



TRAFFORD
COUNCIL

ACCOUNTS

2007

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foreword by the director of finance

Introduction

The Accounts 2007 ("Accounts") contains a summary of the Council's financial performance for the year ended 31 March 2007. A summary of service performance is provided in the Council's Annual Report and Compendium of Best Value Performance Indicators, which can be found on the Council's website.

The accounts have been prepared in accordance with the Accounts and Audit Regulations (1996 & 2003), and the Statement of Recommended Practice (SORP, published by Chartered Institute of Public Finance and Accountancy), and follow a prescribed format. The prescribed format has changed significantly since last year, which reflects changes in the SORP to bring local authority accounts more in line with the private sector. This is discussed further below.

Brief Guide to Accounts Contents

A glossary of terms can be found on pages 70 to 73.

A description of the responsibilities of the Council regarding the Accounts 2007 is provided at page 6, and the Audit certificate can be found at page 7.

Pages 62 to 69 contain the Council's own Statement on the Internal Control (SIC) environment operating during the period of the Accounts. The Accounts are drawn from systems which in themselves must operate satisfactorily in order for the figures to be true and dependable. The SIC outlines any issues of importance with regard to those systems and practices that have a bearing on the Accounts.

On occasions there can be choices in accounting conventions that would be more practical for a given organisation in order for it to show a truer reflection of economic activity or value. The choices made by the Council are outlined in the Accounting Policies on pages 8 to 11.

The major changes to the accounts in accordance with the new SORP relate to the replacement of the Consolidated Revenue Account with the Income and Expenditure Account, plus the Statement

of Total Movement in Reserves has been replaced by the Statement of Total Recognised Gains and Losses (STRGL).

The Income and Expenditure Account (page 12) shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed;
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The STRGL (page 13) brings together all the gains and losses of the Council for the year and shows the aggregate increase in the net worth on the Balance Sheet.

There has been one other major change to revenue accounting in that the Asset Management Revenue Account has now been dispensed with. Previously a notional interest charge representing rental or use of fixed assets was charged to each service. As this charge was not real, it was then removed through the Asset Management Revenue Account below the stated net cost of services but before it impacted on the level of Taxation. This notional charge inflated the cost of services significantly, and so year-on-year comparisons need to take this into account.

The net worth of the Council, assets less liabilities, is contained within the Balance Sheet on pages 14 to 15. The Balance Sheet for 2005/06 has been restated to include an asset of £7.663m for land at Manchester Airport, previously excluded from the accounts (note 19, page 27).

Explanatory notes to the primary statements are provided on pages 17 to 54. These notes expand on the figures, providing greater detail and information as prescribed or as necessary.

The Cash Flow statement (page 16) and the Statement of Total Recognised Gains & Losses (page 13) provide summary figures on the total movements in cash and the net worth of the Balance Sheet respectively between the 1 April 2006 and 31 March 2007.

A statement on capital expenditure during the year and how this was funded can be found on pages 57 to 58.

The final statement is that for the Collection Fund. The Council has the responsibility for collecting all council tax due in the Borough not only for the Council itself but also for the GM Police Authority and the GM Fire & Rescue Authority. The Collection Fund accounts for all movements in Council Tax collected and distributed, as well as allowable costs chargeable by the Council to the fund.

General Fund

The original budget was set by the Council on 22 February 2006 in the sum of £136.895m. This resulted in a Band D Council Tax of £940.44 for services which are the responsibility of the Council to deliver, or £1,097.49 when precepts for the Greater Manchester Police and Fire and Rescue Authorities are included. This is £135.37 (11.0%) below the average tax level of Metropolitan Authorities.

The 2006/07 budget of £136.895m was financed from the following sources:

	£m
Government RSG	9.9
Redistributed Business Rates	51.5
Council Tax	73.9
Reserves	1.6
	136.9

The apparent year-on-year reduction in net expenditure for Education Services and also in the income from Revenue Support Grant is mostly due to the introduction of Dedicated Schools Grant, discussed further on in the foreword.

Monthly budget monitoring took place from July 2006. The actual spending in the year was £135.028m, representing an underspend on planned activity of £1.867m:

	Original Budget £m	Actual £m
Trafford Services		
- Children & Young People's Service	37.2	36.2
- Community Services & Social Care	55.9	56.1
- Prosperity, Planning & Development	32.4	32.9
- Customer & Corporate Services	7.6	7.4
- Corporate	(17.5)	(18.9)
Levies:		
Passenger Transport	12.2	12.2
Waste Disposal	9.0	9.0
Flood Defence	0.1	0.1
	136.9	135.0

The major variations from the original budget are:

	£m
Demand led Social Services:	
- Children	(0.9)
- Elderly	0.5
- Mental Health	0.2
- Other Adult *	(0.1)
Investment Income	(1.8)
Property Rental Income	0.2
ICT Infrastructure	0.2
Debt Recovery Costs	(0.2)
Ex-Council House Sales	(0.2)
Benefit Grant	0.1
Tree Storm Damage	0.1
	(1.9)

* Additional budget of £0.8m was provided for Learning Disabilities from contingency, reducing an overspend position.

Included in the above is £0.6m of net service underspends and these will be carried forward into 2007/08, to be spent by the respective services in addition to the approved budget.

The Statement of Movement on the General Fund Balance (page 13) shows a net increase of £(2.1)m which also

includes the movement in schools balances and transfers between reserves.

General Reserve

It is a requirement to maintain a General Reserve that will reasonably meet unforeseen expenditure and provide sufficient working capital. The Council set the minimum level for the General Reserve at £5.0m on 21 February 2007. The balance at the start of the year was £5.497m. The balance at the end of the year of £7.840m includes the 2006/07 underspend and a net transfer from earmarked reserves of £2.329m.

The approved base budget for 2007/08 includes for the use of £0.920m of General Reserve, and the Medium Term Financial Plan assumes a further use of £1.365m in the period 2007/10. Should there be no other movements, this would leave a General Reserve of £5.555m at the end of the MTFP period, £0.555m above the minimum set by Council.

Trading Organisations

The Council maintains a number of trading operations (see note 5 page 19).

These trading operations made a surplus in the year on normal activity of £24k.

Capital Investment

Capital expenditure for the year amounted to £38.9m, details of which can be found on pages 57 to 58:

Expenditure	£m
Schools investment	14.4
Highways improvements	6.5
Home Owner Loans	4.6
Sport & Recreation	3.7
Equal Pay	3.4
Social Services' Care Homes	1.2
Town Centre Regeneration	1.8
Supporting infrastructure	3.3
	38.9

This expenditure was financed by:

	£m
Borrowing	19.0
Grants and Contributions	16.7
Capital Receipts	3.0
Earmarked Reserves	0.2
	38.9

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

The capital programme is in part supported by the Land Sales Programme (disposal of fixed assets), and in 2006/07 some £3.1m of capital receipts were generated:

	£m
Surplus fixed assets:	
- Land	1.8
- Buildings	0.8
Mortgages & Grant Recoupment	0.5
	3.1

The future investment plans of the Council, determined in accordance with the Capital Strategy, are valued at £123.0m to be financed by:

	£m
Grants and Contributions	66.0
Borrowing	32.0
Capital Receipts	23.0
Reserves	2.0
	123.0

Treasury Management

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

For 2006/07 the Council set an authorised borrowing limit of £135.0m, and the maximum amount of long term loans was £92.7m with an average of £92.6m. There was limited activity with regard to debt management in the year, with only £0.2m of annuity loans with the Public Works Loans Board (PWLb) maturing. However, an increase in the average loan rate occurred due to step loans moving into the higher rate second period:

	1.04.06	31.03.07
Average weighted maturity of long term loans (in years)	23.0	23.0
Number of loans	38	38
Value of loans	£92.7m	£92.5m
Average loan rate	5.78%	6.00%

Further details can be found in note 40 on page 37.

The Council operates its own trading function for the investment of surplus cash deposits. With average balances of £75.0m the Council made 286 short term deals on the money market or direct to institutions of high credit rating, at an average investment rate of 4.85% which is 0.04% above the market benchmark (London Inter-bank BID rate). Further details can be found in note 8 on page 20.

Collection of Council Tax and Business Rates

The Council collects Council Tax on behalf of itself, GM Police Authority, GM Fire and Rescue Authority, and Partington Town Council. It collects National Non-Domestic Rates (NNDR) on behalf of the Government on an agency basis.

A total of £76m of Council Tax was collected, a performance of 96.3%. Details of the Collection Fund can be found on page 59, which shows a surplus available to the precepting bodies of £3m.

£123m of NNDR was collected, a performance of 98.7%. This is paid to the Government and re-distributed to all local authorities through a national formula, from which the Council received £51m in 2006/07.

Net Pensions Asset / Liability

The Council participates in the Local Government Pension Scheme, administered by Tameside Metropolitan Borough Council. At 31 March 2007 the Council had a net liability for pensions of £62.7m, which compares with £86.6m at 31 March 2006.

The Council also has liabilities for the Teachers Pension Scheme, administered nationally by the Teachers Pension Agency. Liabilities at 31 March 2007

totalled £18.6m, which compares with £18.8m at 31 March 2006.

The Council's overall net pensions asset/liability is explained further in note 52.

The Council is not required to meet its outstanding pension liabilities immediately, but pays towards those liabilities over a number of years at a rate determined by the pension authority's actuary. In addition, the assets of the pension fund change in value considerably year-on-year as investment markets fluctuate.

Significant Business Changes, Exceptional and Extraordinary Activity

As a consequence of the Equal Pay Act, the Council was advised that a significant liability for back-pay could arise for some workers. Following an assessment of the potential liability, key workers have been offered compensation for up to six years. At 31 March 2007 the Council had incurred costs, including tax and administration, of £5.9m, of which £3.4m was capitalised. The remaining liability and potential costs have been provided for in terms of a Provision (page 38) and an Earmarked Reserve (page 43) totalling £1.5m.

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

Following the transfer of the housing stock to Trafford Housing Trust on 14 March 2005, the Secretary of State legally closed the Housing Revenue Account on 5 April 2006. There has been no significant activity on this revenue account.

Although not trading, Trafford Children & Young People Service Ltd still existed throughout the year, being officially wound up by the appointed Receiver on 6 July 2007. Other than the Receivers' costs there has been no significant activity within this wholly owned company. The services that were provided through this company have been directly undertaken by the

Council all year and are shown in the main statements.

Whereas previously schools' were mainly funded through Government General Grant, for 2006/07 the Government introduced the Dedicated Schools Grant (DSG). This grant is a specific grant and cannot be used for any other purpose than schools' related expenditure and any under or over spending is transferred from one year to the next through schools' balances.

Specific grants are treated as income, and have the effect of reducing net expenditure and thus the overall Council budget. The level of DSG awarded to Trafford, £115.6m, has therefore reduced the year-on-year budget and the level of General Government Grant by the same amount.

Changes to Accounting Policies

The new SORP has required a number of accounting changes which have been incorporated into the Council's accounting policies. More detail can be found in the relevant section of the Accounts 2007 on pages 8 to 11.

In summary the areas of change are:

- Charging notional interest for use of fixed assets has ceased;
- Deferred capital charges are shown in the Income and Expenditure account gross of related government grants, with the grants now shown in gross income;
- Profit or loss on the disposal of a fixed asset is now to be charged to the Income and Expenditure Account;
- Receipts from the housing stock transfer development agreement are now included in the Balance Sheet as Capital Grants and Contributions rather than Usable Capital Receipts;
- Government Grants Deferred and Capital Grants and Contributions are now included in the Balance Sheet as Long-Term Liabilities rather than in Fund Balances and Reserves;
- Premiums for the early repayment of debt are now included in the Balance Sheet as Long-Term Assets rather than in Debtors and Fund Balances and Reserves;
- The Collection Fund surplus has been disaggregated in the Balance Sheet between that attributable to the Council, which remains in Fund Balances and Reserves, and that attributable to the GM Police and Fire & Rescue Authorities, which is now included in Creditors.
- The valuation of land at Manchester Airport, which is now included in the accounts, has been provided by Manchester City Council's Valuer in 2005/06 based on the market value of this land. All other asset valuations are undertaken by the Council's qualified internal valuer.

**Ian Duncan CPFA
Director of Finance
18 September 2007**

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 2007, and its income and expenditure for the year ended 31 March 2007.

**Ian Duncan CPFA
Director of Finance,
18 September 2007**

By Chairman of the Accounts & Audit Committee

I confirm that these accounts were approved by the Accounts & Audit Committee at the meeting held on 26 September 2007.

**Councillor Michael Young
Chairman of the Accounts & Audit
Committee
26 September 2007**

Audit opinion

These accounts have been audited and the District Auditor's Certificate and Opinion is shown on the next two pages.

Independent auditor's report to the Members of Trafford Metropolitan Borough Council

Opinion on the financial statements

I have audited the financial statements of Trafford MBC for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund, 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 2006 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 present 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 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the 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 content of the Annual Report. 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 2006, the financial position of the Authority as at 31 March 2007 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

28 September 2007

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 accruals 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:

- Charging notional interest for use of fixed assets has ceased;
- Deferred capital charges are shown in the Income and Expenditure account gross of related government grants, with the grants now shown in gross income;
- Profit or loss on the disposal of a fixed asset is now to be charged to the Income and Expenditure Account;
- Receipts from the housing stock transfer development agreement are now included in the Balance Sheet as Capital Grants and Contributions rather than Usable Capital Receipts;
- Government Grants Deferred and Capital Grants and Contributions are now included in the Balance Sheet as Long-Term Liabilities rather than in Fund Balances and Reserves;
- Premiums for the early repayment of debt are now included in the Balance Sheet as Long-Term Assets rather than in Debtors and Fund Balances and Reserves;
- The Collection Fund surplus has been disaggregated in the Balance Sheet between that attributable to the Council, which remains in Fund Balances and Reserves, and that attributable to the major precepting authorities, which is now included in Creditors.

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

Recognition

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.

Measurement

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, intangibles and community assets which are shown at historical cost.

Assets are revalued on a five-year rolling programme and any resulting change in value is debited or credited to the Fixed Asset Restatement Account as appropriate. These revaluations are undertaken by a qualified internal valuer, with the exception of land relating to Manchester Airport, which is included in the accounts from a valuation provided by Manchester City Council's Valuer in 2005/06, based on the market value of the land. Assets acquired are included at their cost of acquisition until re-valued.

Charges to Revenue for the use of Fixed Assets

These are made to the users of fixed assets and are based on the opening balance sheet value of the asset. Where assets are revalued during the year charges are based on the revaluation amount.

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 20 years.

Assets have been reviewed for any impairment loss in respect of consumption of economic benefit. Where an impairment loss has occurred it has been charged to the service revenue account. Other impairments caused by a general fall in prices are reflected in the Fixed Asset Restatement Account.

The requirement to make a notional interest charge was removed with effect from 1 April 2006.

Any charges for the use of fixed assets with the exception of external interest payments have a neutral impact on the amount to be raised from local taxation.

Accounting for Disposals of Fixed Assets

When assets held at current value are disposed of or decommissioned, the value of the asset in the Balance Sheet is

reviewed. Any resultant profit or loss on the disposal is reflected in the Income & Expenditure Account, with a reconciling item included in the Statement of Movement on the General Fund Balance.

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.

Deferred Charges

Deferred charges represent expenditure which may properly be capitalised, but which do not represent tangible fixed assets. They are amortised 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 relevant service 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 and each subsequent break date thereafter. 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 Income & Expenditure 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. These were previously included in the Balance Sheet as Debtors and Fund Balances & Reserves, but are now included as Long-Term Assets, in accordance with the changes in the 2006 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 and charged to the Statement of Movement on the General Fund Balance.

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 2006/07 the discount rate employed is the yield available on long-dated, high quality corporate bonds at the valuation date of 31 March 2007 (which was 5.4% per annum, 4.9% as at 31 March 2006).

The service cost takes no account of the removal of the Rule of 85 for new members from 1 October 2006. An allowance has been made for exchanging (commuting) part of the LGPS pension for additional cash for retirements with effect from 6 April 2006 and for life expectancy

improvements. The service cost figures include an allowance for administration expenses of 0.2%.

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 Services Ltd. in June 2002. However, this has ceased trading for the whole of the year and was officially wound up by the Receiver on 6 July 2007.

The Council owns minority interests in a small number of companies, mainly arising

from the dissolution of the former Greater Manchester County Council.

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.

income & expenditure account

About this Account

The Income & Expenditure Account brings together the transactions in the year on the Council's General Fund.

2006 Restated	Year ended 31 March		2007		
Net Expenditure £000	Service	Note	Expenditure £000	Income £000	Net Expenditure £000
CONTINUING OPERATIONS:					
2,126	Central Services to the Public	1a	16,605	(13,423)	3,182
30,384	Cultural, Environmental and Planning Services	1b	49,652	(15,242)	34,410
120,920	Education Services	1d	180,216	(163,686)	16,530
20,114	Highways, Roads and Transport Services	1c	27,261	(4,494)	22,767
2,856	Housing Services		48,864	(45,628)	3,236
56,982	Social Services		93,722	(31,708)	62,014
0	Exceptional Item - cost of Equal Pay compensation	3	6,869	(719)	6,150
0	Exceptional Item - Government grants deferred	3	0	(1,281)	(1,281)
4,389	Corporate and Democratic Core	1e	6,881	(25)	6,856
2,424	Non distributed costs		4,842	(126)	4,716
240,195	NET COST OF CONTINUING OPERATIONS		434,912	(276,332)	158,580
DISCONTINUING OPERATIONS:					
333	Housing Revenue Account		0	0	0
240,528	NET COST OF SERVICES		434,912	(276,332)	158,580
0	Loss on the disposal of Fixed Assets				0
0	Parish Council Precepts	6			77
(1,565)	(Surplus)/deficit of Trading Undertakings or other Operations (including dividends)	5			(1,274)
4,335	Interest payable & similar charges				4,703
215	Contribution of housing capital receipts to Government Pool	7			171
(3,149)	Interest & investment income	8			(3,638)
0	Pensions interest cost and expected return on assets	52			(600)
240,364	NET OPERATING EXPENDITURE				158,019
(68,777)	Precept demanded from the Collection Fund	57a			(73,988)
(94,858)	General Government Grants	57b			(11,119)
(70,572)	Non-Domestic Rates redistribution				(51,495)
6,157	(SURPLUS)/DEFICIT FOR THE YEAR				21,417

statement of movement on the general fund balance

About this Account

The Income & Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed;
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income & Expenditure Account, but is met from the Usable Capital Receipts balance rather than council tax;
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income & Expenditure Account and the General Fund Balance.

2006		2007
£000	Note	£000
6,157	(Surplus)/Deficit for the year on the Income & Expenditure Account	21,417
(1,708)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(23,474)
4,449	(Increase)/Decrease in General Fund Balance for the year (including schools)	(2,057)
(18,465)	General Fund Balance brought forward	(14,016)
(14,016)	General Fund Balance carried forward	(16,073)
(8,518)	Amount of General Fund Balance held by Governors under schemes to finance schools	(8,232)
(5,498)	Amount of General Fund Balance generally available for new expenditure	(7,841)
(14,016)		(16,073)

statement of total recognised gains & losses

About this Account

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its Net Worth. In addition to the surplus generated on the Income & Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2006		2007
£000	Note	£000
6,157	(Surplus)/Deficit for the year on the Income & Expenditure Account	21,417
(7,584)	(Surplus)/Deficit arising on revaluation of fixed assets	(3,998)
24,400	Actuarial (gains)/losses on pension fund assets and liabilities	(29,400)
(1,159)	Any other (gains) and losses required to be included	(1,647)
(437)	Movement on Collection Fund Balance (gain)/loss	(2)
21,377	Total recognised (gains)/losses for the year	(13,630)

balance sheet

About this Account

The Balance Sheet brings together the assets and liabilities of all activities of the Council. The 2006 balance sheet reflects a prior period adjustment relating to the inclusion of land at Manchester Airport – the figures for Fixed Assets Investment Properties and the Fixed Asset Restatement Account have been restated accordingly (see note 19, page 27).

2006		Year ended 31 March	2007		
Restated	£000		Note	£000	£000
		Fixed Assets	19		
1,080		Intangible Fixed Assets		1,356	
		Tangible Fixed Assets			
		Operational Assets:			
238,575		- Other Land and Buildings		237,508	
5,657		- Vehicles, Plant, Furniture & Equipment		5,999	
124,060		- Infrastructure Assets		127,204	
9,668		- Community Assets		11,497	
		Non-operational Assets:			
34,127		- Investment Properties		33,037	
2,869		- Assets under Construction		1,970	
4,678		- Surplus Assets		20,100	
	420,714	Total Fixed Assets			438,671
	10,214	Long Term Investments	32		10,214
	19,139	Long Term Debtors & Prepayments	33		18,557
	6,981	Deferred Premiums on the early repayment of debt	34		6,797
	457,048	Total Long Term Assets			474,239
		Current Assets			
462		Stocks and Work in Progress		510	
36,551		Debtors	35	31,991	
68,380		Investments	36	52,250	
4,280	109,673	Cash and bank		4,069	88,820
	566,721	Total Assets			563,059
		Current Liabilities			
(166)		Short-term borrowing		(183)	
(39,192)		Creditors	37	(35,793)	
0	(39,358)	Bank overdraft		0	(35,976)
	527,363	Total Assets Less Current Liabilities			527,083

2006 Restated		Year ended 31 March	Note	2007	
£000	£000			£000	£000
Long-Term Liabilities					
(92,535)		Long-Term Borrowing	40	(92,352)	
(9,086)		Provisions	41/42	(10,194)	
(32,168)		Government Grants Deferred	43	(40,264)	
(9,796)		Capital Grants and Contributions		(11,583)	
(3,520)		Deferred Liabilities	38	(2,899)	
(5,753)		Other Balances		(5,756)	
(105,400)	(258,258)	Liability related to defined benefit pension scheme	52	(81,300)	(244,348)
269,105		Total Assets Less Liabilities		282,735	
Financed by:					
89,707		Fixed Asset Restatement Account	46 (a)	91,680	
246,303		Capital Financing Account	46 (b)	237,132	
302		Usable Capital Receipts Reserve	46 (c)	203	
(105,400)		Pensions Reserve	52	(81,300)	
5,498		General Fund Balance		7,841	
8,518		General Fund Balance (Schools)	51	8,232	
2,550		Collection Fund	55	2,552	
3,484		Housing Revenue Account Reserve		0	
163		Housing Major Repairs Reserve		131	
17,980		Earmarked Reserves	46 (e)	16,264	
269,105		Total Net Worth		282,735	

Ian Duncan CPFA
Director of Finance
18 September 2007

cash flow statement

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

2005/06 £000		2006/07 £000
	Revenue Activities (note 53 (a))	
	<u>Cash Outflows</u>	
175,540	Cash paid to and on behalf of employees	190,772
150,478	Other operating costs	166,228
37,010	Housing Benefit paid out	39,114
215	Payments to the Capital Receipts Pool (note 53 (f))	171
11,523	Precepts paid from Collection Fund	12,342
114,442	Payments to NNDR pool	122,927
		531,554
	<u>Cash Inflows</u>	
(70,930)	Council Tax	(76,580)
(94,859)	Revenue Support Grant	(11,119)
(70,572)	Redistributed Non-Domestic Rates	(51,495)
(46,880)	DWP Grants for Benefits (note 53 (e))	(46,783)
0	Dedicated Schools Grant (note 53 (e))	(115,557)
(46,895)	Other Government grants (note 53 (e))	(51,880)
(34,361)	Cash received for goods and services	(34,435)
(24,256)	Other revenue cash payments/income	(24,355)
(113,341)	Business Rates	(121,359)
		(533,563)
	Dividends from Joint Ventures & Associates	
(1,504)	Cash Inflows – Dividends Received	(1,250)
(14,390)	Net Cash (Inflows)/Outflows: Revenue Activities (note 53 (a))	(3,259)
	Investments and Servicing of Finance	
4,087	Interest paid	4,542
(3,431)	Interest received	(3,491)
656	Net Cash Outflow From Investments/Servicing of Finance	1,051
	Capital Activities	
	<u>Cash Outflows</u>	
27,907	Purchase of fixed assets	39,403
0	Other Capital cash payments	0
		39,403
	<u>Cash Inflows</u>	
(7,223)	Sale of fixed assets	(3,011)
(11,347)	Capital grants and contributions received	(18,009)
9,337	Net cash (Inflow)/Outflow from capital activities	18,383
	Acquisitions and Disposals	
	<u>Cash Inflows</u>	
0	Sales of Investments in Joint Ventures & Associates	0
(4,397)	Net cash (Inflow)/Outflow before financing (notes 53 (b) & (c))	16,175
	Management of Liquid Resources	
22,080	Increase/(decrease) in short-term deposits (note 53d)	(16,130)
	Financing	
1,467	<u>Cash Outflows</u> – Repayments of amounts borrowed	166
(19,500)	<u>Cash Inflows</u> – New Loans raised	0
(18,033)	Net cash (Inflow)/Outflow from Financing	166
(350)	(Increase)/decrease in cash	211

notes to the accounts

1. Services

Included are levies as follows:

2005/06 Expenditure £000		2006/07 Expenditure £000
109	Flood Defence (a)	114
9,240	Waste Disposal Authority (b)	9,040
9,973	Passenger Transport Authority (c)	12,227
19,322	Total	21,381

The Passenger Transport levy is now included within Highways, Roads and Transport, whereas in previous years this was shown under general levies in Central Services to the Public. The 2005/06 figures have been restated accordingly.

(d) Education Services

The year-on-year reduction in net expenditure reflects national changes in the funding arrangements for schools. Whereas schools were previously funded through General Government Grants, for 2006/07 the Government introduced the Dedicated Schools Grant (DSG), which is a specific grant and cannot be used for any other purpose than schools' related expenditure. The Council's award of DSG for 2006/07 was £115.6m. DSG is shown as income for the Education Service and there is a corresponding reduction in general government support through the Revenue Support Grant (note 57b) and Redistributed Non-domestic Rates, which are not service specific grants and, hence, shown after Net Operating Expenditure.

(e) Corporate and Democratic Core

In the past two years the cost of the bad debt provision for council tax liability order costs, which are added to individual council tax bills during the recovery process, has been charged in error to the Collection Fund rather than the General Fund. To correct the position a charge of £0.714m has been made against the General Fund.

2. Acquired, Discontinued Operations and Outstanding Liabilities

The HRA ceased to exist on 5 April 2006, following the issue of formal consent to close the account by the then Office of the Deputy Prime Minister. The Council's housing stock was transferred to Trafford Housing Trust on 14 March 2005 and the financial implications of the transfer have been highlighted in previous Statements of Accounts. There has been no activity on this account during 2006/07 and the remaining balances of £3.484m were transferred to the General Fund. A number of warranties were provided to Trafford Housing Trust and reference is made to these under Contingent Liabilities on pages 44 to 46. A review of the warranties has been undertaken in 2006/07 which identified that there is no change to the position as at 31 March 2007.

Although not trading, Trafford Children & Young People Service Ltd still existed throughout the year, being officially wound up by the appointed Receiver on 6 July 2007. Other than the Receivers' costs there has been no significant activity within this wholly owned company. The services that were provided through this company have been directly undertaken by the Council all year and are shown in the main statements.

3. Prior Period and Exceptional/Extraordinary Items

There is a prior period adjustment regarding land at Manchester Airport for which the 2005/06 Balance Sheet has been restated and which is further explained in note 19. There are other restatements of the 2005/06 figures which are in accordance with the changes to the Local Authority SORP, and includes the cessation of charging for notional interest for the use of fixed assets and other changes as set out in the Council's accounting policies.

As a consequence of the Equal Pay Act, the Council was advised that a significant liability for back-pay could arise for some workers. Following an assessment of the potential liability key workers have been offered compensation for up to six years. Up to June 2007 the Council believes that it has discharged 94% of this potential liability at a cost inclusive of tax and administration of £6.1m, of which £3.4m was capitalised. The remaining liability and potential costs of £1.5m have been provided for in terms of a Provision of £0.986m and an Earmarked Reserve of £0.546m (page 43).

There is a further exceptional item of £(1.281)m which relates to the writing down of government grants used to finance capital expenditure on fixed assets in previous years. The grants within this figure can not be identified to particular fixed assets, e.g. because they have been disposed of, and can not, therefore, be allocated to an individual service in the Income and Expenditure Account.

4. Undischarged Obligations arising from Long-Term Contracts

Private Finance Initiative (PFI) - The Council has 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. A number of surplus assets were transferred to the private sector partner at the commencement of the scheme, the value of which contributed to a reduction in the annual Unitary Service Payment to 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 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 £29m. 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.

5. Trading Undertakings and other 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.

2006 (Surplus)/ Deficit		2007 Turnover	2007 (Surplus)/ Deficit
£000	Year ending 31 March	£000	£000
(116)	Building Cleaning	2,347	(55)
54	Education Catering	4,862	31
(62)	Total	7,209	(24)

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, Highways 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).

During 2006/07 a share dividend of £1,250k was received from Manchester International Airport. For 2005/06 share dividends of £253k and £1,250k were received from Modesole and Manchester International Airport respectively.

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

2006 (Surplus)/ Deficit		Turnover	2007 (Surplus)/ Deficit
£000	Year ending 31 March	£000	£000
81	Markets	121	101
(932)	Commercial lettings (e.g. shops)	2,481	(844)
(851)	Total others	2,602	(743)

All the above figures are inclusive of depreciation.

6. Parish Council Precepts

Partington Town Council at its meeting of 25 January 2006 elected to set a precept of £77,175 which raised the level of council tax per Band D property in Partington by an additional £37.50 in 2006/07. This was the first year that the Town Council had elected to set a parish precept.

7. 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, are required to be paid to the Department for Communities and Local Government. This replaces the previous regulations whereby 75% of such receipts were required to be set aside by the Local Authority against the repayment of its own debt.

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

The amount paid to the pool in 2006/07 is £0.171m (£0.215m in 2005/06), and has a neutral effect on the Council's General Fund Balance.

8. Interest Received

During 2006/07 the average amount invested in the money market was £75.0m, at an average interest rate of 4.85%, generating investment interest in the year of £3.638m.

For 2005/06 the average amount invested was £66.4m at an average rate of 4.74%, producing £3.149m of investment interest.

9. Expenditure on Publicity

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 2006/07, expenditure within this definition totalled £644k.

2006	Year ending 31 March	2007
£000		£000
410	Staff recruitment advertising	383
201	Other publicity expenditure	169
70	Staffing costs	92
681	Total	644

10. The Building Control Account

The Council has set a level of charges for the administration of the Building Control Function. During the year turnover was £0.746m and a deficit of £0.07m was incurred (surplus of £0.04m in 2005/06).

11. Agency Income & Expenditure Account

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 £57k has been discharged in 2006/07 (£499k in 2005/06), all of which was fully recharged and is not shown in Trafford's revenue accounts.

12. Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. Health, CCTV Monitoring, finance support, payroll and information technology services have been provided during the year to:

- Trafford Primary Care Trust,
- Other Local Authorities,
- Connexions,
- Greater Manchester Police,

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

Income earned from these sources was £738k in 2006/07.

In addition service level agreements with Trafford Housing Trust generated income of £0.922m (£2.236m in 2005/06). Services provided include:

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

13. Health Act 1999 Pooled Funds & Similar Arrangements

Trafford has operated a pooled fund for *Learning Disability Services* in conjunction with Trafford Primary Care Trust (PCT) since 1 April 2003. Trafford MBC acts as the 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 also acts 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 £978,374, with £853,749 funded by the Council and £124,625 by the PCT. The fund overspent by £26,995, which has been carried forward to 2007/08 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 01st APRIL 2006 - 31st MARCH 2007

Partners: Trafford Metropolitan Borough Council
Trafford 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 £000
	TMBC Gross	TMBC Client & Other Income	Trafford PCT	Total	Actual Gross Expenditure	Actual Client and Other Income	Net call on Pool resources	
Policy, Assessment and Management	411.7	(97.3)	934.2	1,248.6	1,242.8	(78.0)	1,164.8	(83.8)
Residential Care	1,149.2	(978.6)	3,153.0	3,323.6	4,493.6	(998.8)	3,494.8	171.2
Day Care	2,018.3	(221.4)	0.0	1,796.9	2,022.3	(263.0)	1,759.3	(37.6)
Home Care	878.5	(319.1)	0.0	559.4	1,056.0	(333.2)	722.8	163.4
Direct Payments	105.8	0.0	0.0	105.8	387.5	(56.4)	331.1	225.3
Supported Tenancy	5,842.4	(3,856.6)	1,503.3	3,489.1	8,302.7	(4,136.8)	4,165.9	676.8
Service Contracts	115.0	0.0	0.0	115.0	108.1	0.0	108.1	(6.9)
Other	788.2	0.0	180.0	968.2	1,011.6	0.0	1,011.6	43.4
Additional Recurrent PCT Funding	0.0	0.0	350.0	350.0	0.0	0.0	0.0	(350.0)
Additional Non Recurrent TMBC Funding	801.8	0.0	0.0	801.8	0.0	0.0	0.0	(801.8)
Total	12,110.9	(5,473.0)	6,120.5	12,758.4	18,624.6	(5,866.2)	12,758.4	0.0

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 5/6/07

Director of Finance

Community Equipment Pooled Budget - 2006/07

Service Area	1st April 2006 to 31st March 2007					
	TMBC Contribution 2006/07 £	PCT Contribution 2006/07 £	Total Contributions £	Resource Relating to Period £	Actual Expenditure Relating to Period £	Period Variance £
Stairlifts	109,798		109,798	109,798	128,340	18,542
Sensory/DIAL Aids	53,911		53,911	53,911	18,412	-35,499
Minor Adaptations**	221,606		221,606	221,606	277,456	55,850
- FAST Scheme	64,600		64,600	64,600	87,265	22,665
Equipment Purchase (Local Authority)*	317,603		317,603	317,603	329,675	12,072
Equipment Purchase (PCT)		124,625	124,625	124,625	100,145	-24,480
Safel at Home	35,000		35,000	35,000	35,000	0
Advice Line	29,076		29,076	29,076	29,076	0
Additional VAT Reclaim	22,155		22,155	22,155	0	-22,155
Total	853,749	124,625	978,374	978,374	1,005,369	26,995
2004/05 and 2005/06 Outturn Position						
- Trafford MBC					80,954	
- Trafford PCTs					13,973	
Total Overspend to End 2005/06					94,927	94,927
Total	853,749	124,625	978,374	978,374	1,100,296	121,922

The above schedule represents a true and fair view of the position on the Integrated Equipment Pooled Budget for the financial year 2006/07. Any subsequent amendments made to TMBC notified figures after accounts closedown are not reflected.

Signed



Position

Deputy Director of Finance

Date

14 June 2007

14. Members' Allowances

The Council consists of 63 Members (Councillors) to whom £0.609m was paid in allowances in the year (£0.575m in 2005/06).

15. Officers Emoluments

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in 2006/07 was:

2006		Remuneration Band	2007	
39	(3 leavers)	£50,000 - £59,999	58	(1 Leaver)
16	(2 leavers)	£60,000 - £69,999	14	
6		£70,000 - £79,999	15	(1 Leaver)
4	(1 leaver)	£80,000 - £89,999	1	
3		£90,000 - £99,999	4	(1 Leaver)
0		£100,000 - £109,999	1	
0		£130,000 - £140,000	1	
68	(6 Leavers)	Total	94	(3 Leavers)

16. Related Parties

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 accounts (note 52, page 47) and precept payments are shown in the collection fund accounts on page 59. A levy of £12.227m (£9.973m in 2005/06) was paid to Greater Manchester Passenger Transport Authority and £9.040m (£9.240m in 2005/06) to Greater Manchester Waste Disposal Authority.

The Council no longer provides services directly through its leisure centres. These leisure centres have been leased to Trafford Community Leisure Trust (TCLT) who provide relevant leisure services direct to the public. The Council makes payments to the Trust to help ensure the provision of some services at a discounted rate to particular population demographics of the community. For the year 2006/07 the Council paid £870k (£870k in 2005/06) to TCLT under a Partnership Delivery Plan agreement. Other than a minor ICT maintenance support contract the Council has no other formal business contracts with the TCLT.

The Council has paid *earmarked grants to voluntary organisations* for 2006/07 as follows:

2006 £ amount	Organisation	2007 £ amount
197,470	Citizens Advice Trafford (CAT)	203,332
8,813	Positive Partington Partnership	9,071
34,694	St. John's Day Centre	35,713
4,293	Sale Charities Management	4,418
4,509	Relate Greater Manchester South	4,641
2,000	Trafford Athletic Club	2,000
13,157	Trafford Victim Support	13,543
660	Sale Council for Voluntary Service	690
56,260	Voluntary Community Action Trafford	57,913
36,877	Manchester/Salford/Trafford Groundwork	37,960
10,295	Special Educational Needs Family Support Group	10,597
5,147	Trafford Law Centre	5,297
1,500	Carrington Parish Council	1,545
4,180	Dunham Massey Parish Council	4,305
*52,000	Partington Town Council	19,570
1,500	Warburton Parish Council	1,545
433,355	Total Earmarked Grants	412,140

* Includes a one-off amount of £33,000 in lieu of Parish Precept. A precept has been levied directly to the residents of Partington in 2006/07 (see note 6).

17. Audit Costs

In 2006/07 the Council incurred the following fees relating to external audit and inspection:

2006 £000		2007 £000
279	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	307
93	Fees payable to the Audit Commission in respect of statutory inspection	43
82	Fees payable to the Audit Commission for the certification of grant claims and returns	81
0	Fees payable in respect of other services provided by the appointed auditor	0
454	Total	431

18. Breakdown of Reconciling Items in the Statement of Movement on the General Fund Balance

2006		2007
£000		£000
Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(57)	Amortisation of intangible fixed assets	19/29 (75)
(9,450)	Depreciation and impairment of fixed assets	19 (10,767)
963	Government Grants Deferred amortisation	43 2,176
(3,809)	Write down of Deferred Charges to be financed from capital resources	20 (5,617)
0	Net loss on sale of fixed assets	0
(700)	Sale PFI – Deferred Consideration	33 (iii) (669)
(10,194)	Net charges made for retirement benefits in accordance with FRS 17	52 (16,000)
(23,247)		(30,952)
Amounts not included in the Income & Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year		
1,539	Minimum Revenue Provision for capital financing	2,072
32	Capital expenditure charged in year to the General Fund Balance	139
(215)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	7 (171)
9,764	Employers' contributions payable to the Greater Manchester Pension Fund and retirement benefits payable direct to pensioners	52 10,638
11,120		12,678
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance		
(130)	Housing Revenue Account balance	0
0	Voluntary revenue provision for capital financing	0
0	Transfer from Housing Revenue Account Reserve	(3,484)
10,549	Net transfer to/(from) Earmarked Reserves	(1,716)
10,419		(5,200)
(1,708)	Net additional amount required to be credited to the General Fund Balance for the year	(23,474)

19. Summary of Capital Expenditure and Fixed Assets Disposals

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 (i) £000	Total £000
Gross book value as at 31 March 2006	261,003	18,574	141,375	10,488	41,733	473,173
Accumulated Depreciation	(22,428)	(11,837)	(17,315)	(820)	(59)	(52,459)
Net Book Value at 31 March 2006	238,575	6,737	124,060	9,668	41,674	420,714
Expenditure in Year	14,214	1,602	6,497	1,944	2,569	26,826
Revaluations & Restatements (ii)	(11,472)	410	0	111	14,949	3,998
Transfers	1,043			39	(1,082)	0
Impairments (iii)					(1,015)	(1,015)
Disposals		(52)			(1,973)	(2,025)
Depreciation for the year (iii)	(4,852)	(1,342)	(3,353)	(265)	(15)	(9,827)
Net Book Value at 31 March 2007	237,508	7,355	127,204	11,497	55,107	438,671

- (i) Included in Non-operational assets are a number of surplus assets. The value of surplus assets increased by £15m in the year, mainly due to a change in valuation basis, to market value, for a number of assets declared surplus to requirements.
- (ii) Surplus of revaluation of fixed assets of £3.998m is shown in the Statement of Total Recognised Gains and Losses (page 13). Other land and buildings £(11.472)m includes a revaluation of just under £(8)m to reflect that Broadoak High School is no longer an asset to the Council following it acquiring Foundation status
- (iii) Impairments and depreciation are shown in note 18 in reconciling items in the Statement of Movements on the General Fund Balance

Prior period adjustment – Non-operational Assets (Manchester Airport Land)

The gross book value of investment properties within non-operational assets includes £7.663m reflecting the Council's share of the property and rights associated with land at Manchester Airport, not previously included in the accounts. The 2005/06 balance sheet figures for Fixed Assets and the Fixed Asset Restatement Account have been restated accordingly. The land was transferred to the Greater Manchester (GM) authorities via a trust deed drawn up in March 1994 following the abolition of the GM Council. The deed sets out that the assets and liabilities under this agreement are to be shared in the agreed proportions 58.202% to Manchester City Council and 41.798% to be equally divided by the other nine GM authorities. The total value of this asset is £164.630m and is derived from a market valuation carried out by the Manchester City Council Valuer in 2005/06. Rental income associated with this land has been received each year following the agreement, £426k in 2006/07 (£440k in 2005/06), but the requirement for each of the other nine GM authorities to account for their respective share of the asset has only come to light in 2006/07. The effect of the prior period adjustment to the 2005/06 balance sheet is shown below :

Effect of Prior Period Adjustment - Extract from Balance Sheet

2006 before adjustment £000	2006 £000		2007 £000
26,464	34,127	Fixed Assets – Investment Properties	33,037
413,051	420,714	Total Fixed Assets	438,671
449,385	457,048	Total Long Term Assets	474,239
559,058	566,721	Total Assets	563,059
519,700	527,363	Total Assets Less Current Liabilities	527,083
261,442	269,105	Total Assets Less Liabilities	282,735
82,044	89,707	Fixed Asset Restatement Account	91,680
261,442	269,105	Total Net Worth	282,735

20. Movements of Deferred Charges

	Expenditure in year 06/07 £000	Amounts written off in 06/07 £000	Balance at 31.3.07 £000
Improvement Grants	2,949	2,949	0
Improvement Areas	747	747	0
Voluntary Aided & Foundation Schools	4,233	4,233	0
Equal Pay	3,431	3,431	0
Other	737	737	0
Total	12,097	12,097	0

The following amounts have been written off to:

Government Grants	6,480
General Fund	5,617
Total	12,097

21. Commitments under Capital Contracts

See Capital Expenditure Statement on pages 57 to 58.

22. Information on Assets held

Statement of Major Physical Assets

Trafford MBC owned the following assets at 31 March 2007:

Schools

50	Primary schools
7	Secondary schools
6	Special schools
1	Curriculum development centre
2	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
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Depots & Workshops

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

Sports Centres & Pools

5	Leisure centres with pools
2	Leisure centres without pools
1	Sports Barn (Old Trafford)
1	Water sports centre
3	Athletics stadia
2	Golf courses

Other

2	Markets
58	Commercial properties

Libraries & Community Centres

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

Residential Homes & Day Centres

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

Vehicles

10	Mini-buses
8	Ambulances
1	Mobile library
1	Limousines
84	Other vehicles

Infrastructure

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

23. Assets held under Leases

Finance Leases

No liabilities existed at 31 March 2007 in respect of finance leases.

Operating Leases - Authority as Lessee

<u>Name of Property</u>	<u>Length of Lease Years</u>	<u>Start Date</u>	<u>Termination Date</u>	<u>Annual Rental £</u>
Leases expiring within 1 year:				
3rd Floor Offices at Arndale House, Stretford	5	1/4/2000	7/10/2007	48,620
4th Floor Offices at Arndale House, Stretford	5	7/10/2002	7/10/2007	49,000
Mecca Bingo, Sale	Licence	1/10/2003	One month (notice to be served)	22,500
60 Seymour Grove, Old Trafford	5	15/10/2001	Vacant (notice served)	9,900
21B Marsland Road, Sale	1	1/1/07	31/12/07	6,000
Leases expiring between 2 and 5 years:				
n/a	n/a	n/a	n/a	n/a
Leases expiring after more than 5 years:				
Land at Victoria Road, Hale, Car park	10	25/3/1997	Holding over (lease in negotiation)	4,750
Carrington Depot – lease renewed	12	2006	2018	60,000
Car Park, The Firs, Bowdon	20	25/6/1986	Holding over (to be renewed in 07/08)	2,160
Land at Seamons Rd/Henshall Lane, Dunham Massey	50	29/9/1996	28/9/2046	nil
Hereford St, Sale, Public Conveniences	99	1/7/1986	30/6/2085	nil
Altrincham Library	125	26/11/1979	29/6/2104	1
Land at Ashton Weir, Ashton-on-Mersey	2,000	28/9/1999	27/9/3999	1
				202,932

24. Assets held for Leases

Operating Leases - Authority as Lessor

Name of Property	Valuation 1 st April 2004 * £	Length of Lease Years	Start Date	Termination Date	Rental Income 2006/07 £
Urmston Shopping Centre	3,525,000	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	48,000
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
					1,812,466

* Urmston Shopping Centre was revalued in 2006/07 due to major regeneration of the Town Centre. The revised valuation as at 31st March 2007 was £3.525m.

No depreciation is charged on the above assets.

The Council also receives rental income from an agreement relating to land at Manchester Airport, £426k in 2006/07 (£440k in 2005/06). The valuation of this land is £7.663m. This is explained further in note 19.

25. Assets recognised under a PFI Arrangement

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.

The PFI grant received from DCLG is £658k per annum, over 25 years. This income is included within the accommodation charges in the Net Cost of Services.

Details of the PFI scheme are included in more detail in note 33 (iii) (page 35).

26. Valuation Information

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 internal valuer - qualified staff working for the Corporate Director of Planning, Prosperity & Development. The basis for valuation is set out in the statement of accounting policies on page 8.

	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		7,355	127,204	11,497	1,970	148,026
Valued at current value in:						
Current Year (1 April 2006)	40,963				12,979	53,942
Previous year (1 April 2005)	56,784				9,298*	66,082
Two years ago (1 April 2004)	45,424				24,789	70,213
Three yrs ago (1 April 2003)	55,378					55,378
Four years ago (1 April 2002)	38,959				6,071	45,030
Total	237,508	7,355	127,204	11,497	55,107	438,671

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

* Non-operational assets include £7.663m relating to land at Manchester Airport. The valuation of this land is based on a market valuation undertaken by Manchester City Council's Valuer in 2005/06. This is further explained in note 19.

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. The same principle also applies to Voluntary-Aided Schools. In this area there are seven Foundation Schools and twenty-five Voluntary-Aided Schools.

27. Information about Depreciation Methodologies

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

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

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

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

28. Changes in Depreciation Methods

There are no changes to depreciation methods used between 2005/06 and 2006/07.

29. Intangible Fixed Assets

Movement on Intangible Assets

	£000
Balance as at 1 April 2006	1,080
Additions	351
Amortisation in year	(75)
Balance at 31 March 2007	1,356

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

30. Changes in Amortisation Method for Intangible Fixed Assets

There are no changes to amortisation methods used between 2005/06 and 2006/07.

31. Analysis of Net Assets Employed

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

31 March 2006		31 March 2007
£000		£000
370,636	General Fund	363,904
3,643	Housing Revenue Account	131
226	Trading Operations	0
374,505	Sub-total	364,035
(105,400)	Pensions	(81,300)
269,105	Total	282,735

The 2005/06 analysis has been restated in line with the various changes to the Balance Sheet as required by the SORP.

32. Interest in Companies

Long Term Investments

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

at 31.3.06		at 31.3.07
£000		£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 31.3.06 £m	<i>Manchester Airport Consolidated Profit and Loss Account and Balance Sheet (Extract)</i>	at 31.3.07 £m
87.7	Profit before Tax	80.9
60.7	Profit after Tax	67.7
793.1	Net Assets	861.1

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

Dividends of £1,250k were received in the year 2006/07 (£1,250k in 2005/06). 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 Manchester Central Convention Complex Ltd (formerly G-Mex 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. Manchester Central Convention Complex Ltd is 52% owned by Modesole Ltd.

In Modesole's accounting year ended 31 March 2007 the pre audit accounts show the company made a loss on ordinary activities after tax of £0.004m (previous year profit of £0.497m). No dividends were received in 2006/07 (£253k in 2005/06).

Further information and details of the financial statements of Modesole Ltd can be obtained from the Company Secretary; Manchester Professional Services Ltd., PO Box 532, 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; C. Postlethwaite, MST NHS LIFT, 3rd Floor, Oakland House, Talbot Road, Old Trafford, Gtr. Manchester M16 0PQ.

33. Long Term Debtors & Prepayments

at 31.3.06 £000		at 31.3.07 £000
347	Council Houses (Mortgages)	263
126	Private Dwellings (Mortgages)	90
1,576	Probation Service (i)	1,493
21	Car Loans to Staff	10
8,138	Manchester Airport Plc (ii)	7,869
8,931	Sale PFI Deferred Consideration (iii)	8,292
0	MUFC Deferred Debtor (iv)	540
19,139	Total (iv)	18,557

- (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 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. A number of surplus assets were transferred to the private sector partner at the commencement of the scheme, the value of which contributed to a reduction in the annual Unitary Service Payment to 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 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 £29m. 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) MUFC Deferred Debtor – A Section 106 agreement was entered into with Manchester United Football Club in March 2005 relating to the stadium improvements completed in 2006. The agreement provides for the funding of works on transport infrastructure improvements, match day improvements measures and improvements to sporting facilities in the borough. In addition to £400k already received in 2006/07, an amount of £600k is due over the next ten years in annual instalments of £60k per year. The £60k instalment due in 2007/08 is included within short-term debtors in the Balance Sheet.

34. Deferred Premiums

The balance of £6.797m (£6.981m in 2005/06) 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 under Fund Balances and Reserves but are now included within Long-Term Assets in accordance with the SORP. The 2005/06 balance sheet has been restated accordingly.

35. Debtors and Payments in Advance

at 31.3.06		at 31.3.07
£000	Amounts falling due within one year	£000
14,065	Council Tax and Non Domestic Rates	13,337
5,391	Business Rates: contribution from National Pool (i)	5,583
5,045	Other Government Departments	2,315
2,945	Payments in advance	3,195
20,843	Other (ii)	20,165
48,289	Sub Total	44,595
(11,554)	Less Provision for Bad and Doubtful Debts	(12,604)
36,753	Total (ii)	31,991

- (i) This represents the difference between the amount of rates paid over to the Government national pool and the amount due from local businesses.
- (ii) Debtors for 2005/06 have been restated in accordance with the changes in accounting for deferred premiums outlined in the SORP (a reduction of £184k).

36. Short Term Investments

The figure of £52.2m represents the investment of funds that are temporarily surplus to requirements. They are invested for short periods and earn market rates of interest.

37. Creditors

at 31.3.06		at 31.3.07
£000		£000
919	Public Works Loan Board (Loan Interest)	912
357	Market Loans (Loan Interest)	427
3,910	Inland Revenue	4,103
1,961	Other Government Departments	16
398	Collection Fund surplus attributable to major precepting authorities (i)	428
21,790	Sundry Creditors	20,106
5,594	Receipts in Advance – Council Tax and Non Domestic Rates	6,375
4,263	Other Receipts in Advance	3,426
39,192	Total (i)	35,793

- (i) The year end surplus on the Collection Fund which is attributable to major precepting authorities is now recorded as a Creditor in the Balance Sheet in accordance with the SORP (see note 55). The Creditors for 2005/06 have also been restated accordingly. The above amounts relate to the GM Police Authority £0.300m (£0.277m in 2005/06) and GM Fire & Rescue Authority £0.128m (£0.121m in 2005/06).

38. Deferred Income

This includes an amount of £0.359m 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 £2.540m will be released to the revenue account when the cost of providing these services falls due.

39. Capital Instruments

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 charged on these loans is now at the higher rate.

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.

40. Long-Term Borrowing

at 31.3.06 £000		Interest Rates	at 31.3.07 £000
	Analysis by type of loan		
61,533	Public Works Loans Board (PWLB)	4.4% - 11.5%	61,351
31,000	Money Market Loans	4.2% - 4.99%	31,000
2	Local Bonds and Mortgages	4.32%	2
92,535	Total		92,353
	Analysis by date of maturity		
183	Maturing in more than 1 year and less than 2 years		202
1,860	Maturing in more than 2 years and less than 5 years		1,905
7,769	Maturing in more than 5 years and less than 10 years		11,272
15,448	Maturing in more than 10 years and less than 15 years		14,275
67,275	Maturing in more than 15 years		64,699
92,535	Total Loan Debt Outstanding		92,353

Figures exclude amounts due to mature within 12 months.

Movements in borrowings

	£000
Opening Balance 1 April 2006	92,535
Less Maturing Debt not replaced *	(182)
Closing Balance 31 March 2007	92,353

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

41. Insurance 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 2006/07, from a starting balance of £8.286m contributions of £2.528m were made to the provision, £1.474m of claims were paid and £0.753m was transferred to the insurance reserve, leaving a balance on the provision of £8.587m - which is deemed appropriate by the Council's Underwriters.

42. Provisions

The Council has the following major provisions at 31 March 2007:

- Insurance £8.587m (see note 41)
- Liabilities arising from the Equal Pay Act have been estimated at £0.986m (page 18).
- Provision of £455k (£555k in 2005/06) 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.
- VAT on car parking of £126k (£147k in 2005/06). 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.

43. 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 relevant service revenue account over the useful life of the asset to match depreciation charged on the asset to which it relates.

2006 £000		2007 £000
(24,857)	Balance brought forward 1 April	(32,168)
(8,274)	Grants receivable in year from Government Departments	(10,271)
963	Grant written down in year to revenue	2,176
(32,168)	Balance carried forward at 31 March	(40,263)

* In respect of assets no longer on the asset register.

These were previously shown under Fund Balances and Reserves but are now included within Long-Term Liabilities in accordance with the SORP. The 2005/06 Balance Sheet has been restated accordingly.

44. Capital Grants and Contributions

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

2006 £000		2007 £000
8,458	Balance brought forward 1 April	9,796
6,733	Receivable in year:	
5,186	From government departments	11,230
	From other sources	7,308
		<u>18,538</u>
	11,919	
	<u>20,377</u>	<u>28,334</u>
	Less:	
(2,307)	Amounts used in financing capital expenditure	(6,480)
(8,274)	Transfer to Government Grants Deferred Account	(10,271)
	<u>(10,581)</u>	<u>(16,751)</u>
9,796	Balance carried forward at 31 March	11,583

These amounts were previously shown under Fund Balances and Reserves but are now included within Long-Term Liabilities in accordance with the SORP. The 2005/06 balance sheet has been restated accordingly.

The opening balance as at 1 April 2006 has been restated by an amount of £0.914m in respect of income from Trafford Housing Trust under the VAT sharing agreement. This was previously shown as a capital receipt.

Included in the balance of Capital Grants & Contributions is £3.3m 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 1.4.06 £000	Receivable in year £000	Contributions applied £000	Balance at 31.3.07 £000
Open Space schemes	1,664	543	(741)	1,466
Affordable Housing schemes	770	0	0	770
Highways/Transport schemes	695	1,288	(880)	1,103
Total	3,129	1,831	(1,621)	3,339

45. 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.

These were previously shown under Fund Balances and Reserves but are now included within Long-Term Liabilities in accordance with the SORP. The 2005/06 balance sheet has been restated accordingly.

46. Reserves

The council keeps a number of other reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 1 April 2006 £000	Net Movement in Year £000	Balance 31 March 2007 £000	Purpose of Reserve	Further Detail of Movement
Fixed Asset Restatement Account	89,707	1,973	91,680	Store of gains on revaluation of fixed assets.	(a) below
Capital Financing Account	246,303	(9,171)	237,132	Store of capital resources set aside to meet past expenditure.	(b) below
Usable Capital Receipts	302	(99)	203	Proceeds of fixed asset sales available to meet future capital investment.	(c) below
Pensions Reserve	(105,400)	24,100	(81,300)	Balancing account to allow inclusion of Pension Liability in Balance Sheet.	(d) below
General Fund - Non-Schools	5,498	2,343	7,841	Resources available to meet future running costs for non-housing services. (excluding Schools)	
General Fund - Schools	8,518	(286)	8,232	Resources available to meet future running costs for Delegated Schools budgets.	
Collection Fund	2,550	2	2,552	Surplus on Council Tax collection available to support future General Fund spending.	
Housing Revenue Account	3,484	(3,484)	0	Resources available to meet future running costs for council houses.	
Housing Major Repairs Reserve	163	(32)	131	Resources available to meet capital investment in council housing.	
Other Reserves	17,980	(1,716)	16,264	Resources available to meet specific future running costs for non-housing services.	(e) below
Total	269,105	13,630	282,735		

(a) Fixed Asset Restatement Account

2006		2007
Restated		£000
£000		£000
	Movements in unrealised value of fixed assets:	
(879)	Gains/(losses) on revaluation of fixed assets	3,998
0	Impairment losses on fixed assets due to general changes in prices	0
(879)	Total Increase in unrealised capital resources	3,998
	Value of assets sold, disposed of or decommissioned	
(4,581)	Amounts written out in respect of disposals	(2,025)
(4,581)		(2,025)
(5,460)	Total movement on account	1,973
7,663	Inclusion of Land at Manchester Airport (i)	0
87,504	Balance brought forward 1 April	89,707
89,707	Balance carried forward at 31 March (i)	91,680

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.

(i) The 2005/06 balance sheet has been restated to reflect the prior period adjustment relating to the inclusion of land at Manchester Airport £7.663m. This is explained further in note 19.

(b) Capital Financing Account

2006		2007
£000		£000
	Capital receipts set aside:	
(26)	Reserved receipts	(36)
5,819	Usable receipts applied	2,973
5,793	Total receipts set aside	2,937
	Revenue resources set aside:	
1,712	Capital expenditure financed from revenue	171
(9,507)	Depreciation	(9,827)
1,539	Minimum revenue provision	2,072
(6,256)	Total revenue resources set aside	(7,584)
(3,809)	Deferred charges written off in the year	(5,617)
(701)	Sale PFI – deferred consideration	(668)
0	MUFC Deferred Debtor	600
0	Impairment	(1,015)
1,009	Grants applied to capital investment	2,176
(3,501)	Other Movements on Capital Financing Account	(4,524)
(3,964)	Total movement on account	(9,171)
250,267	Balance b/f 1 April	246,303
246,303	Balance c/f 31 March	237,132

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.

(c) Usable 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.

2006		2007
£000		£000
0	Balance carried forward at 1 April	302
6,362	Capital receipts in the year from sale of assets (i)	3,081
	Less amounts set aside	
(26)	credited to mortgage accounts	(36)
6,336		3,347
	(215) Less amount payable to Government re pooling liability	(171)
(5,819)	Amount used to finance capital expenditure in year	(2,973)
302	Balance carried forward at 31 March (i)	203

(i) The 2005/06 balance sheet has been restated by an amount of £0.914m in respect of income from Trafford Housing Trust under the VAT sharing agreement. This is now classed as capital grants and contributions.

(d) Pensions Reserve

The movement on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March.

2006	%		2007	%
£000			£000	
46,300	12.9	Difference between the expected and actual return on assets.	2,400	0.6
(18,100)	3.9	Differences between actuarial assumptions about liabilities and actual experience.	(500)	0.1
(52,600)	11.2	Changes in the demographic and financial assumptions used to estimate liabilities.	27,500	5.9
(24,400)		Actuarial gain/(loss)	29,400	
(431)		Less appropriations to revenue account.	(5,362)	
231		Difference in actual to estimated Pension contributions.	62	
(24,600)		Total movement on Pensions Reserve	24,100	

(e) Earmarked Reserves

2006 £000	Year ended 31 March	2007 £000
614	Imperial War Museum Reserve To meet the Council's contribution towards the construction of the Imperial War Museum North in Trafford Park.	0
607	Computer Reserve To finance planned developments in network infrastructure, new systems and hardware.	607
147	Accommodation Strategy Reserve The Council is rationalising its office accommodation and short term finance has been made available to improve those premises being retained.	106
380	Synthetic Pitch Replacement Reserve This will be used towards replacing synthetic pitches across the Borough.	453
1,500	Town Centre Public Realm Reserves To facilitate improvements in town centres in the borough.	1,430
180	Training Reserve To undertake some corporate training across the Council.	180
2,866	Insurance Reserve Funds earmarked for future claims and to carry out various risk management initiatives.	3,106
226	Trading Operations Direct Service Organisations.	0
265	Building Control Fees For the future review of building control costs and fee income.	252
1,195	Delegated Service Budgets Revenue budget under/overspends to be carried forward as part of the Council's Medium Term Financial Plans.	1,335
6,700	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.	0
1,000	ICT Development Investment in new ICT to improve efficiency Council-wide.	971
2,000	Invest to Save (SIP) To pay for the Service Improvement Team (SIT) and to fund cross Council efficiency projects.	1,825
0	PARIS This reserve has been set up to pay for the additional costs associated with the PARIS team and any additional legal/ancillary costs associated with the Equal Pay review.	546
0	Highways Investment in Highways infrastructure and maintenance.	1,500
0	Community Safety Investment in Community Safety initiatives.	911
0	Prudential Borrowing Redemption Reserve To repay the capitalised cost of equal pay compensation.	2,712
300	Other Reserves Other amounts earmarked for specific purposes.	330
17,980		16,264

47. Contingent Liabilities & Contingent Assets

(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 2007 £1.840m of claims had already been paid with outstanding claims estimated at £0.029m.

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 33 outlines the position regarding borrowings of £7.869m 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 cannot 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 2007/08 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 2007/08.

- 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 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, a further sum of £100,000 (index linked from the date of the agreement) is due to be paid on 31 March 2016 by the Council. An amount has been set aside during 2006/07 and further amounts will continue to be set aside annually up to 2016, to cover this liability.

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

(f) Translinc

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

48. Authorisation of Accounts for Issue

The Statement of Accounts was authorised for issue on 21 June 2007 by Ian Duncan CPFA, Director of Finance. For the purposes of post balance sheet event dates, only matters of significance that have come to light up to midday on 21 June 2007 have been included in this Statement of Accounts.

49. Events after the Balance Sheet

Further to note 48 there have been no post balance sheet events.

50. 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 Balance Sheet, were £0.553m at 31 March 2007 and are listed below.

Value of Fund £ 31.03.06		Value of Fund £ 31.03.07
36,115	FW Bates Scholarship *	0
4,149	Ireland Bequest *	0
6,844	Renshaw Foundation *	0
5,968	Urmston BS Education Charity *	0
1,792	J Birkhead Trust Fund	1,835
100	Garner Seat Legacy	100
52,506	Benjamin Wade Trust	22,416
384,871	Del Panno Trust	400,480
18,311	Miss Muckley Dec'd Legacy	18,311
80,108	Clifford Wilcox	80,108
0	Edward Duckworth	1,000
590,764		524,250
33,848	Monies held in various CICS** Trusts	28,419
624,612	Total monies held in Trusts	552,669

* The responsibility for managing these Trusts was transferred to the Community Foundation on 18 December 2006.

** Criminal Injuries Compensation Scheme

51. Reserves & Balances held by Schools under Delegated Schemes

In accordance with the Council's approved scheme for delegating budgets to schools, the amount of any budget not spent in the year is carried forward. These reserves are not available to the Council for general use, it is for each school to determine how they are spent. The surplus balances at 31 March 2007 were £8.232m (£8.518m at 31 March 2006).

At 31 March 2007 there were 11 schools with a deficit balance on their revenue reserves, amounting to £0.854m, whilst 85 schools had surplus balances amounting to £9.086m. In addition there are unspent balances on devolved formula capital of £1.473m.

52. Retirement Benefits

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.

Income & Expenditure Account Disclosures

The cost of the future liability for retirement benefits is 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 Income & Expenditure Account only shows the cash paid as a charge against the Council Tax, a contra entry is made in the Statement of Movement on the General Fund Balance (£5.632m). This represents the difference between cash payments (£10.638m) and the accrued liability (£16.000m) (page 13 and note 18).

Entries required in the Income & Expenditure Account as a result of FRS17:

2005/06 £000	General Fund	2006/07 £000
	Included in Net Cost of Services	
11,994	Current Service Cost (LGPS) * (Service Analysis)	16,100
0	Past Service Costs (Teachers Pension Scheme)	0
0	Past Service Costs (LGPS) (Non Distributed Costs)	100
(1,800)	Settlement & Curtailments (LGPS) (Non Distributed Costs)	400
	Included in Net Operating Expenditure:	
20,200	Interest Cost (LGPS)	22,900
(20,200)	Expected Return on Assets in the Scheme (LGPS)	(23,500)
	Included in Statement of Movement on the General Fund Balance	
(430)	Movement on Pensions Reserve	(5,362)
	Actual Charge against Council Tax for Pensions:	
9,764	Employers contributions payable to scheme	10,638
	Analysed by :	
8,582	Local Government Pension Scheme	9,411
1,182	Teachers Pension Scheme	1,227
9,764		10,638

* The service cost takes no account of the removal of the Rule of 85 for new members from 1 October 2006. An allowance has been made for exchanging (commuting) part of the LGPS pension for additional cash for retirements with effect from 6 April 2006 and for life expectancy improvements. The service cost figures include an allowance for administration expenses of 0.2%.

Pension costs included in the Income & Expenditure Account

Teachers

The Council paid £9.000m (£8.687m in 2005/06) 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 2005/06). 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 2006/07, these amounted to £1.227m, representing 1.84% of pensionable pay (£1.182m or 1.84% 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 11.2% in 2006/07 and will be 12.2% in 2007/08. In 2006/07, the Council paid an employer's contribution of £8.531m (£7.339m in 2005/06) into the Greater Manchester Pension Fund, representing 11.2% of pensionable pay (10.2% in 2005/06). The Council is also responsible for pension payments relating to the award of added years, together with related increases. In 2006/07 these amounted to £0.934m, which is 1.2% of pensionable pay (£0.938m or 1.3% in 2005/06). There were no payments for added years in 2006/07, the capital cost of payments agreed in previous years is £16.8m.

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

Balance Sheet Disclosures :

In accordance with the Accounting Code of Practice the following FRS17 disclosure note for 2006/07 applies to the Local Government Pension Scheme for officers and other non-teaching staff, plus the Teachers Pension Scheme for teaching staff.

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows :

	GM Pension Fund		Teachers Pension Scheme		Total	
	31 March 06	31 March 07	31 March 06	31 March 07	31 March 06	31 March 07
	£000	£000	£000	£000	£000	£000
Estimated liabilities in scheme	(431,600)	(434,300)	0	0	(431,600)	(434,300)
Estimated liabilities in scheme (unfunded)	(15,200)	(14,900)	(18,800)	(18,600)	(34,000)	(33,500)
Total value of liabilities	(446,800)	(449,200)	(18,800)	(18,600)	(465,600)	(467,800)
Estimated assets in scheme	360,200	386,500	0	0	360,200	386,500
Net assets/(liabilities)	(86,600)	(62,700)	(18,800)	(18,600)	(105,400)	(81,300)

Basis for Estimating Assets and Liabilities

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

31.3.06		31.3.07	
%	GM Pension Fund	%	
3.1	Rate of Inflation	3.2	
4.6	Rate of increase in salaries	4.7	
3.1	Rate of increase in pensions	3.2	
4.9	Rate for discounting liabilities	5.4	

For unfunded liabilities in respect of the GM Pension Scheme and Teachers Pension Scheme, the assumptions of the independent actuary are that all unfunded pensions are payable for the remainder of the members' life. It is further estimated that 80% of pensioners are married at death and that their spouse will receive a pension equal to 50% of the members' pension as at the date of the members' death.

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:

31.3.06		31.3.07		
%	Long Term	%	Long Term	
%	%	%	%	
65.5	7.4	Equity Investments	66.8	7.8
15.9	4.6	Bonds	15.9	4.9
9.3	5.5	Property	9.9	5.8
9.3	4.6	Cash	7.4	4.9
100.0	6.5	Total	100.0	6.9

The Council has no assets in the Teachers' Pension Scheme.

Movement in the Surplus/(Deficit) for the Year

The movement in the surplus/(deficit) for the year to 31 March is as follows:(see also note 46)

	GM Pension Fund		Teachers Pension Scheme		Total	
	2006	2007	2006	2007	2006	2007
	£000	£000	£000	£000	£000	£000
Surplus/(deficit) at the beginning of year (1 April)	(63,900)	(86,600)	(16,900)	(18,800)	(80,800)	(105,400)
Current service cost	(12,000)	(16,100)	0	0	(12,000)	(16,100)
Employers' contributions payable to scheme	7,900	8,600	0	0	7,900	8,600
Contributions in respect of unfunded benefits	900	900	1,200	1,200	2,100	2,100
Past service costs	0	(100)	0	0	0	(100)
Impact of settlements and curtailments	1,800	(400)	0	0	1,800	(400)
Expected return on assets in the scheme	0	600	0	0	0	600
Actuarial gains/(losses)	(21,300)	30,400	(3,100)	(1,000)	(24,400)	29,400
Total Movement in year	(22,700)	(23,900)	(1,900)	200	(24,600)	24,100
Surplus/(deficit) at the end of year (31 March)	(86,600)	(62,700)	(18,800)	(18,600)	(105,400)	(81,300)

Actuarial Gains and Losses

The actuarial gain/(loss) can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March, and are also shown separately in the Statement of Total Recognised Gains and Losses (STRGL) on page 13 :

	2002/03		2003/04		2004/05		2005/06		2006/07	
	£000	%	£000	%	£000	%	£000	%	£000	%
Difference between expected and actual return on assets	(61.2)	28.3	38.5	14.3	13.8	4.6	46.3	12.9	2.4	0.6
Differences between actuarial assumptions about liabilities & actual experience	2.7	1.0	1.3	0.5	(21.3)	5.6	(18.1)	3.9	(0.5)	0.1
Changes in the demographic and financial assumptions used to estimate liabilities	0	0.0	0	0.0	(61.7)	16.2	(52.6)	11.2	27.5	5.9
Actuarial gains/(losses) on pension fund assets & liabilities & recognised in the STRGL	(58.5)	22.4	39.8	14.2	(69.2)	18.2	(24.4)	5.2	29.4	6.3

Teachers 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 2007 is £18.6m (£18.8m at 31 March 2006). Payments to the Scheme in 2006/07 were £1.2m.

Summary

The overall Pension deficit at 31 March 2007 as shown in the Balance Sheet is £81.3m, which is comprised of £62.7m GM Pension Fund and £18.6m in respect of unfunded teachers.

53. Notes relating to the Cash Flow Statement

(a) Revenue Activities

The net cash flow can be reconciled to the Income & Expenditure Account (page 12) as follows:

2006		2007
£000		£000
6,157	(Surplus)/Deficit per Income & Expenditure Account	21,417
(437)	(Surplus)/Deficit on Collection Fund	(2)
5,720		21,415
(656)	Interest	(1,051)
	Add non cash movements in revenue account:	
(9,507)	Depreciation and Impairment of fixed assets	(10,842)
963	Government Grants Deferred amortisation	2,176
(3,809)	Write Down of Deferred Charges	(5,617)
(700)	Sale PFI Deferred Consideration	(669)
(430)	Net charge for retirement benefits re FRS17	(5,962)
1,539	Minimum Revenue Provision for capital financing	2,072
(1,712)	Capital Expenditure charged to the General Fund	(171)
(215)	Transfer from Usable Capital Receipts re Pooling	(171)
(161)	Contributions to reserves	(227)
(190)	Contributions to provisions	(1,108)
(14,222)		(20,519)
	Items on an accruals basis:	
(99)	Net increase/(decrease) in stock	48
(3,406)	Net increase/(decrease) in debtors	(6,691)
(1,727)	Net (increase)/decrease in creditors	3,539
(5,232)		(3,104)
(14,390)	Net cash inflow on revenue activities	(3,259)

(b) Movement in Net Debt

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

2006		2007
£000		£000
350	Increase/(decrease) in cash	(211)
22,080	Net increase/(decrease) in liquid resources	(16,130)
(18,033)	Net (increase)/decrease in borrowing	166
4,397	Movement in net debt for the year	(16,175)
(24,438)	Net debt at the beginning of the year	(20,041)
(20,041)	Net debt at the end of the year	(36,216)

(c) 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 Balance Sheet.

	Balance at 31.03.06 £000	Movement in year £000	Balance at 31.03.07 £000
Cash in hand	4,280	(211)	4,069
Cash Overdrawn	0	0	0
Borrowing repayable within 12 months	(166)	(17)	(183)
Long term borrowing	(92,535)	183	(92,352)
Short term investments	68,380	(16,130)	52,250
Net Debt	(20,041)	(16,175)	(36,216)

(d) Liquid Resources

The Council defines "liquid resources" as comprising short term investments (i.e. less than one year). These have decreased by £16.1m from £68.4m at 31 March 2006 to £52.3m at 31 March 2007 (Note 36).

(e) Government Grants

2006 £000	Grant	Awarding Department	2007 £000
46,880	Rent Allowances, Rent Rebates and Council Tax Benefit Subsidy	Department for Work & Pensions	46,783
0	Dedicated Schools Grant (DSG)	Dept for Education & Skills	115,557
	Other Government Grants :		
(617)	Housing Revenue Account Subsidy	Department for Work & Pensions	0
2,458	Access and Systems Capacity (Social Services)	Department of Health	2,298
4,856	Other Social Services Grants	Department of Health	3,716
216	Student Awards	Dept for Education & Skills	25
2,748	Early Years Grant	Dept for Education & Skills	3,292
0	Schools Standards	Dept for Education & Skills	5,371
10,264	Education Standards Fund	Dept for Education & Skills	12,338
15,035	Other Education Grants	Dept for Education & Skills	13,243
32	Probation Service	Home Office	31
223	Administration of Justice	Lord Chancellors Department	173
5,434	Supporting People	Department of Communities & Local Government (DCLG)	5,365
6,246	Other	Various	6,028
46,895	Sub-total Other Government Grants		51,880
93,775	Total		214,220

(f) Payments to the Capital Receipts Pool

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 Department for Communities & Local Government (DCLG). 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.

54. Dedicated Schools Grant

The DSG of £115.6m (made under section 14 of The Education Act 2002) has been deployed in accordance with regulations made under sections 45a, 45aa, 47, 48(1) and (2) and 138 (7) and paragraph 1(7) (b) of schedule 14 to, the Schools Standards Framework Act 1998. The Central Expenditure Limit has not been exceeded and the Central Element of DSG underspent by £98k in 2006/07. The £98k is an earmarked reserve and will be used to support the School budget in 2007/08.

55. Collection Fund

The overall surplus on the Collection Fund is £(2.980)m (£(2.948)m in 2005/06) (see page 59) and can be utilised by the Council and its major precepting authorities in future years. In accordance with the SORP, the amount of surplus attributable to major precepting authorities is recorded in the Balance Sheet as a Creditor, with only the amount attributable to the Council shown under Funds, Balances and Reserves. The 2005/06 Balance Sheet has been restated accordingly and the effect on the Balance Sheet is as follows:

2006 £000	Allocation of Collection Fund Surplus in the Balance Sheet	2007 £000
(2,550)	Trafford MBC (Fund Balance & Reserves)	(2,552)
(278)	GM Police Authority (Creditor)	(300)
(120)	GM Fire & Rescue Authority (Creditor)	(128)
(2,948)	Surplus on Collection Fund (page 59)	(2,980)

56. Statement of Total Recognised Gains & Losses – Other (gains)/losses

The Statement of Total Recognised Gains & Losses includes £(1.647)m (£(1.159)m in 2005/06) of other (gains)/losses which are required to be included. This is analysed as follows:

2006 £000	Other (gains)/losses in STRGL	2007 £000
(231)	Difference in actual to estimated Pension contributions (note 46d)	(62)
0	MUFC S106 Debtor (note 33 (iv))	(600)
(928)	Capital receipts not resulting from an asset disposal *	(985)
(1,159)		(1,647)

*This includes housing grant repayments, housing mortgage repayments and repayments of housing Right to Buy discounts.

57. Income & Expenditure Account – Additional Notes

(a) Precept demanded on the Collection Fund – this comprises:

2006 £000	Precept demanded on the Collection Fund	2007 £000
(68,366)	Trafford MBC Precept	(73,482)
0	Partington Parish Precept (note 6)	(77)
(68,366)	Total Precept (page 59)	(73,559)
(411)	Collection Fund surplus transferred to General Fund	(429)
(68,777)	Total	(73,988)

(b) General Government Grants - this comprises:

2006 £000	General Government Grants	2007 £000
(95,225)	Revenue Support Grant (RSG) *	(9,940)
367	Retrospective population amendments to RSG	(60)
0	Local Public Service Agreement Reward Grant	(1,119)
(94,858)	Total	(11,119)

* The reduction in Revenue Support Grant in 2006/07 is related to changes in the financing arrangements of local authorities with respect to schools.

housing revenue account - income & expenditure 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.

2006		Year ended 31 March	2007	
£000	£000		£000	£000
		Income		
	(70)	Housing Subsidy receivable		0
	(70)	Total Income		0
		Expenditure		
	157	Repairs and Maintenance		0
	108	Supervision and Management		0
	18	Rent, Rates and Other Charges		0
	120	Rent Rebates – Transitional arrangements		0
	403	Total Expenditure		0
	333	NET COST OF HRA SERVICES PER AUTHORITY		0
		INCOME & EXPENDITURE ACCOUNT		
		Income from:-		
(36)		Mortgage Interest	0	
(166)		Interest on Revenue Balances	0	
(1)		Contribution from Pensions Reserve	0	
	(203)			0
	130	(SURPLUS)/DEFICIT FOR THE YEAR ON HRA		0
		ACTIVITIES		

statement of movement on the housing revenue account balance

2006		Year ended 31 March	2007	
£000	£000		£000	£000
		Housing Revenue Account Reserves		
3,614		Balance brought forward 1 April		3,484
(130)		Transfer from/(to) Revenue Account		0
0		Transfer from/(to) General Reserve		(3,484)
<u>3,484</u>		Balance carried forward 31 March		<u>0</u>

The HRA ceased to exist on 5 April 2006, following the issue of formal consent to close the account by the then Office of the Deputy Prime Minister.

The Council's housing stock was transferred to Trafford Housing Trust on 14 March 2005 and the financial implications of the transfer have been highlighted in previous Statements of Accounts.

A number of warranties were provided to Trafford Housing Trust and reference is made to these under Contingent Liabilities on pages 42 to 44. A review of the warranties has been undertaken in 2006/07 which identified that there is no change to the position as at 31 March 2007.

There has been no activity on this account during 2006/07 and the remaining balances of £3.484m were transferred to the General Fund.

A small number of residual payments, totalling £32k, were made on capital projects during 2006/07 and these were financed from the Major Repairs Reserve. A balance of £131k remains on this reserve and is to be retained to cover any liabilities outstanding on capital contracts and arising from some of the warranties.

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	2006 £000	2007 £000
Service:		
Children & Young People	10,233	13,361
Community Services & Social Care	3,191	6,301
Prosperity, Planning & Development	11,154	15,387
Corporate & Central Services	1,420	3,842
Housing Revenue Account	1,770	32
Total	27,768	38,923

The main items of capital expenditure during the year included:

Highways Structural Maintenance (incl. bridges & street lighting & S278 schemes)	4,120
Schools – Devolved Formula Capital	3,966
Capitalisation of Equal Pay back pay costs	3,431
Navigation Primary School – Non-School	3,018
Integrated Transport Plan	2,086
New Pupil Places at Secondary Schools	1,877
Disabled Facilities Grants	1,580
Public Buildings – DDA Compliance, Repairs & Refurbishment	1,427
Lostock High School Improvements	1,261
Building Services – Electrical & Mechanical Refurbishments	1,254
Assistance to Home Owners	937
Parks & Countryside	929
Information Communications Technology	905
Blessed Thomas Holford – Artificial Pitch & Changing Facilities	855
Urmston Town Centre – Redevelopment	852
Seymour Park Sports Barn & Football Pitches	811
Safer, Stronger Communities Fund Schemes	796
Old Trafford Renewal Area	744
Social Services Management Information System (SAP)	656
Trafford Homestep – Assisted House Purchase Scheme	422
Total	31,927

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

	£000		£000
Fixed Assets	26,826	Borrowing	19,028
Deferred Charges	12,097	Grants and Contributions	16,751
		Revenue Contributions & Reserves	171
		Capital Receipts	2,973
Total Capital Expenditure on an accruals basis	38,923		38,923

Significant commitments under capital contracts as at 31 March 2007

As at 31 March 2007 the Council was contractually committed to capital expenditure which amounted to approximately £12m. Major contracts included the following schemes:

	£000
Altrincham Boys Grammar School – Sports Facilities	3,018
Lostock College – Targeted Capital Scheme	2,476
Partington – Extra Care Scheme for Older People	1,731
Urmston Town Centre Regeneration	1,633
Town Centre & Public Realm	1,430
Total	10,288

It should also be noted that at 31 March 2007 it was the Council's intent to contractually commit to the Altrincham Town Centre – Altair Development of approximately £7.6m.

Summary of Capital Expenditure and Sources of Finance

	2006/07 £000
Opening Capital Financing Requirement	68,309
Capital Investment	
- Fixed Assets	26,826
- Intangible Assets	0
- Deferred Charges	<u>12,097</u>
	38,923
Sources of Finance	
- Grants & Contributions	(16,751)
- Revenue Contributions & Reserves	(171)
- Capital Receipts	<u>(2,973)</u>
	(19,895)
Other Changes to Capital Financing Requirement	
Minimum Revenue Provision (see note below)	(2,072)
Other Adjustments	<u>(50)</u>
	(2,122)
Closing Capital Financing Requirement	<u>85,215</u>

The Capital Financing Requirement (CFR) is the main component used to calculate the statutory minimum revenue provision for repayment of debt.

Provision for Debt Repayment

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

collection fund

About this account

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

2006	Year ended 31 March	Notes	2007
£000			£000
INCOME			
(72,015)	Income from Council Tax Payers	1	(76,265)
(9,555)	Transfer from General Fund for Council Tax Benefit		(9,971)
(114,442)	Income from Non-Domestic Rate Payers	2	(122,927)
(196,012)	TOTAL INCOME		(209,163)
EXPENDITURE			
Precept Demands :			
68,366	- Trafford Borough Council		73,559
8,045	- Greater Manchester Police Authority		8,647
3,414	- Greater Manchester Fire & Rescue Authority		3,624
Non-domestic Rates :			
113,998	- Payment to national pool	2	122,477
444	- Costs of Collection		450
Bad and Doubtful Debts/Appeals :			
164	- Council Tax - debt written off		18
623	- Council Tax - increase/(decrease) in provision for doubtful debts		(144)
Contributions :			
25	- Transfer of Community Charge surplus to General Fund	3	0
450	- Distribution of previous years' estimated Collection Fund Surplus	3	500
195,529	TOTAL EXPENDITURE		209,131
(483)	(Surplus) / Deficit for year		(32)
(2,465)	(Surplus) / Deficit as at 1 April		(2,948)
(2,948)	(Surplus) as at 31 March	4	(2,980)

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 2006/07, the calculation was as follows:

	Total No. Dwellings (i)	Specified Fraction	Band 'D' Equivalent
Band A	15,161	x6/9	10,107
Band B	17,392	x7/9	13,527
Band C	22,661	x8/9	20,143
Band D	12,966	x9/9	12,966
Band E	6,877	x11/9	8,405
Band F	4,074	x13/9	5,885
Band G	3,838	x15/9	6,396
Band H	748	x18/9	1,496
	83,717		78,925
Less allowance for losses on collection			(789)
Council Tax Base			78,136

- i) The actual number of properties was 94,293, after adjusting for single person discounts, empty properties, etc., the notional number of dwellings is 83,717.
- ii) The Band D Council Tax levied for the year was £1,097.49 (£1,045.92 in 2005/06)

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:

2005/06			2006/07	
£000	£000		£000	£000
	139,274	Gross Debit for Year		144,411
		Less:		
(23,963)		Allowances and Reliefs	(20,162)	
(869)	(24,832)	Provision for Bad Debts	(1,322)	(21,484)
	114,442	Income from Ratepayers		122,927
	(444)	Less Costs of Collection		(450)
	113,998	Payment to NNDR Pool		122,477

The total non-domestic rateable value at 31 March 2007 is £339,865,886, and the national multiplier applicable for 2006/07 is 43.3p (42.6p 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 2006 there was an estimated surplus of £0.5m.

4. Year End Surplus

The opening balance for the Collection Fund for 2006/07 was £(2.948)m surplus. The £(2.980)m surplus which had accrued at the year end is in respect of Council Tax transactions and will be distributed in subsequent years to the Council's General Fund, GM Police Authority and GM Fire and Rescue Authority as follows:

- In the Balance Sheet at 31 March 2007, the Council included the £(2.980)m surplus on a disaggregated basis as a Creditor to GM Police Authority and GM Fire and Rescue Authority to the value of £(0.428)m, and a £(2.552)m attributable surplus on the Collection Fund balance alongside the General Fund;
- In the Statement of Total Recognised Gains & Losses, there is a line for attributable movement on the Collection Fund balance to record a £(0.002)m surplus.

statement on internal control

1. Scope of Responsibility

Trafford Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Trafford Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regards to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Trafford Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Trafford Council'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 Council'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

The system of internal control has been in place at Trafford Council for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

3. The Internal Control Environment

The key elements of the internal control environment include:

3.1 Establishing and monitoring the achievement of the authority's objectives

- The Council has a Corporate Plan for the medium term, setting out its strategic objectives and targets for achievement. This is supported by individual Directorate and Service Directorate improvement action plans which connect service objectives and associated actions to deliver the strategic objectives.
- The Local Strategic Partnership (The Trafford Partnership) Community Strategy, Vision 2021, was launched in January 2005. In 2007/8 the Council has explicitly aligned its Directorate and service improvement action plans with the key themes of the Community Strategy and will during 2007/8 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 three year Local Area Agreement for Trafford has been developed through the Trafford Partnership, to support the delivery of the community strategy and council objectives, effective from April 2007. This is an agreement 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 is published outlining achievements against the Council's stated objectives, together with a compendium of Best Value Performance Indicators.

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 exempt information is 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 Director 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.
- The Council operates an Employment Committee. There are human resources policies, procedures and strategies designed to help ensure the proper conduct of staff and to ensure the workforce is appropriately skilled to deliver the Council's aims and objectives. From May 2007 the role of members, in relation to employment matters, has been further strengthened by providing increased focus to the Employment Committees terms of reference and creating a new Executive Portfolio that incorporates responsibility for employment.

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

- The Council has a risk management policy, strategy and protocol for monitoring and reporting risk, which are reviewed and updated regularly. This explains the methodology which provides a comprehensive framework for the management of risk throughout the Council.
- A strategic risk register is in operation as are service based operational risk registers. All are updated annually as part of the business planning process. Monitoring reports

are provided to the Corporate Management Team and 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 assessment 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.
- A Value for Money strategy was produced during 2006 to further support the Authority's existing commitment to value for money. The Audit Commission in their "Use of Resources report 2006" stated that "The Council achieves good value for money, with a very positive relationship between costs and outcomes".
- The Authority is committed to ensuring services are delivered by individuals with the capacity and skills to enable continuous improvement. A People Strategy is in place as is 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.
- 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 rapid additional improvements in performance and cost reductions. A Service Improvement Programme was implemented in September 2006 and produced a number of business cases which highlighted financial and non financial benefits. Implementation of the recommendations of these business cases is due to begin in June 2007 under the direction of a Programme Office with the objective of ensuring consistent programme and project management and skills transfer from our external partners.
- The e-Government agenda is all about making the most of new technologies to deliver, within the resources available, better quality and more accessible public services. The Council is in the process of implementing a service improvement programme within which a number of work streams have been identified that rely on technology to deliver efficiencies. The Council is in the process of reviewing its ICT strategy to ensure it maintains a long term view of requirements which fully meet the Council's objectives.
- The Council has an approved corporate complaints policy and guidance.

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 has a clearly defined capital expenditure and treasury management strategy.
- 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 is in place, which supports the strategic objectives set out in the Corporate Plan. A detailed medium term financial plan is in place and updated on an annual basis as part of the budget setting process
- A strategy is in place to prevent, detect and deter fraud and corruption and there are published procedures for the reporting of suspected fraudulent activities

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

- The Council operates a robust and effective performance management framework; which has enabled the Council to make good progress on its improvement agenda and become a 3 star council during 2006/7.
- The Corporate Management Team have monthly meetings focused on performance and receive regular monitoring reports on strategic aspects of performance management. These meetings are supported by meetings of the Corporate Performance Improvement Group of senior managers to monitor and review council performance and improvement actions.
- A strategic 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 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 Director of Legal & Democratic Services (the "Monitoring Officer") has a duty to monitor and review the operation of the constitution to ensure its aims and principles are given full effect and to recommend amendments to the Council, as necessary, on an ongoing basis. 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" decisions made by the Executive, or on their behalf with delegated authority, to challenge whether the decision has been made appropriately and ask the Executive to reconsider it if necessary.
- The Council has an Accounts & Audit Committee who consider the Annual Internal Audit Report and Opinion 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 Corporate Management Team and the Accounts & Audit Committee. The key internal controls, operating during 2006/7, 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 Corporate Directorate and Service Directorates, as part of the annual business planning process, are required to 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 Corporate Management team consider strategic issues in relation to governance, performance and risk management on a monthly basis. The Corporate Performance Improvement Group, made up of senior managers, has met on a regular basis to review performance and performance management arrangements.
- Regular reporting of performance indicators has been undertaken, using a traffic light system, to the Corporate Management Team.
- Monthly financial monitoring and reporting, on the revenue budget, to the Corporate Management Team and the Executive has been operating during the year. Quarterly monitoring and reporting arrangements are operating for the capital budget.
- External Audit in their Annual Audit and Inspection Letter comment on the performance of the Council and the adequacy of financial and governance arrangements. The Audit Commission in its Corporate Performance Assessment for 2006 categorised the Council as improving well and demonstrating a 3 star overall performance. In the associated Direction of Travel assessment they stated that progress has been sustained and further improved in priority areas at a greater rate than similar Councils, with public satisfaction with the Council among the highest nationally.
- Other external review and inspection agencies report on the Council's performance and service delivery arrangements. The Council had an inspection of its supporting people programme in July 2006 which was judged as good with promising prospects. A residents' satisfaction survey conducted during 2006/7 showed that Trafford has one of the highest numbers of residents satisfied with the Council. The Commission for Social Care Inspection assessed Adult Social Care to be serving most adults well with promising prospects for future improvement. The Benefit Fraud inspectorate judged that the Council were providing a good service
- Update reports on progress against actions and targets in the People Strategy are provided to the Corporate Management Team and the Employment Committee.

5. Control Issues & Improvement Actions

The control environment within the Council has continued to improve during 2006/7 as it did over the two previous financial years. 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 review of effectiveness of financial systems incorporates all business critical systems plus other systems where it was considered that material levels of financial transactions occurred. There has been overall improvements with 5 of the 19 systems providing increased levels of assurance that risks are being managed as a result of improved control environments.
- The systems with adequate control arrangements were Benefit Payments, Cashiers, National Non Domestic Rates, Council Tax, Financial Ledger, Treasury Management, Works Management, Let Estate, Asset Register, Payroll, Education Financial Management System, Accounts Payable, Accounts Receivable, Social Care Charging System and Direct Payments.
- A number of systems require improvements to ensure adequate controls are operating overall and these are 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.

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 2005/6 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:

ACTION TAKEN TO ADDRESS CONTROL ISSUES IN 2005/6 STATEMENT ON INTERNAL CONTROL	
ISSUE	ACTION TAKEN
1. The need to review 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	Work has been underway during 2006/7 to develop the alignment of the business planning cycle. Directorate and Service Directorate improvement plans for 2007/8 have been aligned to the key themes of the Community Strategy. This process of strategic alignment will culminate in the update of the Council's Corporate Plan and objectives in July 2007
2. The need to deliver the communication and consultation strategies	A communication strategy and a market research and Consultation strategy were produced during 2006/7. A corporate communication champions group was established which meets regularly and is implementing a communications action plan. The Council has also signed up to the Local Government Associations "Reputation" project. Further developing and embedding the Council's arrangements for community engagement continues to be a priority
3. The need to deal with equality and diversity issues and reap the benefits of the recent additional investment in capacity to strengthen these areas and that of user focus	An independent equalities diagnostic assessment was completed in early 2006/7. This resulted in an improvement action plan being developed and implemented throughout the remainder of the year. Support for this has come from corporate community cohesion and diversity steering group and departmental planning groups, plus further investment in capacity through training and strengthening dedicated staff resource. As at the 31 st March the Council assessed itself as achieving level 2 of the Equalities Standard for Local Government.
4. The need for ongoing development and alignment of medium term financial planning to support corporate objectives and priorities	An updated medium term financial strategy and plan was published in June 2006. The 2007/8 budget setting process was utilised to further align financial planning to corporate objectives and an updated MTFP will be reported in June 2007.
5. The need to strengthen the procurement strategy and procurement practices as part of the Council's focus on continuing to deliver value for money	The Council's focus during 2006/7 and to date has been to develop procurement arrangements in order to deliver efficiencies. This work has been undertaken in conjunction with the Council's performance partners KPMG and will continue via the Council's Service Improvement Programme over the next three years. In addition the Council's Contract Procedure Rule have been updated and training provided to support this. Strengthening procurement arrangements continues to be a priority.
6. The need to deliver the People Strategy with a particular focus on developing workforce and member capacity	A member development programme is in place and has been operating throughout 2006/7. A corporate training programme has been made available to officers including a leadership development and capacity building programmes directed at managers. Workforce planning has become an explicit element of the 2007/8 business planning process. Workforce capacity continues to be a priority area for improvement.

7. The need for the ongoing improvement of controls within the Council's material financial systems in particular Accounts Payable, Energy Management, Fuel Monitoring and Legal Debt recovery.	Improvement actions plans were produced for all the material financial systems and managers have been implementing them throughout the period of this statement. Internal Audit reviews have been conducted at the end of 2006/7 to assess the improvements and make further recommendations where necessary.
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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 through continuous improvement. Detailed below are significant control issues and a summary of the actions planned to address these.

ACTION PLAN TO ADDRESS CONTROL ISSUES IDENTIFIED IN 2006/7	
ISSUE	ACTION PLANNED
1. The need to further strengthen the procurement strategy and procurement practices as part of the Council's focus on continuing to deliver value for money	There will be continued focus on delivering efficiencies through procurement via the Service Improvement Programme. The Programme will begin the implementation, in June 2007, of a number of recommendations for both strategic and operational procurement which will see a major investment in the capacity and capabilities for procurement within the Council. The supporting business case records the financial and non financial benefits of this project
2. The need to strengthen and embed business continuity arrangements across the organisation particularly with regard to the robustness of ICT disaster recovery arrangements.	ICT infrastructure and capacity is one of the Service Improvement Programme overarching themes. During 2007/8, through this programme, resources will be invested in improving the robustness of ICT disaster recovery arrangements. Business continuity arrangements are currently being strengthened through a process of ensuring all services establish up to date continuity plans thereby enabling the corporate business continuity plan to be updated through 2007/8.
3. The need to develop corporate arrangements to improve the Council's records management.	An improvement action plan has been agreed (May 07) which includes the production and implementation of clear corporate policies which will be followed by service based plans and procedures for information management.
4. Need to continue investing in the development of workforce and member capacity	The role of the Employment Committee has been strengthened by agreeing updated and more focused terms of reference for 2007/8. At this strategic level, capacity has also been enhanced by the creation of an Executive portfolio that includes responsibility for employment matters. Improvements in training for members and officers will be maintained. During the year competency frameworks for all staff will be developed alongside enhancements to the corporate performance review and development programme.

<p>5. The need to continue to develop arrangement for community engagement</p>	<p>The Council intends to build on the progress made in developing arrangements for communication over the previous year. This will be achieved by implementing the Market Research & Consultation Strategy, developing the role of neighbourhood forums and working closely with partners via the LSP to develop community engagement</p>
<p>6. To build upon the Council's existing policy and procedures framework to further embed partnership governance arrangement and respond to the evolutionary nature of its partnerships</p>	<p>Awareness of the Council's good partnership governance to be raised further. This will be undertaken in conjunction with the evaluation of a recent partnership mapping exercise (July 2007) and the production of a partnership governance development strategy (September 2007). Internal Audit reviews will be conducted of governance arrangements for a number of significant partnerships.</p>

Councillor Susan Williams
Leader of the Council
14 June 2007

David McNulty
Chief Executive
14 June 2007

glossary

Actuarial Gains and Losses

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

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

Capital Financing Charges

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

Capital Financing Requirement

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

Capital Grants

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

Capital Receipts

Money received from the sale of surplus assets such as land or buildings, 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.

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.

Curtailements 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.

DCLG (Department for Communities & Local Government)

This is the government department which had the main responsibility for local government in 2006/07. This has replaced the Office of the Deputy Prime Minister (ODPM).

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.

Government Grants Deferred Account

This represents the balance of Government Grants applied to finance capital expenditure on fixed assets. This account is written down to the Income & Expenditure Account to offset depreciation charges on related assets.

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.

Impairment

A reduction in the recoverable amount of a fixed asset. An impairment charge caused by a clear consumption of economic benefits is recognised in the Income & Expenditure Account. Impairment in an assets value caused by a general fall in prices is reflected in the Fixed Asset Restatement Account.

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

ODPM (Office of the Deputy Prime Minister)

This is the government department which previously had the main responsibility for local government. 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 reflects the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

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

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

Supported Borrowing

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

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.