable</b>	<b>5,299</b>

## **12. Rent Rebates – Transitional Arrangements**

Following the transfer of rent rebates from the HRA to the General Fund from April 2004, the costs of overpayments and fraud would no longer be met by the HRA. These costs are not reimbursed by any subsidy and now fall to be met by the General Fund.

However, authorities have the opportunity, if they wish, to phase the impact of the new arrangements over two years. Consequently the Authority received a direction which allowed the transfer of a sum of up to £336,888 from the Housing Revenue Account to the General Fund for 2004/05. The amount actually transferred, £320,274, takes account of the housing stock transfer on 14 March 2005.

## **13. Transfer from General Fund**

This represented the amount of additional housing benefit granted to war widows at the discretion of the Council. It could not be charged to the Housing Revenue Account and was met by the General Fund. However in 2004/05 this item was no longer required as rent rebates for council tenants were accounted for within the General Fund.

## **14. Housing Revenue Account Reserve**

The balance on the Housing Revenue Account Reserve remained within the Council following the transfer of the housing stock. When all the remaining liabilities following the transfer are met the balance of the Housing Revenue Account Reserve will transfer to the General Fund.

## 15. Movements in Net Pensions Assets / Liability

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme, administered by Tameside Metropolitan Borough Council - this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions with investment assets.

We recognise the cost of retirement benefits in the Net 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 HRA income is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the HRA after Net Operating Expenditure. The following transactions have been made in the HRA during the year; transactions relating to the General Fund are shown separately in note 7 to the Consolidated Revenue Account

<b>Housing Revenue Account</b>		
<b>(Local Government Pension Scheme)</b>		
<b>2004</b>		<b>2005</b>
<b>£000</b>	<b>Included in Net Cost of Services:</b>	<b>£000</b>
633	Current Service Cost (HRA)	730
	<b>Appropriations:</b>	
(173)	Movement on Pensions Reserve	(230)
	<b>Actual Amount Charged to HRA for Pensions in the Year :</b>	
<b>460</b>	Employers contributions payable to scheme (Housing Revenue Account)	<b>500</b>

Note 21 to the Consolidated balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 7 to the Statement of Total Movements in Reserves details the costs that have arisen through the year.

## 16 LSVT Pensions Fund

As part of the LSVT agreement the Authority is required to pay the Pension Fund £620,000 which represents the accrued deficit of Housing employees who transferred to Trafford Housing Trust from the Fund. This sum, not paid as yet, has been accrued in the 2004/05 accounts.

## **17 Clarification of accounting treatment of issues relating to stock transfer**

On the 14/3/05 the Council transferred 9,599 dwellings to an independent registered social landlord, Trafford Housing Trust. This followed the positive ballot result on 2/4/04. The reason for this was because the Council could not afford to bring the houses up to the decent homes standard by 2010. The new landlord will be able to do this because it operates under a different financial regime than the Council. The following notes explain the impact of the transfer.

### **Fixed Assets**

On 1/4/04 the Council had HRA assets on its balance sheet with a net book value of £321m. This reflects the open market value of the property as social housing assets. Following transfer this was reduced to nothing, albeit a small number of assets, that were previously treated as HRA, are now accounted for in the General Fund. These retained assets have a value of £3.0m

### **Capital Receipts**

The Council received gross income of £4.35m from Trafford Housing Trust (THT) on the transfer of the housing stock. This figure was based on methodology prescribed by the ODPM. The difference between the income received on transfer and the assets' value in the Council's balance sheet prior to transfer reflects the property maintenance and improvement costs that THT will incur over the next 30 years. The income received on transfer was fully used to offset the costs incurred by the Council and THT in preparation for the stock transfer.

### **Overhanging Debt**

There is a requirement, that following transfer, any debt that related to the HRA should be written-off. In the event that the net proceeds from the sale are insufficient to do this then the Government step in and cover any outstanding debt. This is called overhanging debt and the ODPM made payments to the PWLB, the Council's debt provider, in the sum of £23m (net of any associated premiums) to cover the outstanding debt.

### **Preserved RTB**

As part of the negotiations with the new landlord the Council has retained a share of the benefits of any future properties sold by the Trust under the right to buy. The Council will receive £9,999 for every property sold from the date of transfer until March 2013.

### **Development Agreement**

Over the next 10 years the Trust will reclaim VAT on any enhancement work it incurs on its properties. The benefit of the VAT repayments that the Trust claims from HM Revenue & Customs will be shared between the Council 67% and the Trust 33%.

### **Warranties and Indemnities**

A number of warranties have been entered into with, and indemnities given to Trafford Housing Trust and their security trustee (funder), Prudential Trustee Company Limited. They include for example, asbestos, environmental contamination, vires and street lighting and cover the next 30 years. Whilst the Transfer Agreement between the Council and the Housing Trust aims to limit the potential liability to the Council, a risk exists and provision will be made in future years accounts. More detail is given in Note 20 to the Balance Sheet on Contingent Liabilities.

## Capital expenditure statement

### About this statement

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

Year ended 31 March	2004 £000	2005 £000
Service		
Children & Young People	11,800	10,427
Social Services & Housing Strategy	11,774	8,042
Environment	8,338	6,111
Central Services	1,505	1,014
Corporate Services	4,295	1,396
<b>Total</b>	<b>37,712</b>	<b>26,990</b>

### The main items of capital expenditure during the year included:

Schools – Devolved Formula Capital	2,196
Section 278 Agreement – Highway works	1,539
Renovation / Disabled Facility Grants	1,406
Highways Structural Maintenance	1,396
Lostock High School	1,227
Social Services Management Information System	1,061
HRA – Derbyshire Lane, Stretford - Regeneration	992
Urmston Grammar School	848
Central Road Family Centre, Partington	781
Old Trafford Renewal Area	741
Integrated Transport plan 2004-05	627
Cloverlea Primary School	619
I.B.I.S.	591
Partington Healthy Living Centre	574
HRA – Disability Facility Grants	559
New Council Tax System	554
	<b>15,711</b>

	£000		£000
Fixed Assets	20,049	Grants and Contributions	11,856
Deferred Charges	6,350	Revenue Contributions & Reserves	3,908
Intangible Assets	591	Capital Receipts	11,226
Total Capital Expenditure on an accruals basis	26,990		26,990

### Significant commitments under capital contracts as at 31 March 2005

As at 31 March 2005 the Council was contractually committed to capital expenditure which amounted to approximately £10m. Major contracts included the following schemes:

	<b>£000</b>
Navigation Primary School - Rebuild	5,553
Lostock College – Targeted Capital	3,591
Social Services – Management Information System	856
	<b>10,000</b>

## collection fund

### About this account

Each charging authority is required to maintain a separate Collection Fund which embraces all transactions relating to non-domestic rates, council tax and residual community charge, and illustrates the ways in which they have been distributed.

<b>2004</b>			<b>2005</b>
<b>£000</b>	<b>Year ended 31 March</b>	<b>Notes</b>	<b>£000</b>
	Income and Expenditure Account		
	<b>INCOME</b>		
62,269	Council Tax Payers	1	67,880
7,951	Transfers from general fund for Council Tax Benefit		8,875
100,165	Non-Domestic Rate Payers	2	103,544
<b>170,385</b>	<b>TOTAL INCOME</b>		<b>180,299</b>
	<b>EXPENDITURE</b>		
	PRECEPT DEMANDS:		
59,160	Trafford Borough Council		64,279
6,858	Greater Manchester Police Authority		7,458
2,990	Greater Manchester Fire & Civil Defence Authority		3,229
99,718	Payment to National Non-Domestic Rate Pool	2	103,101
447	Costs of Collection		443
	BAD AND DOUBTFUL DEBTS/APPEALS:		
270	Council Tax - Bad debt written off		250
664	Council Tax - decrease in provision		(573)
50	Transfer of Community Charge surplus to General Fund	3	0
1,600	Distribution of Council Tax Surplus	3	80
<b>171,757</b>	<b>TOTAL EXPENDITURE</b>		<b>178,267</b>
1,372	(Surplus) / Deficit for year		(2,032)
(1,805)	(Surplus) / Deficit as at 1 April		(433)
<b>( 433)</b>	<b>(Surplus) as at 31 March</b>	<b>4</b>	<b>(2,465)</b>

## notes to the collection fund

### 1. Council Tax

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

Each year, the Council must estimate the equivalent number of band D properties, after allowing for discounts, exemptions, losses on collection etc. For 2004/05, the calculation was as follows:

	Total No. Dwellings (i)	Specified Fraction	Band 'D' Equivalent
Band A	14,542	x6/9	9,695
Band B	16,845	x7/9	13,102
Band C	22,445	x8/9	19,951
Band D	12,380	x9/9	12,380
Band E	6,583	x11/9	8,046
Band F	3,901	x13/9	5,635
Band G	3,823	x15/9	6,372
Band H	737	x18/9	1,474
	<b>81,256</b>		<b>76,655</b>
Less allowance for losses on collection			(958)
Council Tax Base			<b>75,697</b>

- i) The actual number of properties was 92,851, after adjusting for single person discounts, empty properties, etc., the notional number of dwellings is 81,256.
- ii) The Band D Council Tax levied for the year was £990.34 (£922.26 in 2003/04)

### 2. Non-Domestic Rates

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

2004			2005	
£000	£000		£000	£000
	125,578	Gross Debit for Year		122,612
		Less:		
(25,620)		Allowances and Reliefs	(19,013)	
207	(25,413)	Provision for Bad Debts	(55)	(19,068)
	100,165	Income from Ratepayers		103,544
	(447)	Less Costs of Collection		(443)
	<b>99,718</b>	<b>Payment to NNDR Pool</b>		<b>103,101</b>

The total non-domestic rateable value at 31 March 2005 is £278,161,845, and the national multiplier applicable for 2004/05 is 45.6p.

### 3. Estimated deficits and surpluses

Regulations require the authority to make estimates in January of each year of the deficit or surplus 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 2004 it was estimated that a surplus of £0.08m would arise in respect of council tax transactions.

### 4. Year End Surplus

Of the £2.465m surplus which had accrued at the year end, £0.025m was due to community charge transactions. This amount will be paid to the Council's general fund over the next two financial years in accordance with government regulations. The balance of £2.440m is in respect of Council Tax transactions and will be distributed in subsequent years to the Council's general fund, GM Police Authority and GM Fire and Civil Defence Authority.

## **group accounts**

### **Introduction to the Group Accounts**

The Council has a majority interest (51%) in Trafford Children and Young People's Service (CYPS) Ltd. The Company was formed in June 2002 as the vehicle for delivering an integrated multi-agency Children and Young People's Service. The Company is owned (through its members) and managed (through the Board of Directors) by the different stakeholders that have an interest in services for children and young people in the Borough. These include young people themselves, parents, voluntary sector, the Council, Health Trusts, schools, colleges and the Early Years Development and Childcare Partnership. The company is limited by guarantee and the liability for any losses is limited to £1 for each member, which includes the Council.

The group financial statements presented show the consolidated financial position of the authority and the Trafford CYPS Ltd., in accordance with the CIPFA Statement of Recommended Practice.

The Company has no accumulated profits or losses as at 31 March 2005. Company turnover for year ended 31 March 2005 was £1,901,407 (£1,707,829 in 2003/04).

### **Accounting Policies**

The accounting policies of Trafford CYPS Limited are in line with the Council's own accounting policies and group accounts are prepared accordingly.

### **FRS17 Disclosures**

The published accounts of the Trafford CYPS Company do not reflect full compliance with Financial Reporting Standard 17 regarding pension disclosures as the Accounting Standards Board has now delayed full implementation until accounting periods on or after 1 January 2005. Trafford Council's own accounts comply with the CIPFA recommendation to fully implement FRS17 for accounting periods on or after 22 June 2003. In order for the group accounts to fully reflect the CIPFA guidance, the FRS17 transitional disclosures included in the notes to the Trafford CYPS company accounts have been fully incorporated into the published group accounts.

**The accounting policies included in the accounts of the Trafford CYPS Company are as follows :**

#### **Accounting convention**

The financial statements have been prepared treating the company as a going concern under the historical cost basis of accounting and are in respect of the year ended 31 March 2005 with comparative figures for the year ended 31 March 2004. The basis has been adopted by the board as a result of its forward review of the company's activities for the next year following the date of signing the accounts. The board believe this basis is acceptable for at least the next 12 months.

#### **Turnover**

Turnover represents grants received for the period excluding value added tax and excluding grants for capital purposes.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	10% on cost
Equipment access points and fixtures	50% on cost
Fixtures and fittings	25% on cost
Computer and other equipment	33.3% on cost

**Pensions**

The company operates a defined benefit pension scheme. The regular pension cost is charged to the profit and loss account and is based on the expected pension costs over the service life of the employees in the scheme (see above).

**Grants receivable**

Grants received relating to capital expenditure are credited to the profit and loss account over a period equivalent to the estimated useful economic lives of the assets to which they relate with the balance remaining in a deferred creditor account. Grants received relating to revenue expenditure are credited to the profit and loss account in the year relating to the associated expenditure. Grants are not likely to be repaid unless required by the grant bodies on disposal of any assets purchased or breach of conditions applying.

**Gifted assets**

Where assets are received as gifts, the appropriate cost to the giver is included in fixed assets under the appropriate category and depreciated at the rate shown above. As with grants received for capital expenditure a deferred creditor is created for the value of the gift which is credited to the Profit and Loss over a similar period.

## group income and expenditure account

### About this Account

The Group Income and Expenditure Account brings together the transactions in the year on the Council's General Fund and Housing Revenue Account and the Trafford Children and Young People's Service Limited.

Year ended 31 March	2005			
Service	Notes	Expenditure £000	Income £000	Net Expenditure £000
<b>Continuing Operations</b>	<b>1</b>			
Central Services to the Public		27,533	12,139	15,394
Cultural, Environmental and Planning Services		40,164	12,749	27,415
Education Services	<b>2</b>	157,592	38,885	118,707
Highways, Roads and Transport Services		12,826	3,021	9,805
Housing Services		41,035	38,342	2,693
Social Services		81,824	29,627	52,197
Corporate and Democratic Core		3,918	241	3,677
Non distributed costs		4,243	774	3,469
<b>NET COST OF GENERAL FUND SERVICES</b>		<b>369,135</b>	<b>135,778</b>	<b>233,357</b>
<b>HOUSING REVENUE ACCOUNT</b>		<b>31,150</b>	<b>32,047</b>	<b>(897)</b>
		<b>400,285</b>	<b>167,825</b>	<b>232,460</b>
Interest Payable				6,148
Interest and investment income				(2,860)
Surplus/Deficit of Trading Undertakings or other operations (including dividends)				(1,097)
Pensions interest cost and expected return on assets	<b>4</b>			(3,234)
<b>NET OPERATING EXPENDITURE</b>				<b>231,417</b>
Surplus/(Deficit) transferred to/(from) HRA balances				647
Contribution to/(from) schools reserves				(187)
Contributions to/(from) earmarked reserves				953
Contributions to/(from) the Capital Financing Account				(11,018)
Contribution from Pensions Reserve	<b>4</b>			(357)
<b>AMOUNT TO BE MET FROM GOVERNMENT AND LOCAL TAXPAYERS</b>	<b>3</b>			<b>221,455</b>
Precept demanded from the Collection Fund				(64,279)
Collection Fund transfer for the previously estimated surplus				(69)
Revenue Support Grant				(98,190)
Contribution from non-domestic rate pool				(58,596)
<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>				<b>321</b>
<b>General Reserve balance at 1 April</b>				<b>9,356</b>
Surplus / (Deficit) for the year				(321)
earmarked reserves				2,525
DSO reserves				0
<b>General Reserve Balance at 31 March</b>				<b>11,560</b>

## notes to the group income and expenditure account

### 1. Services

The gross expenditure of services has been affected by the removal of notional interest capital charges which are included within gross expenditure in the Council's own Consolidated Revenue Account. These amount to a reduction of £16.262m as follows, and is offset by a corresponding removal of the asset management revenue account adjusting transfer :

Central Services to the Public	£0.521m
Cultural, Environmental and Planning Services	£3.364m
Education Services	£5.634m
Highways, Roads and Transport Services	£6.066m
Housing Services	£0.165m
Social Services	£0.512m

### 2. Education Service

The operating expenditure and income of the Trafford CYPS Limited has been included within Education above. Gross expenditure of £1.901m and gross income of £1.902m has been included.

### 3. Amounts to be met from Government and Local Taxpayers

The amounts to be met from Government and Local Taxpayers is unchanged from the Council's own Consolidated Revenue Account.

### 4. Movements in Net Pensions Assets / Liability

The entries in the Group Income and Expenditure account relating to Trafford CYPS Limited as a result of FRS17 are as follows:

Trafford CYPS Ltd	2004/05 £000
<b>Included in Net Cost of Services</b>	
Current Service Cost	(165)
Expected Return on Assets	34
Movement on Pensions Reserve	31
<b>Actual Amount Charged against Council Tax for Pensions in the Year :</b>	
Employers contributions payable to scheme	<b>(100)</b>

### 5. Related Parties

The Council's nominated member of the Children and Young People Company in 2004/05 is Councillor J.Reilly, who has 51% voting rights.

The Company Secretary is Trafford MBC's Head of Legal and Democratic Services.

The company paid Trafford MBC (TMBC) the following sums to cover the period to 31 March 2005 :

- £26,400 for a service level agreement for ICT support,
- £ 2,015 for the preparation of the company's payroll.

In the period to 31 March 2005 senior officers of TMBC provided support and advice to the Company, (at no cost to the Company). The “in-kind” contribution from TMBC is estimated to be worth £65k. The in-kind contributions involved officers in:

- Acting as the Company Secretary and clerking meetings of the Board and its committees;
- Preparing reports for and providing professional advice to the Board and its committees on the development of the wider Children and Young People’s Service; and
- Providing line management support for the Head of Trafford Connexions.

During the year ended 31 March 2005 all of the Head of Trafford Connexions’ salary costs have been charged to the Company. He also exercises management responsibility for the TMBC’s Youth Service: the value of this is estimated to be £17,000. Youth Service managers also occupy office space, which is paid from the Connexions budget: the value of this is estimated at £6,500.

TMBC has received rent and service charges from the company in 2004/05. Floor 3 of Arndale House is sub let by TMBC for the period 7 October 2002 until 6 October 2007 at an initial rent of 50% of £48,620 plus service charge. There will be a rent review on 7 October 2005.

## group balance sheet

### About this Account

The Group Balance Sheet brings together the assets and liabilities of all activities of the Council and the Trafford Children and Young People's Service Limited. It has been consolidated on a line by line basis.

Year ended 31 March	2005	2005
	Note	£000      £000
<b>Fixed Assets</b>		
Intangible Fixed Assets		1,137
Council Dwellings		0
Other Land and Buildings		237,185
Infrastructure Assets		122,150
Vehicles, Plant & Equipment	1	3,485
Community Assets		8,649
Non-operational Assets		<u>33,783</u> 406,389
<b>Long Term Investments</b>		10,214
<b>Long Term Debtors &amp; Prepayments</b>		<u>27,282</u>
<b>Total Long Term Assets</b>		443,885
<b>Current Assets</b>		
Stocks and Work in Progress		561
Debtors	2	40,845
Cash in hand and imprests	3	4,234
Short Term Investments		46,300      91,940
<b>TOTAL ASSETS</b>		<u>535,825</u>
<b>Current Liabilities</b>		
Borrowing - amounts falling due within one year		(464)
Creditors	2	(36,969)
Cash Overdrawn		<u>0</u> (37,433)
<hr/>		
<b>Total Assets Less Current Liabilities</b>		<b>498,392</b>
<b>Long Term Liabilities</b>		
<b>Deferred Income</b>	1	(74,204)
<b>Provisions</b>		(3,985)
Insurance Fund		(8,273)
Other		<u>(1,275)</u> (9,548)
Liability related to a defined benefit pension scheme	4	(81,273)
<b>Total Assets Less Liabilities</b>		<u>329,382</u>

<b>Fund Balances and Reserves</b>			
<b>Year ended 31 March</b>		<b>2005</b>	
	<b>Note</b>	<b>£000</b>	<b>£000</b>
Fixed Asset Restatement Account			87,503
Capital Financing Account			250,267
General Reserve			11,560
Housing Revenue Account			3,614
Schools			6,905
Collection Fund Surplus			2,465
Earmarked Reserves			7,431
Pension reserve	<b>4</b>		(81,273)
Usable Capital Receipts			0
Housing Major Repairs Reserve			1,843
Capital Grants & Contributions			8,458
Government Grants Deferred			24,857
Other Balances			5,752
<b>Total Equity</b>			<b>329,382</b>

## notes to the group balance sheet

### 1. Fixed Assets

The net book value of the fixed assets of the Trafford CYPS Limited at 31 March 2005 is £0.069m. Deferred income in the form of grants for fixed assets is included in the balance sheet for the same amount.

### 2. Debtors and Creditors

Debtors of £0.092m and creditors of £0.396m have been included relating to the Trafford CYPS Limited.

### 3. Cash in Hand

Cash in hand for the Trafford CYPS Limited at 31 March 2005 is £0.303m.

### 4. Net Pensions Asset/Liability

In accordance with the Accounting Code of Practice the Group Accounts have been prepared in accordance with FRS17. The Trafford CYPS Limited and certain of its staff contribute to the Greater Manchester Pension Fund as an admitted body.

In 2004/05, pension costs have been charged to the group income and expenditure account on the basis of contributions payable for the year to the Greater Manchester Pension Fund together with the pensions payable in the year to retired officers. The latest formal actuarial valuation was at 31 March 2004 and on this date the Trafford CYP Company had the following overall assets and liabilities for pensions that have not been included in the balance sheet:

<b>31.3.04</b>		<b>31.3.05</b>
<b>£000</b>	<b>Trafford CYPS Ltd (GM Pension Fund)</b>	<b>£000</b>
(1,592)	Estimated liabilities in scheme	(2,503)
1,760	Estimated assets in scheme	2,030
<b>168</b>	<b>Net assets</b>	<b>(473)</b>

The movement in the surplus/(deficit) for the year to 31 March 2005 is as follows:

<b>31 March 2004</b>	<b>Trafford CYPS Ltd (GM Pension Fund)</b>	<b>31 March 2005</b>
<b>£000</b>		<b>£000</b>
(99)	Surplus (deficit) at the beginning of the year (1 April )	168
	Movement in the year:	
(116)	Current service cost	(165)
79	Employers' contributions payable to scheme	100
4	Expected return on assets in the scheme	34
300	Actuarial gains/(losses)	(610)
<b>168</b>	<b>(Deficit) at the end of the year (31 March)</b>	<b>(473)</b>

The actuarial loss can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005:

<b>Fund Value as at 31 March 2004</b>		<b>Trafford CYPS Ltd (GM Pension Fund)</b>	<b>Fund Value as at 31 March 2005</b>	
<b>£000</b>	<b>%</b>		<b>£000</b>	<b>%</b>
243	13.8	Differences between the expected and actual return on assets	89	4.4
57	3.6	Experience gains/(losses) on liabilities	(181)	7.2
		Changes in financial assumptions underlying the Present value of the Scheme liabilities	(518)	20.7
<b>300</b>			<b>(610)</b>	

## 5. Post Balance Sheet Events

### Trafford Children and Young Peoples' Service Ltd

The Trafford Connexions contract is to be transferred to the Authority from 1 October 2005 (at which point all liabilities and responsibilities will transfer). The Company will cease to trade with effect from 30 September 2005 and will carry out all its responsibilities regarding the 2005/06 accounts, including submitting them to Companies House in due course.

## group cash flow statement

This group statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes for the Council and the Trafford Children and Young People's Service Limited.

	2004/05
	<b>£000</b>
<b>Revenue Activities ( Note 1)</b>	
<b>Net Cash (Inflows)/Outflows: Revenue Activities</b>	<b>(12,113)</b>
<b>Investments and Servicing of Finance</b>	
Interest paid	6,396
Interest received	(2,998)
<b>Net Cash Outflow From Investments/Servicing of Finance</b>	<b>3,398</b>
<b>Capital Activities</b>	
<u>Cash Outflows</u>	
Purchase of fixed assets	25,750
Other Capital Cash Payments	9,379
<u>Cash Inflows</u>	
Sale of fixed assets	(19,530)
Capital grants and contributions received	(34,982)
<b>Net cash (Inflow)/Outflow from capital activities</b>	<b>(19,383)</b>
<b>Acquisitions and Disposals</b>	
<u>Cash Inflows</u>	
Sales of Investments in Joint Ventures & Associates	0
<b>Net cash (Inflow)/Outflow before financing (notes 2 &amp; 3)</b>	<b>(28,098)</b>
<b>Management of Liquid Resources</b>	
Increase/(decrease) in short-term deposits	<b>(11,069)</b>
<b>Financing</b>	
<u>Cash Outflows</u> – Repayments of amounts borrowed	52,569
<u>Cash Inflows</u> – New Loans raised	(15,000)
<b>Net cash (Inflow)/Outflow from Financing</b>	<b>37,569</b>
<b>(Increase)/decrease in cash</b>	<b>(1,598)</b>

## notes to the group cash flow statement

### 1. Revenue Activities

The net cash flow can be reconciled to the group income and expenditure account as follows:

	<b>2004/05</b>
	<b>£000</b>
Deficit per Group Income & Expenditure Account	321
Deficit/(Surplus) on Collection Fund	(2,032)
	<b>(1,711)</b>
Interest	<b>(3,398)</b>
<b>Add non cash movements in revenue account:</b>	
Contributions to reserves	(2,727)
Financing of capital expenditure	(3,908)
Contributions to provisions	(3,128)
	<b>(9,763)</b>
<b>Items on an accruals basis:</b>	
Net increase/(decrease in stock)	11
Net increase/(decrease in debtors)	1,366
Net (increase)/decrease in creditors	1,382
	<b>2,759</b>
<b>Net cash inflow on revenue activities</b>	<b>(12,113)</b>

### 2. Movement in Net Debt

The following table reconciles the movement in cash to the movement in net debt during the year.

	<b>2004/05</b>
	<b>£000</b>
Increase/(decrease) in cash	1,598
Net increase/(decrease) in liquid resources	(11,069)
Net (increase)/decrease in borrowing	37,569
<b>Movement in net debt for the year</b>	<b>28,098</b>
Net debt at the beginning of the year	(52,232)
<b>Net debt at the end of the year</b>	<b>(24,134)</b>

### 3. Analysis of Changes in Net Debt

The table below reconciles the movement in the components of net debt to the corresponding items as shown on the Group Balance Sheet.

	<b>Balance at</b>	<b>Movement in</b>	<b>Balance at</b>
	<b>31.03.04</b>	<b>year</b>	<b>31.03.05</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash in hand (Trafford Council)	1,977	1,953	3,930
Cash in Hand (Trafford CYP Company)	659	(355)	304
Cash Overdrawn	0	0	0
Borrowing repayable within 12 months	(419)	(45)	(464)
Long term borrowing	(111,818)	37,614	(74,204)
Short term investments	57,369	(11,069)	46,300
<b>Net Debt</b>	<b>(52,232)</b>	<b>28,098</b>	<b>(24,134)</b>

## group statement of total movements in reserves

This statement is intended to show all the recognised gains and losses of the Local Authority group during the year. The incorporation of the Trafford Children and Young People's Service Limited only effects movements on the Pension Reserve, per note 1.

	2004/05
	£000
Surplus/(deficit) for the year:	
General Fund	2,204
Housing Revenue Account	682
Add back Movements on specific revenue reserves	3,206
Deduct Appropriation from pensions reserve (note 1)	(587)
Difference in actual to estimated Pension contributions	(344)
Actuarial gains and losses relating to pensions (note 1)	(54,210)
<b>Total increase/(decrease) in revenue resources</b>	<b>(49,049)</b>
Increase/(decrease) in usable capital receipts	(7,712)
Increase/(decrease) in unapplied capital grants & contributions	(2,454)
<b>Total increase/(decrease) in realised capital resources</b>	<b>(10,166)</b>
Gains/(losses) on revaluation of fixed assets	(286,129)
Impairment losses on fixed assets due to general changes in prices	0
<b>Total increase/(decrease) in unrealised value of fixed assets</b>	<b>(286,129)</b>
<b>Value of assets sold, disposed of or decommissioned</b>	<b>(20,778)</b>
Capital receipts set aside	17,747
Revenue resources set aside	(3,187)
Movement on Government Grants Deferred	9,428
Other movements on Capital Financing Reserve	18,202
Movements on Major Repairs Reserve	1,311
<b>Total increase / (decrease) in amounts set aside to finance capital investment</b>	<b>43,501</b>
<b>Total recognised gains and (losses)</b>	<b>(322,621)</b>

## notes on total movements in reserves

### 1. Movements in Revenue Resources

	<b>General Fund Balances £000</b>	<b>HRA Balances £000</b>	<b>Earmarked Revenue Reserves £000</b>	<b>Pensions Reserve £000</b>
Surplus/(deficit) for 2004/05	(321)	647		
Appropriations to/from revenue	2,525	35	3,206	(556)
Pension Reserve appropriation from revenue Trafford CYP Company				(31)
Actuarial gains and losses relating to pensions – Trafford MBC				(53,600)
- Trafford CYP Company				(610)
Differences in actual to estimated pension contributions				(344)
	<b>2,204</b>	<b>682</b>	<b>3,206</b>	<b>(55,141)</b>
Balance brought forward at 1 April 2004	<b>9,356</b>	<b>2,932</b>	<b>13,595</b>	<b>(26,132)</b>
<b>Balance carried forward at 31 March 2005</b>	<b>11,560</b>	<b>3,614</b>	<b>16,801</b>	<b>(81,273)</b>

## **glossary**

### **Actuarial Gains and Losses**

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

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

### **Capital Charge**

A charge to services for the use of fixed assets, which comprises

- (A) a capital financing charge equivalent to notional interest on the net value of the asset and
- (B) a depreciation charge based on the remaining finite life of the asset.

### **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 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, a proportion of which may be spent on capital schemes.

### **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 proportion of the proceeds from the disposal of housing assets

### **Capital Reserve**

An internal fund of the authority which is used as an alternative to borrowing or leasing to finance capital expenditure.

### **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**

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

### **Credit Approval**

Notification from central government as to the amount of capital expenditure which may be financed from loan, leasing or other forms of credit.

### **Creditors**

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

### **Current Service Cost (Pensions)**

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

### **Curtailement**

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

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.

**Debtors**

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

**Deferred Charges**

Capital expenditure which does not produce a tangible asset (e.g. improvement grants). These are written off to revenue in the year expenditure is incurred.

**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**

An amount charged to revenue accounts to represent the wearing out of fixed 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.

**Expected rate of return on Pensions Assets**

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

**General Fund**

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

**Housing Revenue Account**

An account which the Council must produce by law to show the cost of providing and maintaining its housing stock and the rent income derived therefrom.

**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).

**Infrastructure Assets**

Those fixed 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.

### **LOBO (Lender Option Borrower Option) Loans**

A type of loan instrument which has a typical duration of 20-40 years. This type of loan allows for the lender to change the interest rate after the initial period has expired on pre-set anniversaries. Should this occur then the borrower has the option to repay the loan without penalty or to continue at the revised rate.

### **NNDR**

National non-domestic rates, payable by businesses.

### **NNDR Pool**

A fund administered by the Department of the Environment, Transport and the Regions (DETR) into which are paid business rates collected by local authorities. The DETR pay out of the fund a per capita amount to all local authorities.

### **Past Service Cost**

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

### **Precept**

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

### **Private Finance Initiative**

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

### **Projected Unit Method**

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

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

### **Provisions**

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

### **Reserves**

Amounts set aside to meet future costs.

### **Retirement Benefits**

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

### **Revenue Support Grant**

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 reflect the benefits that the employer is committed to provide for service up to the valuation date.

**Settlement**

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

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

**Trust Funds**

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

**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.