



TRAFFORD

— METROPOLITAN BOROUGH —

ACCOUNTS

2006

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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 2006 and has been prepared in accordance with the Accounts and Audit Regulations 1996 & 2003.

To assist you, a glossary can be found on page 73 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 23 February 2005 in the sum of £236.319m. This resulted in a Band D Council Tax of £895.78 for Trafford Services, or £1,045.92, when precepts from the Greater Manchester Police and Fire and Civil Defence Authorities are included. This is £144.12 (12.1%) below the average tax level of all Metropolitan Authorities.

The 2005/06 budget was financed from the following sources:

	£m
Government RSG	95.2
Redistributed Business Rates	70.6
Council Tax	68.8
Reserves	1.7
	236.3

Monthly budget monitoring took place from July 2005. The actual spending in the year was £230.103m.

	Original Budget £m	Actual £m
Trafford Services	217.0	210.8
Levies:		
Passenger Transport	10.0	10.0
Waste Disposal	9.2	9.2
Flood Defence	0.1	0.1
	236.3	230.1

The major variations from the original budget are:

	£m
Demand led areas of:	
- Education	0.2
- Children's Social Services	(0.6)
Environment	(0.6)
Other services	(0.2)
Dividends	(0.9)
Treasury Management	(0.8)
Housing/council tax Benefit subsidy	(1.0)
Provision for Debt repayment	(1.5)
Reductions in Liabilities (e.g. Bad Debt Provision)	(0.3)
LSVT income	(0.5)
	(6.2)

£1.2m of service underspends included above have been carried forward to 2006/07 in accordance with the Council's Medium Term Financial Strategy to be spent by services in addition to the approved budget 2006/07.

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 £11.56m. This was supplemented with £3.20m of net corporate underspends from 2005/06 and £1.94m transfers arising from the rationalisation of earmarked reserves. This has enabled £11.2m to be set aside for specific initiatives to leave a balance at 31 March 2006 of £5.5m. The agreed budget for 2006/07 includes the use of £1.55m from the General Reserve.

Housing Revenue Account

On the 14 March 2005 all housing stock and certain associated assets were transferred to Trafford Housing Trust as part of a large scale voluntary transfer. During 2005/06 there has still been a limited amount of activity on the account. The Secretary of State has given approval to close the HRA on 5 April 2006. A number of remaining HRA balances are included in the Balance Sheet as at 31 March 2006. These balances of £3.484m will be transferred to the Council's General Fund with effect from 5 April 2006.

Trading Organisations

The Council maintains a number of trading operations (see page 17).

These trading operations made a surplus in the year on normal activity of £62k.

Capital Investment

Capital expenditure in the year amounted to £27.77m; details of which can be found on page 58.

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 2005/06, £7.5m 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 and assessments of other available resources.

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 2005/06 the Council set an authorised borrowing limit of £125m. The actual average level of debt was £90.0m. During 2005/06, £19.5m of new borrowing was undertaken from the Public Works Loans Board (PWLB) to assist in financing the capital programme. In March 2006, 377 PWLB annuity loans totalling £1.02m were prematurely repaid and not replaced.

Collection of Council Tax and Business Rates

A total of £187m was collected during the year. The collection performance was 95.2% for Council Tax and 98.1% for Business Rates.

The Collection Fund on page 59 shows a surplus of £2.9m, 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 2006, the Council had a net liability for pensions in the Scheme of £86.6m, compared to £63.9m at 31 March 2005.

The Council also has liabilities in the Teachers Pension Scheme, administered nationally by the Teachers Pensions Agency. These total £18.8m at 31 March 2006 compared to £16.9m at 31 March 2005. The Council's overall net Pensions assets/liability is explained further in Note 23 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.

Significant Business Changes

Children and Young People Company

The Council has a majority (51%) interest in the Trafford Children and Young People's Service Ltd. The Board of Directors have agreed to the voluntary winding up of the Company and the Council's Management Executive approved the transfer of the Connexions sub-contract and all staff currently employed by the Company to the Council on 1 October 2005 at which point all responsibilities, obligations, assets and liabilities also transferred. The Company has now ceased to trade.

An Extraordinary General Meeting of Company members on 19 June 2006 formally voted to wind the Company up and liquidators will now proceed with their legal obligations. This will take a number of months before the liquidator will issue a formal winding up statement.

Ian Duncan CPFA
Director of Finance
19 September 2006

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 2006, and its income and expenditure for the year ended 31 March 2006.

**Ian Duncan CPFA
Director of Finance,
19 September 2006**

By Chairman of the Accounts & Audit Committee

I confirm that these accounts were approved by the Accounts & Audit Committee at the meeting held on 28 September 2006.

**Councillor Alan Mitchell
Chairman of the Accounts & Audit
Committee
28 September 2006**

Independent auditor's report to Trafford Metropolitan Borough Council

Opinion on the financial statements

I have audited the financial statements of Trafford Metropolitan Borough Council (Trafford MBC) and its Group for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, the Group Accounts and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Trafford MBC in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance (The Statement on Internal Control in Local Government, 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 Authority's corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) 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 judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority'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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority and its Group as at 31 March 2006 and its income and expenditure for the year then ended.

Gill Eastwood

Gill Eastwood
District Auditor

Audit Commission
Aspinall House
Aspinall Close
Middlebrook
Horwich
Bolton
BL6 6QQ

29 September 2006

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Trafford MBC made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006 except for the failure to have in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.

Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2005106 on 16 December 2005. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

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

Gill Eastwood
District Auditor

Audit Commission
Aspinall House
Aspinall Close
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BL6 6QQ

29 September 2006

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's 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's 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.

Accordingly the scope of internal control spans the whole range of Local Authority activities and includes those controls designed to ensure that:

- The Council's policies are put into practice;
- The Council's values are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Financial statements and other published information are accurate and reliable; and
- Human, financial and other resources are managed efficiently and effectively.

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 established a Corporate Plan, published in June 2005, setting out its strategic objectives and targets for achievement. This is supported by individual service improvement plans which connect service objectives and associated actions to deliver the strategic objectives.
- The Local Strategic Partnership's Community Strategy, Vision 2021, was launched in January 2005. The Council will review its Corporate Plan, in line with the corporate business planning cycle, to ensure the Council's strategic objectives are aligned to support those of the Partnership.
- A Local Area Agreement for Trafford is being developed through the Local Strategic Partnership in support of the community strategy and council objectives. These are agreements between central government, the Council and its partners to improve public services and outcomes for local people.
- 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" 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 has been undertaken since its introduction in 2004.
- An annual report on the achievements against the Council's objectives is included in the Best Value Performance Plan.

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 four 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 every month which contains details of key decisions to be made by the Council, the Executive, members and officers under their delegated powers, over the forthcoming four month period.

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

- Directors and Heads of Service are responsible for ensuring that they establish and maintain effective systems of internal control, complying with legislation, the Council's Constitution, Standing Orders and Financial Procedure Rules.
- 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 an Accounts & Audit Committee 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.
- Members have, in accordance with the Local Government Act 2000, adopted the National Code of Conduct. The Standards Committee, with an independent Chairman, regulates and oversees the Code. Employees are governed by a local code of conduct.
- The Council operates an Employment Committee. The Committee agreed a People Strategy (November 2005) for implementation across the Council and has updated a number of significant Human Resource policies and procedures during 2005/6. An individual employee performance review and development process is applied across the Council.

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

- The Council adopted a risk management policy and strategy in 2004, which is reviewed and updated annually. This explains the methodology which provides a comprehensive framework for the management of risk throughout the Council. A protocol for monitoring and reporting risk was adopted by members in November 2005.
- A strategic risk register was produced in June 2005. Services produce operational risk registers which are updated annually as part of the business planning process.

Monitoring reports are provided to the Executive Management Team and to the Accounts & Audit Committee.

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 assessments conducted as part of the annual business planning process.
- 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 regards 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 People 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.
- The Council seeks to obtain value for money through effective procurement arrangements. The Procurement Strategy sets out the aims and objectives for the Council's procurement effort. This is supported by an action plan and Procurement Forum, drawn from senior officers across the Council, which meets on a monthly basis.
- The Council has obtained additional capacity through the skilful use of external consultants. Learning from this experience has been used to implement similar arrangements across the Council in order to secure additional improvements in performance and cost reductions.
- The e-Government agenda is focussed on making the most of new technologies to deliver, within the resources available, better quality and more accessible public services. The Council is on target to meet its electronic service delivery targets.

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.
- Monthly 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 is undertaken.
- A medium term financial strategy for the Council was approved in June 2005, which supports the strategic objectives set out in the Corporate Plan. A detailed medium term financial plan was developed during 2005/6 and approved in March 2006.

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

- The Council operates a robust and effective performance management framework
- A Performance Improvement Board has been set up with an external Chairman, other external representatives, senior members and managers. The Board encourages external challenge with a view to helping the Council focus on improving performance and therefore services.
- Directors also hold monthly internal Performance Boards, chaired by the Head of Policy and Performance, to consider operational and financial performance. These meetings are supported by monthly meetings between Directors and Executive Members and by monthly meetings of the Corporate Performance Champions Group of senior managers to monitor and review council performance and improvement actions.

- A set of performance indicators are established which are monitored on a monthly basis and a “Beacon Index” of key performance indicators is reported monthly to senior managers and members.
- A corporate performance improvement plan and associated monitoring and reporting arrangements have operated 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 undertakes an annual review of the Code of Corporate Governance and associated arrangements. The reviews are reported on by Internal Audit and action plans produced to address issues and areas for improvement.
- 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 an Accounts & Audit Committee, who have considered the Annual Internal Audit Report and Opinion, for 2005/6, and this statement and its robustness. The committee has also considered the work of the Audit Commission and the Council’s response to their recommendations for improvement.
- 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 which is reviewed and approved by the Executive Management Team and the Accounts & Audit Committee. The key internal controls, operating during 2005/6, across all the Council’s material financial and business 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 service 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, as part of the annual business planning process, conduct a self assessment of the internal control arrangements operating within their service.
- The Council has a strategic risk register in place and Directors and the Accounts & Audit Committee have reviewed the associated arrangements in place for improving control and mitigating risks faced by the Council.
- The Council’s Performance Improvement Board has met during the year to review, challenge and advise the Council on its performance at a strategic level. The Corporate Performance Champions Group, made up of Heads of Service, has met on

a monthly basis to review performance and performance management arrangements as has the Executive Management Team's internal Performance Board.

- Regular reporting of performance indicators has been undertaken, using a traffic light system, to the Executive Management Team and Performance Champions, as has reporting on the achievement of LPSA (Local Public Service Agreement) targets.
- Monthly 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 have also taken place.
- 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. During 2005/6 the Council has had a corporate assessment by the Audit Commission the purpose of which was to assess how well the Council engages with and leads its communities, delivers community priorities in partnership with others, and ensures continuous improvement across the range of Council activities. At the same time a joint area review (JAR) was conducted of the Council which reviewed the leadership and management of services for children and young people and the way in which services work together to deliver outcomes. Reports on both these reviews were published in April 2006.
- Regular update reports on progress against actions and targets in the People Strategy are provided to the Executive Management Team and the Employment Committee. Staff survey results are reviewed to verify whether the People Strategy is making a positive impact. Areas for improvement are identified and actions to address issues raised have and will continue to be integrated into the People Strategy action plan.

5. Control Issues & Improvement Actions

The control environment within the Council has continued to improve during 2005/6 as it did over the previous financial year. It is considered to be effective, providing assurance that principal risks to the achievement of the authority's policies, aims and objectives are adequately managed.

The Council takes seriously its responsibilities and duties with regard to ensuring continuous improvement in the way its functions are exercised and in consideration of economy, efficiency and effectiveness. In response to the 2004/5 review of the internal control environment and the identification of a number of control issues the Council has taken significant action to address those issues and implement appropriate improvement actions:

- The Executive Management Team identified three priorities for 2005/6 on which they maintained an ongoing focus and allocated additional resource to secure improvement: Equalities and Diversity, Communication and Community Engagement.
- Development of clear corporate leadership around Council communication and consultation through an appointment to a new Head of Communications post, the introduction of a corporate communication champions group and the production of communication strategy. This will continue to be a focus for improvement throughout 2006/7.
- The Local Strategic Partnership (Trafford Partnership), with the Council as a key partner, produced a revised long term community strategy (Vision 2021) after extensive consultation. This was launched in January 2006 and supported by the Community Strategy Action Plan published in May 2006.
- Early development of a strategic approach to informing the community of Council performance and Council responses to their needs and views. This will continue to be a focus for improvement throughout 2006/7.
- Ongoing improvements to corporate governance arrangements as identified in the recent annual review and annual business planning process.
- Standards of control within the Council's business critical systems have shown improvement during 2005/6. The breadth of the review of effectiveness of financial

systems extended this year to incorporate all business critical systems plus other systems where it was considered that material levels of financial transactions occurred. The systems with adequate control arrangements were Benefit Payments, Income receipting, National Non-Domestic Rates, Council Tax, Financial Ledger, Treasury Management, Works Management, Let Estate, Asset Register, Payroll and Accounts Receivable. A number of systems require improvements to ensure adequate controls are operating overall and these are Social Care Charging System and Direct Payments. A small number of systems have been identified as having significant control issues and these are Accounts Payable, Energy Management, Fuel Monitoring and Legal Debt Recovery. Where improvements in controls have been identified as necessary improvement action plans have been developed to address these.

- Financial management and control of the Council's budget has improved, with regular revenue and capital budget monitoring reporting to the Executive Management Team and Executive members throughout the year. The Council has ensured that it has operated within the set budget for 2005/6. Overspends within individual services have been eradicated which includes action taken to stabilise spending in the volatile and demand led area of special educational needs.
- A medium term financial strategy was produced at the start of 2005/6 and a more detailed medium term financial plan was developed throughout the year to ensure the allocation of council resources to support the delivery of its corporate objectives. Medium term financial planning continues to be an area of focus for the Council.
- Internal Audit's review of schools and other council establishments has shown an improvement in overall financial management arrangements.
- A People Strategy was approved by the Employment Committee in November 2005. This supports the delivery of the objectives of the Council by driving improvement in people management. Workforce skills and capacity are key elements of the strategy which includes targets for employee and members training and development. This will be an ongoing area of focus. The Council has commenced a review of its senior management structure the objective of which is to produce a structure that is fit for purpose and will better support the organisation in its "Journey to Excellence".
- The Council has maintained a strong focus on working in partnership with other organisations and groups to deliver real improvements in the quality of life of its residents. To support this, the Council has commenced a partnership mapping exercise and plans to develop the governance arrangements with all its significant partnerships.
- To support the ongoing implementation of its procurement strategy the Council has invested in, and appointed to, a Head of Procurement post and reviewed and updated its Contract Procedure Rules. This continues to be a priority area for delivery in 2006/7.
- A risk management strategy has been produced and action taken to embed risk management processes into corporate and service based business planning procedures.
- Further effective action has been taken to embed the Council's anti-fraud and corruption policies.
- The Council has started to address the need to develop project management arrangements by the provision of training and the production of a project management framework.
- Additional capacity, through the appointment of specialist senior officers, was obtained in the areas of performance management, human resources and health and safety.
- There has been continued development of business continuity arrangements with the production of ICT business continuity plans, the drafting of a major incident plan and the provision of business continuity planning and guidance to senior managers.

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.

There remain a number of areas where the Council feels significant improvements are still required to ensure an adequate control environment is sustained. As evidenced by the improvements outlined above the Council is committed to achieving its objectives. A series of strategies and high level action plans have been produced during 2005/6 and action has commenced in implementing these. Continued emphasis will be placed on ensuring those plans and strategies connect to the community objectives, outlined in Vision 2021, that detailed action plans are developed and implemented which have clear targets and outcomes and that appropriate monitoring, reporting and feedback mechanisms are in place. In particular this includes:

- The review of the corporate plan and objectives, in line with the Council's business planning cycle, to ensure ongoing alignment with and support of the recently updated community strategy.
- The delivery of the communication and consultation strategies.
- Dealing with equality and diversity issues and reaping the benefits of the recent additional investment in capacity to strengthen these areas and that of user focus
- The ongoing development and alignment of medium term financial planning to support corporate objectives and priorities.
- Strengthening the procurement strategy and procurement practices as part of the Council's focus on continuing to deliver value for money.
- The delivery of the People Strategy with a particular focus on developing workforce and member capacity.
- The ongoing improvement of controls within the Council's material financial systems in particular Accounts Payable, Energy Management, Fuel Monitoring and Legal Debt Recovery.

A corporate performance improvement plan has been produced that details the actions the Council will take to address the above issues, the responsible officers and appropriate timescales for implementation. This will be monitored on a regular basis throughout the year by senior managers and members. A report will also be made to the Accounts & Audit Committee on planned improvement actions.

The Executive Management Team has, taking into account the above, identified their four priority areas for improvement for 2006/7:

- Citizen engagement.
- Customer satisfaction.
- Equalities and diversity.
- Use of council resources.

The management team will provide an ongoing strategic focus on the plans for, and achievement of, improved performance and outcomes in these areas.

Councillor Susan Williams
Leader of the Council
19 September 2006

David McNulty
Chief Executive
19 September 2006

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 a change in the classification of deferred premiums in the consolidated balance sheet, in accordance with the SORP (see below).

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. 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 re-valued 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 re-valued.

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 20 years.

Charges for Fixed Assets

General fund service revenue accounts, central support services and DSO's 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 2005/06 was 3.5% for fixed assets included in the balance sheet at current value, and 4.95% for infrastructure and community assets, which are at historical cost.

Where assets have been re-valued 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 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. However, where the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses have been recognised over the life of the replacement borrowing.

Premiums incurred in various debt restructuring exercises undertaken in the past are charged to the revenue account over the life of the replacement loan. In previous years these were included in the consolidated balance sheet as a long term debtor but are now included as a reduction to the net worth of the Authority under Fund Balances and Reserves, in accordance with the Local Authority SORP.

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 based on a prescribed formula.

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 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 2005/06 the discount rate employed is the yield available on long-dated, high quality corporate bonds at the valuation date of 31 March 2006 (which was 4.9% per annum, 5.4% as at 31 March 2005).

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 People's Services Ltd. in June 2002 (please see Group Accounts on page 61)

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

2005	Year ended 31 March	2006			
Net Expenditure £000	Service	Notes	Expenditure £000	Income £000	Net Expenditure £000
CONTINUING OPERATIONS:					
15,915	Central Services to the Public	1a	25,563	12,954	12,609
30,778	Cultural, Environmental and Planning Services	1b	49,047	16,019	33,028
124,275	Education Services		167,856	40,805	127,051
15,871	Highways, Roads and Transport Services		20,699	3,567	17,132
2,859	Housing Services		43,329	40,470	2,859
52,709	Social Services		90,353	31,501	58,852
3,677	Corporate and Democratic Core		4,478	89	4,389
3,469	Non distributed costs		2,639	916	1,723
249,553	TOTAL CONTINUING OPERATIONS		403,964	146,321	257,643
DISCONTINUING OPERATIONS:					
(897)	Housing Revenue Account	19	403	71	332
248,656	NET COST OF SERVICES		404,367	146,392	257,975
(4,027)	Interest & Dividends Receivable	2			(4,652)
72	Trading Operations	3			(62)
(10,116)	Transfer from Asset Management Revenue Account	4			(12,863)
9,379	Housing capital receipts transfer to Government Pool	6			215
15,500	Pensions interest cost	7			20,200
(18,700)	Pensions expected return on assets	7			(20,200)
240,764	NET OPERATING EXPENDITURE				240,613
647	Surplus/(Deficit) transferred to/(from) HRA balances				(131)
(187)	Contribution to/(from) schools reserves				1,613
953	Contributions to/(from) earmarked reserves				(557)
(7,095)	Provision for repayment of external loans	5			(7,968)
747	Grants and contributions deferred				963
(4,669)	Deferred charges				(3,809)
(9,379)	Transfer from Usable Capital Receipts equal to the contribution to Housing Pooled Capital Receipts	6			(215)
(326)	Contribution from Pensions Reserve	7			(430)
221,455	AMOUNT TO BE MET FROM GOVERNMENT AND LOCAL TAXPAYERS				230,079
(64,279)	Precept demanded from the Collection Fund				(68,366)
(69)	Collection Fund transfer for the previously estimated surplus				(411)
(98,190)	Revenue Support Grant				(94,859)
(58,596)	Contribution from Non-Domestic Rate Pool				(70,572)
321	(SURPLUS)/DEFICIT FOR THE YEAR				(4,129)
9,356	General Reserve balance at 1 April				11,560
(321)	Surplus / (Deficit) for the year				4,129
2,525	Earmarked reserves				(10,192)
11,560	General Reserve Balance at 31 March				5,497

notes to the consolidated revenue account

1. Services

Included are levies as follows:

2004/05		2005/06
Expenditure		Expenditure
£000		£000
8,428	Waste Disposal Authority (b)	9,240
9,482	Passenger Transport Authority (a)	9,973
92	Flood Defence (a)	109
18,002	Total	19,322

2. Interest Received

During 2005/06 the average amount invested was £66.4m at an average interest rate of 4.74%, generating net investment interest in the year of £3.149m. In addition to this, share dividends of £253k and £1,250k were received from Modesole and Manchester International Airport respectively. For 2004/05 the average amount invested was £61.0m at an average rate of 4.68%, producing £2.858m of investment interest. Share dividends of £344k and £825k were received from Modesole and Manchester International Airport respectively.

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.

2005 (Surplus)/ Deficit		2006 Turnover	2006 (Surplus)/ Deficit
£000	Year ending 31 March	£000	£000
2	Highways Maintenance	3,896	0
(74)	Building Cleaning	2,268	(116)
144	Education Catering	4,691	54
72	Total	10,855	(62)

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 (was part of the HRA, a service that has now transferred to the Trafford Housing Trust with the sale of housing on 14 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 Community Leisure Trust), and Vehicle Maintenance (now operated in partnership with an external organisation).

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

2005 (Surplus)/ Deficit £000		Turnover £000	2006 (Surplus)/ Deficit £000
21	Markets	178	81
(726)	Commercial lettings (e.g. shops)	2,734	(932)
(705)	Total others	2,912	(851)

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

2004/05 £000		2005/06 £000
	Income	
	Capital Charges :	
(24,660)	- General Fund	(25,543)
(276)	- Housing Revenue Account	0
(747)	Write down of grants deferred	(963)
(218)	Magistrates Court - grant to support capital financing costs	(202)
(25,901)		(26,708)
	Expenditure	
	Provision for depreciation	
9,522	- General Fund	9,507
116	- Housing Revenue Account	0
5,886	External Interest charges	4,086
261	Losses on the repurchase of borrowing	252
15,785		13,845
(10,116)	Balance to consolidated revenue account	(12,863)

Included in the external interest charges are amounts that relate to two Lender Option Borrower Option (LOBO) loans, taken up by the Council in 2002/03. Under the loan arrangement the interest rate will change in 2006/07.

Loan Amount (£m)	Interest Rate		Break clause date
	before break clause	after break clause	
5	3.8 %	4.99 %	02/08/06
11	3.5 %	4.875 %	07/11/06

The additional interest payable after these initial break clauses has been included in the Medium Term Financial Plan, rather than equalising the interest payments over the 40 year term of the loans.

5. Provision for Debt Repayment

The Council is required by statute to set aside a minimum revenue provision (MRP) for the redemption of external 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. In 2004/05 external debt was reduced by £23m in respect of HRA related debt, resulting in a lower MRP in 2005/06.

2005 £000		2006 £000
2,427	Minimum Revenue Provision	1,539
(9,522)	Depreciation charged to services	(9,507)
(7,095)	Adjustment required	(7,968)

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 and mortgage repayments, 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 2005/06 is £0.215m (£9.379m in 2004/05), and has a neutral effect on the overall surplus/deficit on the Council's Consolidated Revenue Account. The reduction from 2004/05 represents the transfer of housing stock to Trafford Housing Trust.

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 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 the 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 difference between cash payments and accrued liability, £(430)k, is made after Net Operating Expenditure.

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

2004/05	General Fund	2005/06
£000		£000
	Included in Net Cost of Services	
10,770	Current Service Cost (LGPS)	11,994
0	Past Service Costs (Teachers Pension Scheme)	0
0	Past Service Costs (LGPS)	0
500	Settlement & Curtailments (LGPS)	(1,800)
	Net Operating Expenditure:	
15,500	Interest Cost (LGPS)	20,200
(18,700)	Expected Return on Assets in the Scheme (LGPS)	(20,200)
	To be met from Government Grants and Local Taxation:	
(326)	Movement on Pensions Reserve	(430)
	Actual Charge against Council Tax for Pensions:	
7,744	Employers contributions payable to scheme (General Fund)	9,764
	Analysed by :	
6,602	Local Government Pension Scheme	8,582
1,142	Teachers Pension Scheme	1,182
7,744		9,764

Note 23 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 existed at 31 March 2006 in respect of finance leases.

Operating Leases - Authority as Lessee

Name of Property	Length of Lease Years	Start Date	Termination Date	Annual Rental £
Leases expiring within 1 year:				
Offices at Arndale House, Stretford	5	1/4/2000	Holding over	49,000
Mecca Bingo, Sale	2	1/10/2003	Holding over	22,500
60 Seymour Grove, Old Trafford	5	15/10/2001	15/10/2006	9,900
Land at Victoria Road, Hale, Car park	10	25/3/1997	24/3/2007	4,750
Leases expiring between 2 and 5 years:				
3 rd Floor Arndale House, Stretford	5	7/10/2002	6/10/2007	48,620
Leases expiring after more than 5 years:				
Carrington Depot – lease renewed	12	2006	2018	60,000
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
				196,932

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 6 to the Consolidated Balance Sheet (page 35).

Operating Leases - Authority as Lessor

Name of Property	Valuation 1 st April 2005 £	Length of Lease Years	Start Date	Termination Date	Rental Income 2005/06 £
Urmston Shopping Centre	4,600,000	43	25/12/1971	19/12/2014	376,327
Miscellaneous Properties	3,255,259	various	various	various	158,900
Manor Farm Industrial Estate	248,250	42	12/9/1980	11/9/2021	31,085
School Road, Sale	411,900	72	24/6/1988	22/5/2060	31,596
Britannia Road, Sale	129,600	99	13/3/1978	13/3/2077	16,200
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	54,750
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	73,627
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	7,000
Unysis House, Barrington Road	480,720	125	22/11/1984	22/11/2109	36,621
Seymour Grove/Tennis Street	466,676	125	30/11/1990	29/11/2115	33,334
Stretford Arndale Centre	7,800,240	150	30/6/1967	29/6/2117	717,145
Curzon Road, Sale	604,650	150	22/7/1996	21/7/2146	0
Shopping Precinct, Hale Road	141,820	200	25/3/1992	24/3/2192	14,475
					1,838,093

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 2005/06, expenditure within this definition totalled £681k.

2005 £000	Year ending 31 March	2006 £000
564	Staff recruitment advertising	410
203	Other publicity expenditure	201
64	Staffing costs	70
831	Total	681

10. Agency Arrangements

Up to 9 October 2004 the Council acted as the host body in an agency capacity for the Health Action Zone (HAZ). Accrued expenditure on the Health Action Zone at 1 April 2005 was £556k of which £499k has been discharged in 2005/06, 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 £73k (£178k in 2004/05)

In addition service level agreements with Trafford Housing Trust generated income of £2.236m (£93k in 2004/05, which represented only 2 weeks following the stock transfer from 17 March 2005 to 31 March 2005). Services provided include:

Grounds Maintenance
Transport
Stores
Pest Control
Asset Management – Estates & Property Services
Built Environment – Building, Structural & Architectural Services
CCTV system
Payroll Services
E-Government
Legal and Democratic Services

12. Pension costs

Teachers

The Council paid £8.687m (£8.387m in 2004/05) 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 2004/05). 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 2005/06, these amounted to £1.182m, representing 1.84% of pensionable pay (£1.107m or 1.78% 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 employer's contribution rate was, 10.2% in 2005/06 and will be 11.2% in 2006/07. In 2005/06, the Council paid an employer's contribution of £7.339m (£6.768m in 2004/05) into the Greater Manchester Pension Fund, representing 10.2% of pensionable pay (9.2% in 2004/05). The Council is also responsible for pension payments relating to the award of added years, together with related increases. In 2005/06 these amounted to £0.938m, which is 1.3% of pensionable pay (£0.966m or 1.3% in 2004/05). There were no payments for added years in 2005/06, the capital cost of payments agreed in previous years is £16.9m.

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 23 to the Consolidated Balance Sheet.

13. Members Allowances

The Council consists of 63 Members (Councillors) to whom £0.575m was paid in allowances in the year (£0.548m in 2004/05).

14. Remuneration of Officers

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in 2005/06 was:

2004/05		Remuneration Band	2005/06	
26	(3 leavers)	£50,000 - £59,999	39	(3 leavers)
14		£60,000 - £69,999	16	(2 leavers)
4	(3 leavers)	£70,000 - £79,999	6	
6		£80,000 - £89,999	4	(1 leavers)
0		£90,000 - £99,999	3	
1	(1 leaver)	£130,000 - £140,000	0	
51	(7 Leavers)	Total	68	(6 Leavers)

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 consolidated revenue account (note 12, page 22) and precept payments are shown in the collection fund accounts on page 59. A levy of £9.973m was paid to Greater Manchester Passenger Transport Authority and £9.240m 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 (PCT's) since 1 April 2003. Trafford MBC acts as the host authority for the pooled fund, 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 for 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 PCT's also 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 £872,824, with £748,199 funded by the Council and £124,625 by the PCT's. The fund overspent by £56,293, which has been carried forward to 2006/07 in accordance with the terms of the partnership agreement.

The pooled fund provides funding for a variety of community equipment services designed to enable clients to return to and remain in 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).

TRAFFORD METROPOLITAN BOROUGH COUNCIL

POOLED FUND FOR ADULTS WITH LEARNING DISABILITIES IN TRAFFORD 2005/06

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 and Management	395.2	-110.9	502.3	371.1	1,157.7	1,437.2	-252.5	1,184.7	27.0
Residential Care	1,557.5	-1,007.8	1,564.4	1,330.2	3,444.3	4,286.6	-1,059.6	3,227.0	-217.3
Supported Living	5,125.1	-3,833.1	746.7	683.8	2,722.5	7,227.5	-4,087.6	3,139.9	417.4
Day Care	2,018.3	-232.8	0.0	0.0	1,785.5	2,128.5	-264.9	1,863.6	78.1
Home Care	852.7	-326.9	0.0	0.0	525.8	858.7	-312.2	546.5	20.7
Service Contracts	123.0	-10.3	0.0	0.0	112.7	109.6	-10.3	99.3	-13.4
Other	786.0	0.0	96.0	78.0	960.0	919.5	0.0	919.5	-40.5
Total	10,857.8	-5,521.8	2,909.4	2,463.1	10,708.5	16,967.6	-5,987.1	10,980.5	272.0

CERTIFICATE OF DIRECTOR 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

Community Equipment Pooled Budget - 2005/06

1 st April 2005 to 31 st March 2006								
Total Contributions	Prior Year Actuals	Service Area	TMBC Contribution 2005/06	PCT Contribution 2005/06	Total Contributions	Resource Relating to Period	Actual Expenditure Relating to Period	Period Variance
£	£		£	£	£	£	£	£
104,507	112,792	Stairlifts	107,120		107,120	107,120	123,572	16,452
15,375	9,929	Sensory Aids	15,759		15,759	15,759	8,267	(7,492)
146,928	178,313	Minor Adaptations	175,201		175,201	175,201	225,493	50,292
6,596	11,671	FAST Scheme	26,576		26,576	26,576	26,576	0
35,939	13,384	DIAL Aids	36,837		36,837	36,837	28,391	(8,446)
300,474	355,817	Equipment Purchase (Local Authority)	306,845		306,845	306,845	338,411	31,566
120,411	156,361	Equipment Purchase (PCT)		124,625	124,625	124,625	150,052	25,427
41,000	0	Development Fund	41,000		41,000	41,000	0	(41,000)
10,250	0	Recovery Service	10,506		10,506	10,506	0	(10,506)
27,675	9,522	Advice Line	28,355		28,355	28,355	28,355	0
809,155	847,789	Total	748,199	124,625	872,824	872,824	929,117	56,293

		2004/05 Outturn Position						
		- Trafford MBC					32,885	
		- Trafford PCT's					5,749	
		Total Overspend 2004/05					38,634	38,634

809,155	847,789	Total	748,199	124,625	872,824	872,824	967,751	94,927
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The above schedule represents a true and fair view of the position on the Integrated Equipment Pooled Budget for the financial year 2005/06

Signed _____

Position _____

Date _____

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 54).

The Council has paid *earmarked grants to voluntary organisations* for 2005/06 as follows:

<i>Organisation</i>	<i>£ Amount</i>
Citizens Advice Trafford (CAT)	197,470
Partington & Carrington Development Trust Ltd.	8,813
St. John's Day Centre	34,694
Sale Charities Management	4,293
Relate Greater Manchester South	4,509
Trafford Athletic Club	2,000
Trafford Victim Support	13,157
Sale Council for Voluntary Service	660
Voluntary Community Action Trafford	56,260
Manchester/Salford/Trafford Groundwork	36,877
Special Educational Needs Family Support Group	10,295
Trafford Law Centre	5,147
Carrington Parish Council	1,500
Dunham Massey Parish Council	4,180
Partington Town Council	* 52,000
Warburton Parish Council	1,500
Total Earmarked Grants	433,355

NB. Includes a one-off amount of £33,000, in lieu of Parish precept. A precept has been levied directly to residents of Partington in 2006/07.

16. Building Control

The Council has set a level of charges for the administration of the Building Control Function. During the year turnover was £0.814m and a surplus of £0.04m was made (£0.06m in 2004/05).

17. Preparing for the Euro

The Council was a member of the CIPFA Euro Forum, which advised local authorities on preparations for the Euro currency, until it disbanded during 2005/06. There is as yet no firm indication that the UK will join the Single Currency in the near future. Preparatory work carried out in 2005/06 was met from existing resources.

18. External Audit Costs

In 2005/06 the Council incurred the following fees relating to external audit and inspection:

2004/05		2005/06
£000		£000
314	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	279
70	Fees payable to the Audit Commission in respect of statutory inspection	93
95	Fees payable to the Audit Commission for the certification of grant claims and returns	82
2	Fees payable in respect of other services provided by the appointed auditor	0
481	Total	454

19. Discontinued Operations

Due to the sale of all the Authority's housing stock and associated assets to Trafford Housing Trust on 14 March 2005, all the residual transactions on the HRA have been classified as Discontinued Operations in accordance with CIPFA's Statement of Recommended Practice.

consolidated balance sheet

About this Account

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

2005		Year ended 31 March		2006	
£000	£000		Note	£000	£000
		Fixed Assets	1,2		
1,137		Intangible Fixed Assets		1,080	
		Tangible Fixed Assets			
		Operational Assets			
237,185		- Other Land and Buildings		238,575	
122,150		- Infrastructure Assets		124,060	
3,415		- Vehicles, Plant & Equipment		5,657	
8,649		- Community Assets		9,668	
		Non-operational Assets			
3,945		- Assets under Construction		2,869	
25,930		- Investment Properties		26,464	
3,908		- Surplus Assets		4,678	
	406,319				413,051
	10,214	Long Term Investments	5		10,214
	20,301	Long Term Debtors & Prepayments	6		19,139
	436,834	Total Long Term Assets			442,404
		Current Assets			
561		Stocks and Work in Progress		462	
40,753		Debtors	7	36,735	
3,930		Cash in Hand and Imprests		4,280	
46,300	91,544	Short Term Investments	8	68,380	109,857
	528,378	Total Assets			552,261
		Current Liabilities			
(464)		Borrowing - amounts falling due within one year		(166)	
(36,573)		Creditors	9	(38,794)	
0	(37,037)	Cash Overdrawn		0	(38,960)
	491,341	Total Assets Less Current Liabilities			513,301

notes to the consolidated balance sheet

1. Statement of Major Physical Assets

Trafford MBC owned the following assets at 31 March 2006:

Schools

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

Youth Centres

7	Youth centres
1	Youth centre in admin. building

Office Buildings

12	Administrative buildings
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Crematoria

1	Crematorium
---	-------------

Depots & Workshops

8	Depots
---	--------

Sports Centres & Pools

5	Leisure centres with pools
2	Leisure centres without pools
1	Water sports centre
3	Athletics stadia
2	Golf courses

Other

2	Markets
61	Commercial properties
1	Hostel

Libraries & Community Centres

8	Libraries 'stand alone'
3	Libraries connected/included in admin. buildings
2	Libraries connected to leisure centres
2	Libraries connected to schools
1	Toy and tape library
10	Community centres
3	Public halls

Residential Homes & Day Centres

6	Children's and young persons' resource centres
1	Children's centre
4	Family centres
6	Elderly persons' homes
6	Day centres
1	Home for people with learning disabilities

Vehicles

12	Mini-buses
13	Ambulances
1	Mobile library
2	Limousines
164	Other vehicles

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:-

	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 2005	254,809	15,150	136,243	9,242	33,827	449,271
Accumulated Depreciation	(17,624)	(10,598)	(14,093)	(593)	(44)	(42,952)
Net Book Value at 31 March 2005	237,185	4,552	122,150	8,649	33,783	406,319
Expenditure in Year	10,411	2,553	4,829	1,246	2,659	21,698
Revaluations & Restatements	(416)	873	303		(1,639)	(879)
Transfers						
Impairments						0
Disposals	(3,801)	(2)			(777)	(4,580)
Depreciation for the year	(4,804)	(1,239)	(3,222)	(227)	(15)	(9,507)
Net Book Value at 31 March 2006	238,575	6,737	124,060	9,668	34,011	413,051

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 carried out by the Council's own valuer - qualified staff working for the Director of Environment Services. The basis for valuation is set out in the statement of accounting policies on page 12.

	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		6,737	124,060	9,668	2,870	143,335
Valued at current value in:						
Current Year (1 April 2005)	55,292				405	55,697
Previous year (1 April 2004)	51,330				24,530	75,860
Two years ago (1 April 2003)	92,741					92,741
Three yrs ago (1 April 2002)	39,212				6,206	45,418
Four years ago (1 April 2001)						
Total	238,575	6,737	124,060	9,668	34,011	413,051

The Council has successfully complied with the requirements of re-valuing its assets in accordance with the rolling programme. This states that all assets should be re-valued 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

	£000
Balance as at 1 April 2005	1,137
Amortisation in year	(57)
Balance at 31 March 2006	1,080

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

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 six Foundation schools and three voluntary-aided schools. There are also twenty-two other voluntary-aided schools which did not opt for Grant Maintained status.

3. Summary of Capital Expenditure and Sources of Finance

	2005/06
	£000
Opening Capital Financing Requirement	58,500
Adjustment in respect of probation debtor	1,756
Restated Capital Financing Requirement as at 1/4/05	60,256
Capital Investment	
- Fixed Assets	21,698
- Intangible Assets	
- Deferred Charges	<u>6,070</u>
	27,768
Sources of Finance	
- Grants & Contributions	(10,582)
- Revenue Contributions & Reserves	(1,712)
- Capital Receipts	<u>(5,819)</u>
	(18,113)
Other Changes to Capital Financing Requirement	
Minimum Revenue Provision	(1,539)
Capital Receipts : Voluntary Set-aside	0
LSVT : Overhanging Debt repayment	0
Other Adjustments	<u>(63)</u>
	(1,602)
Closing Capital Financing Requirement	<u>68,309</u>

The Capital Financing Requirement (CFR) is the main component used to calculate the statutory minimum revenue provision for repayment of debt. An adjustment was made to restate the opening CFR to take account of the total level of probation debt that the Council administers, as lead authority in Greater Manchester, on behalf of the Probation Service. This adjustment has had no impact on the overall provision made.

4. Statement of Deferred Charges

	Expenditure in year 05/06 £000	Amounts written off in 05/06 £000	Balance at 31.3.06 £000
Improvement Grants	2,075	2,075	0
Improvement Areas	707	707	0
Other	3,288	3,288	0
Total	6,070	6,070	0

The following amounts have been written off to:

Government Grants	2,261
General Fund	3,809
Total	6,070

5. Long term Investments

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

at 31.3.05 £000		at 31.3.06 £000
10,214	Shareholdings in Manchester Airport PLC	10,214
10,214	Total	10,214

a) Manchester Airport PLC

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

at 31.3.05 £m	<i>Manchester Airport Consolidated Profit and Loss Account and Balance Sheet (Extract)</i>	at 31.3.06 £m
101.3	Profit before Tax	87.7
74.0	Profit after Tax	60.7
764.1	Net Assets	793.1

Note: The Group have chosen to account under International Financial Reporting Standards from the financial year ended 31 March 2006 onwards. As such, the prior year figures disclosed above have been restated from those previously reported under UK accounting policies.

Dividends of £1,250k were received in the year 2005/06 (£825k in 2004/05). Further information on these accounts can be obtained from the Director of Finance, Manchester Airport Group plc, Olympic House, Manchester M90 1QX (telephone no. 0161 489 3000).

b) Modesole Ltd

Modesole Ltd, (formerly GM Property Trust) is the holding company for two Greater Manchester districts' interest in G-Mex Ltd (formerly Central Station properties Ltd). Modesole Ltd is 100% owned by the two districts, namely Manchester City Council and Trafford MBC. 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 originally distributed to the ten Greater Manchester districts pro-rata to the population of each date of transfer from the Greater Manchester County Council (GMC) on 1 April 1986. These mechanisms arose 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.

In Modesole's accounting year ended 31 March 2006 (18 months since 30 September 2004), the pre audit accounts show the company made a profit on ordinary activities after tax of £0.487m (previous year profit of £6.854m). Dividends of £253k were received in 2005/06 (£344k in 2004/05).

Further information and details of the financial statements of Modesole Ltd can be obtained from the Company Secretary; Manchester Professional Services Ltd., PO Box 352, Town Hall, Albert Square, Manchester M60 2LA.

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, 3rd Floor, Oakland House, Talbot Road, Old Trafford, Gtr. Manchester M16 0PQ.

d) Trafford Children and Young People's Service Ltd. - see Group Accounts (page 61) for details.

6. Long Term Debtors & Prepayments

At 31.3.05		at 31.3.06
£000		£000
	Mortgages:	
461	Council Houses	347
146	Private Dwellings	126
1,663	Probation Service (i)	1,576
49	Car Loans to Staff	21
8,382	Manchester Airport Plc (ii)	8,138
9,600	Sale PFI Deferred Consideration (iii)	8,931
20,301	Total (iv)	19,139

- (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 £30m. 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.

- (iv) Premium incurred from various debt restructuring exercises were previously shown as a long term debtor but are now included under Fund Balances and Reserves, in accordance with the Local Authority SORP. Long term debtors for 2004/05 have been restated by £6.981m to reflect this change in accounting policy (see note 18. also).

7. Debtors and Payments in Advance

at 31.3.05		at 31.3.06
£000	Amounts falling due within one year	£000
13,120	Council Tax and Non Domestic Rates	14,065
8,108	Business Rates: contribution from National Pool (i)	5,391
4,465	Other Government Departments	5,045
3,266	Payments in advance	2,945
23,082	Other	20,843
52,041	Sub Total	48,289
(11,288)	Less Provision for Bad and Doubtful Debts	(11,554)
40,753	Total	36,735

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

Short Term Investments

The figure of £68.4m represents the investment of funds that are temporarily surplus to requirements. They are invested for short periods and earn market rates of interest.

9. Creditors

At 31.3.05		At 31.3.06
£000		£000
653	Public Works Loan Board (Loan Interest)	919
358	Market Loans (Loan Interest)	357
3,729	Inland Revenue	3,910
3,085	Other Government Departments	1,961
28,748	Sundry Creditors	31,647
36,573	Total	38,794

10. Borrowings

At 31.3.05 £000		Interest Rates	At 31.3.06 £000
Analysis by type of loan			
43,202	Public Works Loans Board (PWLB)	2.5% - 11.5%	61,533
31,000	Money Market Loans	3.5% - 4.27%	31,000
2	Local Bonds and Mortgages	4.00%	2
74,204	Total		92,535
Analysis by date of maturity			
308	Maturing in more than 1 year and less than 2 years		183
987	Maturing in more than 2 years and less than 5 years		1,860
7,818	Maturing in more than 5 years and less than 10 years		7,769
14,050	Maturing in more than 10 years and less than 15 years		15,448
51,041	Maturing in more than 15 years		67,275
74,204	Total Loan Debt Outstanding		92,535

Movements in borrowings

	£000	£000
Opening Balance 1 April 2005		74,204
Less Maturing Debt not replaced *	(145)	
Less debt repaid prematurely and not replaced **	(1,024)	
Add new borrowings in year ***	19,500	
		18,332
Closing Balance 31 March 2006		92,535

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

** £1,024m of debt was prematurely repaid resulting in a net premium of £5k.

*** The Council, in accordance with the 2005/06 Debt Strategy, undertook new borrowing of £19.5m to assist in financing the capital programme.

11. Deferred Income

This includes an amount of £0.475m 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 £1.3m 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 £3.044m will be released to the revenue account when the cost of providing these services falls due.

12. 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 2005/06, from a starting balance of £8.273m contributions of £2.409m were made to the provision, £1.965m of claims were paid and £0.431m was transferred to the insurance reserve, leaving a balance on the provision of £8.286m - 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. Repayments of £45k were made in 2005/06, leaving a remaining provision balance of £555k.

The Council also has a provision for obligations relating to the Health Action Zone of £57k (£556k in 2004/05). These will be fully discharged in 2006/07.

There is a provision for VAT on car parking of £147k (£79k in 2004/05). 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.

13. 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 51 to 53.

14. 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 surplus balances at 31 March 2006 were £8.518m (£6.905m at 31 March 2005).

At 31 March 2006 there were 11 schools with a deficit balance on their revenue reserves, amounting to £0.387m, whilst 86 schools had surplus balances amounting to £8.905m. This includes £0.800m of Reserves for capital purposes. In addition there are unspent balances on devolved formula capital of £1.951m.

15. 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.

2005 £000		2006 £000
7,712	Balance carried forward at 1 April	0
19,516	Capital receipts in the year from sale of assets	7,276
4,350	Capital Receipts from sale of housing stock	0
31,578		7,276
	Less amounts set aside	
(6,378)	to meet credit liabilities	0
(51)	credited to mortgage accounts	(26)
(6,429)		(26)
25,149		7,250
(4,350)	Less amounts used to cover costs of stock transfer	0
(9,379)	Less amount payable to Government re pooling liability	(215)
(13,729)		(215)
(11,226)	Amount used to finance capital expenditure in year	(5,819)
(194)	Amount used to finance accruals from 2003/04	0
(11,420)		(5,819)
0	Balance carried forward at 31 March	1,216

16. Earmarked Reserves

2005 £000	Year ended 31 March	2006 £000
614	Imperial War Museum Reserve To meet the Council's contribution towards the construction of the Imperial War Museum North in Trafford Park.	614
134	Economic Development Reserve For use towards economic and community regeneration initiatives.	0
607	Information and Communication Technology Strategy Reserve To finance planned developments in network infrastructure, new systems and hardware.	607
108	Corporate Identity Reserve Financing of various initiatives to raise the profile and image of the borough.	0
262	Accommodation Strategy Reserve The Council is rationalising its office accommodation and short term finance has been made available to improve those premises being retained.	147
315	Synthetic Pitch Replacement Reserve This will be used towards replacing synthetic pitches across the Borough.	380
45	Private Finance Initiative Reserve To provide pump-priming finance towards future projects.	0
23	Town Centre Reserves To facilitate improvements in town centres in the borough.	1,500
180	Training Reserve To undertake some corporate training across the Council.	180
2,251	Insurance and Risk Management Reserve Funds earmarked for future claims and to carry out various risk management initiatives.	2,866
1,506	Vehicle Renewals Reserve To finance the planned replacement of the Council's fleet of vehicles. In future years the vehicles will be acquired by operating leases.	0
164	Trading Operations Direct Service Organisations.	226
171	Building Control Fees For the future review of building control costs and fee income.	265
0	Service Outturn balances Revenue budget under/overspends to be carried forward as part of the Council's Medium Term Financial Plans.	1,195
0	Strategic Challenges To support one-off projects and future emergent strategic challenges, and to allow for the availability of investment funds for invest-to-save initiatives.	6,700
0	ICT Development Investment in new ICT to improve efficiency Council-wide.	1,000
0	Invest to Save To pay for the Service Improvement Team (SIT) and to fund cross Council efficiency projects.	2,000
1,051	Other Reserves Other amounts earmarked for specific purposes	300
7,431		17,980

17. 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.

31.03.05				31.03.06
£000				£000
10,912	Balance brought forward 1 April			8,458
	Receivable in year:			
32,914	From government departments	6,733		
3,174	From other sources	4,272		
<u>36,088</u>				<u>11,005</u>
47,000				19,463
	Less:			
(1,681)	Amounts used in financing capital expenditure	(2,307)		
(22,973)	Amount used to cover debt repayments.	0		
(1,187)	Amount used to cover premiums on debt repaid	0		
(2,526)	Adjustment of grant to reserves	0		
(10,175)	Transferred to Government Grants Deferred Account	(8,274)		
<u>(38,542)</u>				<u>(10,581)</u>
8,458	Balance carried forward at 31 March			8,882

Included in the balance of capital grants & contributions is £3.1m of contributions received from developers, as part of their obligation under Section 106 of the Town & Country Planning Act 1990. The amounts are received as a result of the granting of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The contributions are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances of Section 106 receipts held by the Council during the year were as follows:

	Balance at 1.4.05 £000	Receivable in year £000	Contributions applied £000	Balance at 31.3.06 £000
Open Space schemes	1,127	773	(236)	1,664
Affordable Housing schemes	708	252	(190)	770
Highways/Transport schemes	348	990	(643)	695
Total	2,183	2,015	(1,069)	3,129

18. Deferred Premiums

The balance of £6.797m (£6.981m in 2004/05) represents premium incurred from various debt restructuring exercises undertaken in the past and will be charged to the revenue account over the life of the replacement loans.

These were previously shown as a long term debtor but are now included as a reduction in the net worth of the Authority under Fund Balances and Reserves, in accordance with the Local Authority SORP. The balance sheet for 2004/05 has been restated to reflect this change in accounting policy.

19. 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.

2005		2006
£000		£000
(15,429)	Balance brought forward 1 April	(24,857)
(10,175)	Grants receivable in year from Government Departments	(8,274)
747	Grant written down in year to revenue	963
(24,857)	Balance carried forward at 31 March	(32,168)

20. 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.

21. Trust Funds

The Council administers 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 £0.625m at 31 March 2006 and are listed below.

£ Value of Fund 31.03.05		£ Value of Fund 31.03.06
44,941	FW Bates Scholarship	36,115
5,131	Ireland Bequest	4,149
10,117	Renshaw Foundation	6,844
7,371	Urmston BS Education Charity	5,968
1,690	J Birkhead Trust Fund	1,792
160	Garner Seat Legacy	100
55,926	Benjamine Wade Trust	52,506
367,890	Del Panno Trust	384,871
18,311	Miss Muckley Dec'd Legacy	18,311
152,744	Clifford Wilcox	80,108
664,281		590,764
8,127	Monies held in various CICS* Trusts	33,848
672,408	Total monies held in Trusts	624,612

*Criminal Injuries Compensation Scheme

22. 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 March 2006 £1.829m of claims had already been paid with outstanding claims estimated at £0.109m.

At the 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 6 to the balance sheet outlines the position regarding borrowings of £8.138m 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.

- i) TUPE Warranty; the Council has indemnified THT against any liability arising from employment matters that had started or originated before the transfer date relating to staff who transferred under the TUPE regulations. It is likely that the risk of this warranty will diminish quickly with time, and no liabilities have so far been reported.
- ii) Warranties of Truth; the Council has made a number of statements and assertions within the transfer agreement, such as land ownership, value of assets, and the right to exercise certain legal powers. The Council has indemnified THT against any liability should any of those statements prove to be untrue. This risk will also diminish, but over a much longer time frame.
- iii) Pension Fund Guarantor; The Council has underwritten any outstanding pension liability to the Pensions Authority for staff transferring under the TUPE regulations to THT, should THT be unable to meet those liabilities. To mitigate this risk THT has taken out a £3.5m bond, which can only be accessed with the permission of the Council. The liability and the level of bond will be actuarially assessed every five years.
- iv) Unadopted Drains; The Council has indemnified THT for maintenance and repair works relating to unadopted drainage systems. Should a liability arise it is likely to be of small amounts and will be paid out of the Council's revenue budget in the year of occurrence.
- v) Street Lighting on unadopted roads; a joint survey is being commissioned in 2006/07 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 2006/07.

- vi) 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. Any payment necessary will be charged against revenue or capital sources in the year the liability arises.
- vii) 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.
- viii) 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.
- ix) **Asbestos;** The Council has given THT a 30 year indemnification against any cost of works arising from asbestos above an excess in any one year of £308,500. This is a rolling excess in that should any excess in one year be unused, it will roll over into the next financial year.
- x) **Pollution and Contaminated Land;**
The Council has extended a 30 year indemnification for any pollution clear up on land transferred where the pollution occurred before the transfer date.

(e) Timperley Sports Club

The Council has entered into a lease agreement with Timperley Sports Club for an artificial sports pitch which was previously the responsibility of the Council. Under the terms of the agreement the Council, as landlord, has agreed to make an initial capital payment towards the improvement costs of the current pitch of £80k, £20k and £20k on 31 March 2006, 2007 and 2008 respectively.

In acknowledgement of the Tenant's repair obligations in respect of the pitch, the Landlord undertakes to pay to the Club the phased payments above and also on 31 March 2016 the sum of £100,000 indexed from the date hereof until the date of payment. This amount will be reflected as a provision in the Council's accounts over the next 10 years starting in 2006/07 at a cost of £15k per annum (subject to adjustment).

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

(f) Pay and Grading Review

The Council, in common with all local authorities nationally, is currently undertaking a review of the pay and grading of its employees. This review is being undertaken as a consequence of the 2004 national agreement reached between Local Authority employers and the Trade Unions. This review will also consider the Council's potential liabilities relating to equal pay issues.

The financial impact of the review cannot be estimated at this stage because key stages of the process including the completion of job evaluations are still ongoing. It is anticipated that revised pay and grading arrangements will not be implemented before 2007/08.

23. Net Pensions Asset/Liability

In accordance with the Accounting Code of Practice the following FRS17 disclosure note for 2005/06 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 2005/06, 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 most recent 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:

31.3.05		31.3.06
£000	GM Pension Fund	£000
(364,300)	Estimated liabilities in scheme	(431,600)
0	Estimated liabilities in scheme (unfunded)	(15,200)
(364,300)	Total value of liabilities	(446,800)
300,400	Estimated assets in scheme	360,200
(63,900)	Net assets/(liabilities)	(86,600)

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:

31.3.05		31.3.06
%	GM Pension Fund	%
2.9	Rate of Inflation	3.1
4.4	Rate of increase in salaries	4.6
2.9	Rate of increase in pensions	3.1
5.4	Rate for discounting liabilities	4.9

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:

31.3.05	Long Term		31.3.06	Long Term
%	%	GM Pension Fund	%	%
67.7	7.7	Equity Investments	65.5	7.4
14.1	4.8	Bonds	15.9	4.6
10.1	5.7	Property	9.3	5.5
8.1	4.8	Cash	9.3	4.6
100.0	6.9	Total	100.0	6.5

The movement in the surplus/(deficit) for the year to 31 March 2006 is as follows:

GM Pension Fund		
31 March 2005		31 March 2006
£000		£000
(10,700)	Surplus (deficit) at the beginning of the year (1 April)	(63,900)
	Movement in the year:	
(11,500)	Current service cost	(12,000)
6,800	Employers' contributions payable to scheme	7,900
0	Contributions in respect of unfunded benefits	900
0	Retirement benefits payable to pensioners	0
0	Past service costs	0
(500)	Impact of settlements and curtailments	1,800
3,200	Expected return on assets in the scheme	0
(51,200)	Actuarial gains/(losses)	(21,300)
(63,900)	(Deficit) at the end of the year (31 March)	(86,600)

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:

Fund Value as at			Fund Value as at	
31 March 2005			31 March 2006	
£000	%		£000	%
13,800	4.6	Differences between the expected and actual return on assets	46,300	12.9
(21,300)	5.8	Experience gains/(losses) on liabilities	(18,100)	4.1
(43,700)	12.0	Changes in financial assumptions underlying the Present value of the Scheme liabilities	(49,500)	11.1
(51,200)			(21,300)	

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries, the Council has taken the view that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently, the valuation of the Council's retirement benefit liabilities as at 31 March 2006 does not include any allowance for this change in the pension scheme.

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 2006 is £18.8m (£16.9m at 31 March 2005). Payments to the Scheme in 2005/06 were £1.2m.

The overall Pension deficit at 31 March 2006 as shown in the Balance Sheet is £105.4m, which is comprised of £86.6m GM Pension Fund and £18.8m in respect of unfunded teachers.

24. Analysis of Net Assets Employed

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

31 March 2005		31 March 2006	
£000		£000	
378,926	General Fund	401,343	
22,118	Housing Revenue Account	3,643	
164	Trading Operations	226	
401,208	Total	405,212	

25. Post Balance Sheet Events

Trafford Children and Young Peoples' Service Ltd

The Company provides a Connexions service under contract on behalf of the Council. The Trafford Connexions contract was transferred to the Council from 1 October 2005 (at which point all liabilities and responsibilities also transferred). The Company has now ceased to trade. An Extraordinary General Meeting of Company members on 19 June 2006 formally voted to wind the Company up and liquidators will now proceed with their legal obligations. This will take a number of months before the liquidator will issue a formal winding up statement.

HRA termination

The Secretary of State formally closed the Housing Revenue Account (HRA) on 5 April 2006, following the transfer of the housing stock to Trafford Housing Trust on 14 March 2005 and the completion of final subsidy claims. The effect is to transfer all remaining assets and liabilities of the HRA to the General Fund, which is a net balance of £3.484m.

cash flow statement

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

2004/05		2005/06	
£000		£000	
Revenue Activities (note 1)			
<u>Cash Outflows</u>			
192,992		Cash paid to and on behalf of employees	199,350
137,755		Other operating costs	126,668
21,354		Housing Benefit paid out	37,010
10,698		Precepts paid from Collection Fund	11,523
103,544	466,343	Payments to NNDR pool	114,442
			488,993
<u>Cash Inflows</u>			
(9,784)		Rents (after rebates)	0
(67,409)		Council Tax	(70,930)
(98,190)		Revenue Support Grant	(94,859)
(58,596)		Redistributed Non-Domestic Rates	(70,572)
(93,150)		Government grants (note 5)	(93,775)
(28,912)		Cash received for goods and services	(34,361)
(22,541)		Other revenue cash payments/income	(24,256)
(99,060)	(477,642)	Business Rates	(113,341)
			(502,094)
Dividends from Joint Ventures & Associates			
	(1,169)	Cash Inflows – Dividends Received	(1,504)
	(12,468)	Net Cash (Inflows)/Outflows: Revenue Activities	(14,605)
Investments and Servicing of Finance			
6,394		Interest paid	4,087
(2,996)		Interest received	(3,431)
	3,398	Net Cash Outflow From Investments/Servicing of Finance	656
Capital Activities			
<u>Cash Outflows</u>			
25,739		Purchase of fixed assets	27,907
9,379	35,118	Other Capital cash payments (note 6)	215
			28,122
<u>Cash Inflows</u>			
(19,530)		Sale of fixed assets	(7,223)
(34,971)	(54,501)	Capital grants and contributions received	(11,347)
	(19,383)	Net cash (Inflow)/Outflow from capital activities	9,552
Acquisitions and Disposals			
<u>Cash Inflows</u>			
	0	Sales of Investments in Joint Ventures & Associates	0
	(28,453)	Net cash (Inflow)/Outflow before financing (notes 2 & 3)	(4,397)
Management of Liquid Resources			
	(11,069)	Increase/(decrease) in short-term deposits (note 4)	22,080
Financing			
52,569		<u>Cash Outflows</u> – Repayments of amounts borrowed	1,467
(15,000)		<u>Cash Inflows</u> – New Loans raised	(19,500)
	37,569	Net cash (Inflow)/Outflow from Financing	(18,033)
	(1,953)	(Increase)/decrease in cash	(350)

notes to the cash flow statement

1. Revenue Activities

The net cash flow can be reconciled to the consolidated revenue account (page 16) as follows:

2004/05 £000		2005/06 £000
321	Deficit/(Surplus) per Consolidated Revenue Account (Page 16)	(4,129)
(2,032)	Deficit/(Surplus) on Collection Fund (Page 59)	(483)
(1,711)		(4,612)
(3,398)	Interest	(656)
	Add non cash movements in revenue account:	
(2,727)	Contributions to reserves	491
(3,908)	Financing of capital expenditure	(1,712)
(3,128)	Contributions to provisions	(1,731)
	Items on an accruals basis:	
11	Net increase/(decrease) in stock	(99)
1,396	Net increase/(decrease) in debtors	(4,321)
997	Net (increase)/decrease in creditors	(1,965)
(12,468)	Net cash inflow on revenue activities	(14,605)

2. Movement in Net Debt

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

2004/05 £000		2005/06 £000
1,953	Increase/(decrease) in cash	350
(11,069)	Net increase/(decrease) in liquid resources	22,080
37,569	Net (increase)/decrease in borrowing	(18,033)
28,453	Movement in net debt for the year	4,397
(52,891)	Net debt at the beginning of the year	(24,438)
(24,438)	Net debt at the end of the year	(20,041)

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 Consolidated Balance Sheet.

	Balance at 31.03.05 £000	Movement in year £000	Balance at 31.03.06 £000
Cash in hand	3,930	350	4,280
Cash Overdrawn	0	0	0
Borrowing repayable within 12 months	(464)	298	(166)
Long term borrowing	(74,204)	(18,331)	(92,535)
Short term investments	46,300	22,080	68,380
Net Debt	(24,438)	4,397	(20,041)

4. Liquid Resources

The Council defines "liquid resources" as comprising short term investments (i.e. less than one year). These have increased by £22.1m from £46.3m at 31 March 2005 to £68.4m at 31 March 2006 (Note 8 to Consolidated Balance Sheet).

5. Government Grants

2004/05 £000	Grant	Awarding Department	2005/06 £000
43,979	Rent Allowances, Rent Rebates and Council Tax Benefit Subsidy	Department for Work & Pensions	46,880
3,793	Housing Revenue Account Subsidy	Department for Work & Pensions	(617)
1,938	Access and Systems Capacity (Social Services)	Department of Health	2,458
5,551	Other Social Services Grants	Department of Health	4,856
184	Student Awards	Dept for Education & Skills	216
1,721	Early Years Grant	Dept for Education & Skills	2,748
4,117	Schools Standards	Dept for Education & Skills	0
7,278	Education Standards Fund	Dept for Education & Skills	10,264
13,076	Other Education Grants	Dept for Education & Skills	15,035
31	Probation Service	Home Office	32
220	Administration of Justice	Lord Chancellors Department	223
5,729	Supporting People	Office of the Deputy Prime Minister	5,434
5,533	Other	Various	6,246
93,150	Total		93,775

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, are required to be paid to the Office of the Deputy Prime Minister (ODPM). This replaces the previous regulations whereby 75% of these receipts were set aside by the Local Authority against the repayment of its own debt, and therefore did not constitute a cash transaction for the purposes of inclusion in this statement. The reduction in the amount from 2004/05 is due to the transfer of housing stock to Trafford Housing Trust.

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.

2004/05		2005/06
£000		£000
	Surplus/(deficit) for the year:	
2,204	General Fund	(6,063)
682	Housing Revenue Account	(130)
3,206	Add back Movements on specific revenue reserves (note 1)	12,645
(556)	Deduct Appropriation from pensions reserve (note 6)	(431)
(344)	Difference in actual to estimated Pension contributions (note 1 & 6)	231
(53,600)	Actuarial gains and losses relating to pensions (note 6)	(24,400)
(48,408)	Total increase/(decrease) in revenue resources	(18,148)
(7,712)	Increase/(decrease) in usable capital receipts	1,216
(2,454)	Increase/(decrease) in unapplied capital grants & contributions (note 2)	424
(10,166)	Total increase/(decrease) in realised capital resources	1,640
(286,129)	Gains/(losses) on revaluation of fixed assets	(878)
0	Impairment losses on fixed assets due to general changes in prices	0
(286,129)	Total increase/(decrease) in unrealised value of fixed assets (note 3)	(878)
(20,778)	Value of assets sold, disposed of or decommissioned (note 4)	(4,580)
17,747	Capital receipts set aside (note 5i)	5,793
(3,187)	Revenue resources set aside (note 5ii)	(6,256)
9,428	Movement on Government Grants Deferred (note 5iii)	7,311
18,202	Other movements on Capital Financing Reserve (note 5iv)	(3,500)
1,311	Movements on Major Repairs Reserve	(1,679)
43,501	Total increase / (decrease) in amounts set aside to finance capital investment	1,669
248	(Increase)/Decrease in deferred premiums (note 7)	184
(321,732)	Total recognised gains and (losses)	(20,113)

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 2005/06	4,129	(130)		
Appropriations (to)/from revenue	(10,192)		12,645	(431)
Actuarial gains and losses relating to pensions				(24,400)
Differences in actual to estimated pension contributions				231
Movement in year	(6,063)	(130)	12,645	(24,600)
Balance brought forward at 1 April 2005	11,560	3,614	16,801	(80,800)
Balance carried forward at 31 March 2006	5,497	3,484	29,446	(105,400)

Earmarked Reserves

	Balance B/Fwd 01/04/05	Movement in Year	Balance C/Fwd 31/03/06
Schools' Reserves	6,905	1,613	8,518
Collection Fund Surplus	2,465	483	2,948
Other Earmarked Reserves (see note 16 to Balance Sheet)	7,431	10,549	17,980
Total	16,801	12,645	29,446

2. Movements in realised capital resources

	Usable Capital Receipts £000	Unapplied Capital Grants & Contributions £000
Amounts receivable in 2005/06 (net)	7,275	11,005
Amounts used in financing capital expenditure	(5,819)	(10,582)
Less – Amounts to cover pooling liability	(214)	0
Amounts used to redeem debt and premium	(26)	0
Amounts transferred to Capital Reserve	0	0
Total increase/(decrease) in realised capital resources in 2005/06	1,216	423
Balance b/f at 1 April 2005	0	8,458
Balance c/f at 31 March 2006	1,216	8,881

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

Fixed Asset Restatement Account

	£000
3. Movements in unrealised value of fixed assets:	
Gains/(losses) on revaluation of fixed assets in 2005/06	(879)
Impairment losses on fixed assets due to general changes in prices in 2005/06	0
Total Decrease in unrealised capital resources in 2005/06	(879)
4. Value of assets sold, disposed of or decommissioned	
Amounts written off fixed asset balances for disposals in 2005/06	(4,580)
	(4,580)
Total movement on reserve in 2005/06	(5,459)
Balance brought forward 1 April 2005	87,503
Balance carried forward at 31 March 2006	82,044

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 2005/06 :			
Reserved receipts	(26)		(26)
Usable receipts applied	5,819		5,819
(i) Total receipts set aside in 2005/06	5,793		5,793
Revenue resources set aside in 2005/06:			
Capital expenditure financed from revenue	1,712		1,712
Reconciling amount for provisions for loan repayment	(7,968)		(7,968)
(ii) Total revenue resources set aside 2005/06	(6,256)		(6,256)
Grants applied to capital investment in 2005/06		8,274	8,274
Amounts credited to the Asset Management Revenue Account in 2005/06		(963)	(963)
(iii) Movement on Government Grants Deferred Account		7,311	7,311
Deferred charges written off in the year	(3,809)		(3,809)
Sale PFI – deferred consideration	(701)		(701)
Grants applied to capital investment in 2005/06	1,009		1,009
(iv) Other Movements on Capital Financing Account	(3,501)		(3,501)

	Capital Financing Account £000	Govt Grants Account £000	Total £000
Total increase/decrease in amounts set aside to finance capital investment			3,347
Total movement on account in 2005/06	(3,964)	7,311	
Balance b/f 1 April 2005	250,267	24,857	
Balance c/f 31 March 2006	246,303	32,168	

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 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006.

	2004 £000	%	2005 £000	%	2006 £000	%
Difference between the expected and actual return on assets	38,500	14.3	13,800	4.6	46,300	12.9
Differences between actuarial assumptions about liabilities and actual experience	1,300	0.5	(21,300)	5.6	(18,100)	3.9
Changes in the demographic and financial assumptions used to estimate liabilities	0	0.0	(46,100)	12.3	(52,600)	11.3
	<u>39,800</u>		<u>(53,600)</u>		<u>(24,400)</u>	
Less appropriations to revenue account	(4,662)		(556)		(431)	
Difference in actual to estimated Pension contributions	(738)		(344)		231	
Total movement on Pensions Reserve	<u>34,400</u>		<u>(54,500)</u>		<u>(24,600)</u>	

7. Movement in Deferred Premiums

This represents the annual movement in the level of premium incurred from various debt restructuring exercises undertaken in the past. Deferred Premiums were previously shown as a long term debtor in the Consolidated Balance Sheet but are now included as a reduction in the net worth of the Authority under Fund Balances and Reserves, in accordance with the Local Authority SORP. The Statement of Total Movement in Reserves for 2004/05 has been restated by £248k to reflect this change in accounting policy.

housing revenue account

About this Account

The HRA is a ring-fenced account and includes all income and expenditure relating to the Authority's own housing stock and local authorities have no general discretion on the transfer of sums into or out of this account.

2005		Year ended 31 March		2006	
£000	£000		Notes	£000	£000
		Expenditure			
	7,182	Repairs and Maintenance			157
	7,801	Supervision and Management			108
	85	Rent, Rates and Other Charges			18
	0	Rent Rebates granted			0
	320	Rent Rebates – Transitional arrangements			120
	9,054	Payment to ODPM	6		0
	40	Debt Management			0
	161	Cost of Capital			0
	116	Depreciation			0
	49	Provision for bad and doubtful debts			0
	24,808	Total Expenditure			403
		Income			
		Gross Rent Income			
(22,704)		- dwellings		0	
(430)	(23,134)	- other property		0	0
	(2,465)	Charges for services and facilities			0
	(5,299)	Housing Subsidy receivable			(70)
	(287)	Reduction in provision for bad or doubtful debts			0
	0	Transfer from General Fund			0
	(31,185)	Total Income			(70)
	(6,377)	NET COST OF SERVICES			333
	173	Adjusting Transfer (from) to Asset Management Revenue Account			0
	272	Amortised Premiums			0
		Income from:-			
(49)		Mortgage Interest		(36)	
(146)	(195)	Interest on Revenue Balances		(166)	(202)
	250				(202)
	(6,127)	NET OPERATING EXPENDITURE			131
		Appropriations			
0		Provision for repayment of debt		0	
5,090		Transfer (from)/to Major Repairs Reserve	2	0	
(230)		Contribution from Pensions Reserve		(1)	
620		LSVT - Pension Fund		0	
	5,480				(1)
	(647)	NET CHANGE IN BALANCES			130
		Housing Revenue Account Reserves			
	2,932	Balance brought forward 1 April			3,614
	647	Transfer (from)/to Revenue Account			(130)
	35	Transfer from other reserves			0
	3,614	Balance carried forward 31 March			3,484

The Authority sold all its dwelling stock, except 14 dwellings, on 14 March 2005, following a resolution of the Council and a subsequent ballot of tenants on 2 April 2004. The financial implications of the transfer were highlighted in last years Statement of Accounts. During 2005/06 some residual activity took place on this account and is included in these notes.

All Local Authorities are required by statute to maintain a Housing Revenue Account until such time that Secretary of State approval has been granted to close the Account. The Office of the Deputy Prime Minister (ODPM) had originally intended to issue formal consent to close the HRA on 31 March 2006. However, due to circumstances outside of their control, the Secretary of State's consent to close the HRA, under Section 74(4) of the Local Government and Housing Act 1989 was only granted with effect from 5 April 2006.

The consent to close the HRA allows the transfer of any remaining balances on the HRA to the General Fund. This will be effected on 5 April 2006.

In making comparisons between 2004/05 and 2005/06 it needs to be taken into account that the housing stock was managed by the Authority for the majority of 2004/05, whilst transactions in 2005/06 are, in the main, residual items of income and expenditure.

The HRA balances as at 31 March 2006 are £3.484m.

notes to the housing revenue account

1. Housing Stock

A total of 14 dwelling units were retained by the Authority following stock transfer. These are no longer accounted for within the HRA and a specific determination under S74 of the Local Government and Housing Act 1989 has been obtained from the ODPM to allow this.

2. 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. Since no stock has been accounted for in the HRA during 2005/06, there was no annual charge for depreciation. Authorities are able to charge capital expenditure to this reserve.

2005 £000	Major Repairs Reserve	2006 £000
(531)	Balance 31 March b/fwd	(1,843)
3,892	Financing of Capital Expenditure in 2005/06	1,679
2	Financing of Capital Expenditure – Accrual from 2003/04	0
0	Interest	0
(116)	Depreciation	0
(5,090)	Transfer from HRA	0
(1,843)	Balance 31 March c/fwd	(164)

3. Summary of Capital expenditure

2004/05 £000		2005/06 £000
577	Major Repairs	746
692	Buildings – Heating and Energy	748
1,195	General	174
223	Modernisation	5
100	Environmental Improvements and local initiatives	8
1,105	Neighbourhood Regeneration	89
3,892	Total	1,770

This expenditure was financed as follows

2004/05 £000		2005/06 £000
0	Capital Receipts	91
3,892	Major Repairs Allowance	1,679
3,892	Total	1,770

4. Capital Receipts from Land Disposals and Other Sources

	Gross Receipts £000	Offset Expenditure £000	Net Total £000	Pooled £000	Usable £000
Land Sales					
Repayments of Discounts	147	0	147	80	67
Mortgage Repayments	147	0	147	135	12
	294	0	294	215 *	79

* Note the pooling payment includes £58k in respect of 2004/05.

5. Cost of Capital charge and depreciation

This charge reflects the cost of capital employed in providing housing assets. Since no stock was accounted for in the HRA during 2005/06 there was no annual charge.

6. ODPM Payment and HRA Subsidy

The various components of housing subsidy are shown below :

2004/05 £000		2005/06 £000
(9,054)	ODPM payment	0
0	Housing Revenue Account Subsidy	0
5,206	Major Repairs Allowance	0
39	Defective Housing Grant	39
54	Balance of subsidy from previous years	31
5,299	Housing Subsidy Receivable	70

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	2005 £000	2006 £000
Service:		
Children & Young People	10,381	10,233
Community Services & Social Care	2,715	3,191
Environment	8,374	11,154
Corporate & Central Services	1,657	1,420
Housing Revenue Account	3,863	1,770
Total	26,990	27,768
The main items of capital expenditure during the year included:		
Schools – Devolved Formula Capital		2,440
Highways/Bridges Structural Maintenance		2,692
Integrated Transport Plan/Local Road Improvements		1,578
Navigation Primary School		1,552
Improvement works to Secondary schools to accommodate new pupil places		1,477
Social Services Management Information System (SAP)		1,098
Improvements to Parks & Countryside		1,038
Administrative Buildings - Refurbishments		1,014
Investment in ICT Systems		1,010
Disabled Facility Grants		969
Renovation Grants		916
Disability Discrimination Act (DDA) Compliance		822
Old Trafford Renewal Area		746
Lostock High School		723
New PE & Sports Facilities in Schools		721
Section 278 Agreement – Highway works		643
Improvements to Disabled Access in Schools		594
Buildings Infrastructure – Mechanical & Electrical Work		553
Partington Primary School		551
Old Trafford – Children’s Centre		486
Regeneration of Town Centres		416
Revenues & Benefits IT Systems		348
Total		22,387

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

	£000		£000
Fixed Assets	21,698	Borrowing	9,655
Deferred Charges	6,070	Grants and Contributions	10,582
Intangible Assets	0	Revenue Contributions & Reserves	1,712
		Capital Receipts	5,819
Total Capital Expenditure on an accruals basis	27,768		27,768

Significant commitments under capital contracts as at 31 March 2006

As at 31 March 2006 the Council was contractually committed to capital expenditure which amounted to approximately £17m. Major contracts included the following schemes:

	£000
Navigation Primary School - Rebuild	3,695
Lostock College – Targeted Capital Scheme	3,574
Commissioning Programme – Affordable Housing	1,500
Partington – Extra care for Older People	1,181
Urmston Town Centre – Re-development	2,200
Total	12,150

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.

2005			2006
£000	Year ended 31 March	Notes	£000
	Income and Expenditure Account		
	INCOME		
67,880	Council Tax Payers	1	72,015
8,875	Transfers from general fund for Council Tax Benefit		9,555
103,544	Non-Domestic Rate Payers	2	114,442
180,299	TOTAL INCOME		196,012
	EXPENDITURE		
	PRECEPT DEMANDS:		
64,279	Trafford Borough Council		68,366
7,458	Greater Manchester Police Authority		8,045
3,229	Greater Manchester Fire & Civil Defence Authority		3,414
103,101	Payment to National Non-Domestic Rate Pool	2	113,998
443	Costs of Collection		444
	BAD AND DOUBTFUL DEBTS/APPEALS:		
250	Council Tax - debt written off		164
(573)	Council Tax - increase/(decrease) in provision for doubtful debts		623
0	Transfer of Community Charge surplus to General Fund	3	25
80	Distribution of Council Tax Surplus	3	450
178,267	TOTAL EXPENDITURE		195,529
(2,032)	(Surplus) / Deficit for year		(483)
(433)	(Surplus) / Deficit as at 1 April		(2,465)
(2,465)	(Surplus) as at 31 March	4	(2,948)

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 2005/06, the calculation was as follows:

	Total No. Dwellings (i)	Specified Fraction	Band 'D' Equivalent
Band A	14,596	x6/9	9,731
Band B	16,920	x7/9	13,160
Band C	22,615	x8/9	20,102
Band D	12,535	x9/9	12,535
Band E	6,695	x11/9	8,182
Band F	3,882	x13/9	5,607
Band G	3,792	x15/9	6,321
Band H	727	x18/9	1,453
	81,762		77,091
Less allowance for losses on collection			(771)
Council Tax Base			76,320

- i) The actual number of properties was 93,573, after adjusting for single person discounts, empty properties, etc., the notional number of dwellings is 81,762.
- ii) The Band D Council Tax levied for the year was £1,045.92 (£990.34 in 2004/05)

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:

2004/05			2005/06	
£000	£000		£000	£000
	122,612	Gross Debit for Year		139,274
		Less:		
(19,013)		Allowances and Reliefs	(23,963)	
(55)	(19,068)	Provision for Bad Debts	(869)	(24,832)
	103,544	Income from Ratepayers		114,442
	(443)	Less Costs of Collection		(444)
	103,101	Payment to NNDR Pool		113,998

The total non-domestic rateable value at 31 March 2006 is £343,825,236, and the national multiplier applicable for 2005/06 is 42.2p (41.5p for small businesses).

3. Estimated deficits and surpluses

Regulations require the authority to make estimates in January 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 2005 there was an estimated surplus of £0.45m in respect of council tax transactions and £0.03m in respect of community charge.

4. Year End Surplus

The £2.948m surplus which had accrued at the year end is in respect of Council Tax transactions and will be distributed in subsequent years to the Council's General Fund, 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 2006. Company turnover for the year ended 31 March 2006 was £966,128 (£1,901,407 in 2004/05).

On 22 May 2005 the Board of Directors agreed to the voluntary winding up of the Company in order to recover substantial VAT payments and also in response to the Children's Act 2004 which bases Children's Trusts in Local Government and places a range of statutory requirements on Councils.

On 12 July 2005 Trafford Council's Management Executive approved the transfer of the Connexions sub-contract and all staff currently employed by the Company to the Council on 1 October 2005. The Company has now ceased to trade. The Management Executive also approved that the Council accept all responsibilities, obligations, assets and liabilities of the Trafford Connexions Service on transfer to the Council.

An Extraordinary General Meeting of Company members on 19 June 2006 formally voted to wind the Company up and liquidators will now proceed with their legal obligations. This will take a number of months before the liquidator will issue a formal winding up statement.

Accounting Policies

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

FRS17 Disclosures

As all staff, assets and liabilities of the Company transferred to the Council on 1 October 2005, the accounts of the Council already reflect the Financial Reporting Standard 17 pension disclosures of former Trafford CYPS Ltd. employees.

The accounting policies included in the accounts of the Trafford CYPS Ltd. are as follows:

Accounting convention

Trafford CYPS Ltd. is in the process of formally winding up, and the Company financial statements are not to be externally audited for the year ended 31 March 2006. However, financial statements have been drawn up for the year to enable consolidation with Trafford MBC group accounts in accordance with the Code of Practice on Local Authority Accounting.

Turnover

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

Tangible fixed assets

The company has no tangible fixed assets as at 31 March 2006.

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). All staff and pension liabilities transferred to Trafford MBC on 1 October 2005.

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.

2005	Year ended 31 March	2006	Income £000	Expenditure £000	Net Expenditure £000
	Service	Notes			
	Continuing Operations	1			
15,394	Central Services to the Public		12,954	25,053	12,099
27,415	Cultural, Environmental and Planning Services		16,019	46,698	30,679
118,707	Education Services	2	41,771	162,691	120,920
9,805	Highways, Roads and Transport Services		3,567	14,360	10,793
2,693	Housing Services		40,470	43,326	2,856
52,197	Social Services		31,501	88,483	56,982
3,677	Corporate and Democratic Core		89	4,478	4,389
3,469	Non distributed costs		916	2,639	1,723
233,357	Total Continuing Operations		147,287	387,728	240,441
	Discontinuing Operations				
(897)	HOUSING REVENUE ACCOUNT		71	403	332
232,460			147,358	388,131	240,773
6,148	Interest Payable				4,338
(2,860)	Interest and investment income				(3,148)
(1,097)	Surplus/Deficit of Trading Undertakings or other operations (including dividends)				(1,564)
(3,234)	Pensions interest cost and expected return on assets				0
231,417	NET OPERATING EXPENDITURE				240,399
647	Surplus/(Deficit) transferred to/(from) HRA balances				(131)
(187)	Contribution to/(from) schools reserves				1,613
953	Contributions to/(from) earmarked reserves				(557)
(11,018)	Contributions to/(from) the Capital Financing Account				(10,815)
(357)	Contribution from Pensions Reserve				(430)
221,455	AMOUNT TO BE MET FROM GOVERNMENT AND LOCAL TAXPAYERS	3			230,079
(64,279)	Precept demanded from the Collection Fund				(68,366)
(69)	Collection Fund transfer for the previously estimated surplus				(411)
(98,190)	Revenue Support Grant				(94,859)
(58,596)	Contribution from non-domestic rate pool				(70,572)
321	(SURPLUS)/DEFICIT FOR THE YEAR				(4,129)
9,356	General Reserve balance at 1 April				11,560
(321)	Surplus / (Deficit) for the year				4,129
2,525	Earmarked reserves				(10,192)
11,560	General Reserve Balance at 31 March				5,497

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 £17.200m as follows, and is offset by a corresponding removal of the asset management revenue account adjusting transfer:

Central Services to the Public £0.510m
Cultural, Environmental and Planning Services £2.349m
Education Services £6.131m
Highways, Roads and Transport Services £6.339m
Housing Services £0.003m
Social Services £1.870m

2. Education Service

The operating expenditure and income of the Trafford CYPS Ltd. has been included within Education above. Gross expenditure of £0.966m and gross income of £0.966m has been included.

3. Amounts to be met from Government and Local Taxpayers

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

4. Related Parties

The Council's nominated member of the Children and Young People's Service Ltd. in 2005/06 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 2006:

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

In the period to 1 October 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 £25k. 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 1 October 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 £8k. Youth Service managers also occupy office space, which is paid for from the Connexions budget: the value of this is estimated at £4k.

TMBC has received rent and service charges from the Company in 2005/06. The lease for 122 Chester Road and the 3rd Floor of Arndale House were assigned to TMBC with effect from 1 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.

2005		Year ended 31 March		2006	
£000	£000		Note	£000	£000
Fixed Assets					
1,137		Intangible Fixed Assets		1,080	
237,185		Other Land and Buildings		238,575	
122,150		Infrastructure Assets		124,060	
3,485		Vehicles, Plant & Equipment	1	5,657	
8,649		Community Assets		9,668	
<u>33,783</u>	406,389	Non-operational Assets		<u>34,011</u>	413,051
	10,214	Long Term Investments			10,214
	<u>20,301</u>	Long Term Debtors & Prepayments			<u>19,139</u>
	436,904	Total Long Term Assets			442,404
Current Assets					
561		Stocks and Work in Progress		462	
40,845		Debtors	2	36,735	
4,234		Cash in Hand and Imprests	3	4,281	
46,300	91,940	Short Term Investments		68,380	109,858
	528,844	TOTAL ASSETS			552,262
Current Liabilities					
(464)		Borrowing - amounts falling due within one year		(166)	
(36,969)		Creditors	2	(38,795)	
<u>0</u>	(37,433)	Cash Overdrawn		<u>0</u>	(38,961)
	491,411	Total Assets Less Current Liabilities			513,301
	(74,204)	Long Term Liabilities			(92,535)
	(3,985)	Deferred Income	1		(3,519)
Provisions					
(8,273)		Insurance Fund		(8,286)	
<u>(1,275)</u>	(9,548)	Other		<u>(800)</u>	(9,086)
	(81,273)	Liability related to a defined benefit pension scheme			(105,400)
	322,401	Total Assets Less Liabilities			302,761

Fund Balances and Reserves					
2005		Year ended 31 March		2006	
£000	£000		Note	£000	£000
	87,503	Fixed Asset Restatement Account			82,044
	250,267	Capital Financing Account			246,303
	11,560	General Reserve			5,497
	3,614	Housing Revenue Account			3,484
	6,905	Schools			8,518
	2,465	Collection Fund Surplus			2,948
	7,431	Earmarked Reserves			17,980
	(81,273)	Pension Reserve			(105,400)
	0	Usable Capital Receipts			1,216
	1,843	Housing Major Repairs Reserve			164
	8,458	Capital Grants & Contributions			8,882
	(6,981)	Deferred Premiums			(6,797)
	24,857	Government Grants Deferred			32,168
	5,752	Other Balances			5,754
	322,401	Total Equity			302,761

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 2006 is £nil (£0.070m at 31 March 2005). At 31 March 2005 deferred income in the form of grants for fixed assets is included in the balance sheet for the same amount of £0.070m. There is no deferred income at 31 March 2006.

2. Debtors and Creditors

Debtors of £285 and creditors of £1,281 have been included relating to the Trafford CYPS Limited.

3. Cash in Hand

Cash in hand for the Trafford CYPS Limited at 31 March 2006 is £996 (£303,368 at 31 March 2005).

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 contributed to the Greater Manchester Pension Fund as an admitted body.

In 2005/06, 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. All staff have transferred to Trafford MBC from 1 October 2005 and the pension asset/liability is included within the Trafford MBC balance sheet as at 31 March 2006.

5. Post Balance Sheet Events

Trafford Children and Young People's Service Ltd.

The Trafford Connexions contract was transferred to the Council from 1 October 2005 (at which point all liabilities and responsibilities also transferred). The Company has now ceased to trade. An Extraordinary General Meeting of Company members on 19 June 2006 formally voted to wind the Company up and liquidators will now proceed with their legal obligations. This will take a number of months before the liquidator will issue a formal winding up statement.

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		2005/06
£000		£000
(12,113)	Revenue Activities (note 1)	
	Net Cash (Inflows)/Outflows: Revenue Activities	(14,303)
	Investments and Servicing of Finance	
6,396	Interest paid	4,088
(2,998)	Interest received	(3,433)
<u>3,398</u>	Net Cash Outflow From Investments/Servicing of Finance	<u>655</u>
	Capital Activities	
	<u>Cash Outflows</u>	
25,750	Purchase of fixed assets	27,910
9,379	Other Capital cash payments	215
	<u>Cash Inflows</u>	
(19,530)	Sale of fixed assets	(7,223)
(34,982)	Capital grants and contributions received	(11,349)
<u>(19,383)</u>	Net cash (Inflow)/Outflow from capital activities	<u>9,553</u>
	Acquisitions and Disposals	
	<u>Cash Inflows</u>	
0	Sales of Investments in Joint Ventures & Associates	0
<u>(28,098)</u>	Net cash (Inflow)/Outflow before financing (notes 2 & 3)	<u>(4,095)</u>
	Management of Liquid Resources	
(11,069)	Increase/(decrease) in short-term deposits	22,080
	Financing	
52,569	<u>Cash Outflows</u> – Repayments of amounts borrowed	1,467
(15,000)	<u>Cash Inflows</u> – New Loans raised	(19,500)
<u>37,569</u>	Net cash (Inflow)/Outflow from Financing	<u>(18,033)</u>
<u>(1,598)</u>	(Increase)/decrease in cash	<u>(48)</u>

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:

	2004/05			2005/06
	£000			£000
321		Deficit/(Surplus) per Group Income & Expenditure Account		(4,129)
	(2,032)	Deficit/(Surplus) on Collection Fund		(483)
	(1,711)			(4,612)
	(3,398)	Interest		(655)
		Add non cash movements in revenue account:		
(2,727)		Contributions to reserves	491	
(3,908)		Financing of capital expenditure	(1,712)	
(3,128)	(9,763)	Contributions to provisions	(1,731)	(2,952)
		Items on an accruals basis:		
11		Net increase/(decrease) in stock	(99)	
1,366		Net increase/(decrease) in debtors	(4,550)	
1,382	2,759	Net (increase)/decrease in creditors	(1,435)	(6,084)
	(12,113)	Net cash inflow on revenue activities		(14,303)

2. Movement in Net Debt

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

	2004/05		2005/06
	£000		£000
1,598		Increase/(decrease) in cash	48
(11,069)		Net increase/(decrease) in liquid resources	22,080
37,569		Net (increase)/decrease in borrowing	(18,033)
	28,098	Movement in net debt for the year	4,095
(52,233)		Net debt at the beginning of the year	(24,135)
	(24,135)	Net debt at the end of the year	(20,040)

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.

	Balance at	Movement in	Balance at
	31.03.05	year	31.03.06
	£000	£000	£000
Cash in hand (Trafford Council)	3,930	350	4,280
Cash in Hand (Trafford CYP Company)	303	(302)	1
Cash Overdrawn	0	0	0
Borrowing repayable within 12 months	(464)	298	(166)
Long term borrowing	(74,204)	(18,331)	(92,535)
Short term investments	46,300	22,080	68,380
Net Debt	(24,135)	4,095	(20,040)

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 Pensions Reserve and reflects the transfer of all pension assets/liabilities to Trafford MBC on 1 October 2005.

2004/05		2005/06
£000		£000
	Surplus/(deficit) for the year:	
2,204	General Fund	(6,063)
682	Housing Revenue Account	(130)
3,206	Add back Movements on specific revenue reserves	12,645
(587)	Deduct Appropriation from pensions reserve (note 1)	(431)
(344)	Difference in actual to estimated Pension contributions	231
(54,210)	Actuarial gains and losses relating to pensions (note 1)	(23,927)
(49,049)	Total increase/(decrease) in revenue resources	(17,675)
(7,712)	Increase/(decrease) in usable capital receipts	1,216
(2,454)	Increase/(decrease) in unapplied capital grants & contributions	424
(10,166)	Total increase/(decrease) in realised capital resources	1,640
(286,129)	Gains/(losses) on revaluation of fixed assets	(878)
0	Impairment losses on fixed assets due to general changes in prices	0
(286,129)	Total increase/(decrease) in unrealised value of fixed assets	(878)
(20,778)	Value of assets sold, disposed of or decommissioned	(4,580)
17,747	Capital receipts set aside	5,793
(3,187)	Revenue resources set aside	(6,256)
9,428	Movement on Government Grants Deferred	7,311
18,202	Other movements on Capital Financing Reserve	(3,500)
1,311	Movements on Major Repairs Reserve	(1,679)
43,501	Total increase / (decrease) in amounts set aside to finance capital investment	1,669
248	(Increase)/Decrease in deferred premiums	184
(322,373)	Total recognised gains and (losses)	(19,640)

notes to the group statement of 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 2005/06	4,129	(130)		
Appropriations (to)/from revenue	(10,192)		12,645	(431)
Pension Reserve appropriation from revenue - Trafford CYPS Ltd.				
Actuarial gains and losses relating to pensions :				
- Trafford MBC				(24,400)
- Former Trafford CYPS Ltd.				473
Differences in actual to estimated pension contributions				231
Movement in year	(6,063)	(130)	12,645	(24,127)
Balance brought forward at 1 April 2005	11,560	3,614	16,801	(81,273)
Balance carried forward at 31 March 2006	5,497	3,484	29,446	(105,400)

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 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.

Large Scale Voluntary Transfer (LSVT)

This is the name given to the process of transferring the Council housing stock out of Council ownership into another not for profit social housing organisation, such as a housing association.

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 ODPM into which are paid business rates collected by local authorities. The ODPM pay out of the fund a per capita amount to all local authorities.

ODPM (Office of the Deputy Prime Minister)

This is the government department which had the main responsibility for local government in 2005/06. This has subsequently been replaced by the Department for Communities and Local Government (DCLG).

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 (RSG)

A grant paid by central government to aid local authority expenditure generally.

Revenue Contributions

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

Revenue Expenditure

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

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method 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.