STOCKPORT METROPOLITAN BOROUGH COUNCIL STATEMENT OF ACCOUNTS UNAUDITED

2016/17

CONTENTS

PART 1

STOCKPORT METROPOLITAN BOROUGH COUNCIL STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities
The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Stockport Council, that Officer is the Borough Treasurer;

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- Approve the Statement of Accounts.

The Borough Treasurer's Responsibilities
The Borough Treasurer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
In preparing this Statement of Accounts, the Borough Treasurer has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent; and

- complied with the Code of Practice.

The Borough Treasurer has also:

- kept proper accounting records which were up to date; and

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

BOROUGH TREASURER’S NARRATIVE REPORT

Message from Borough Treasurer

As Stockport Metropolitan Borough Council’s Borough Treasurer, I am very pleased to present the Council’s 2016/17 Statement of Accounts.

The Finance Service continues to undertake excellent work to ensure the effective financial management of the Council’s resources. Financial control over budgets and resources during the year has meant that saving requirements have been met and adequate resources are available to help address the significant financial challenges ahead. The robust financial position presented in these Statements demonstrates this.

Over the last twelve months the Finance Service has worked hard to further strengthen the Council’s Financial Management processes. This has included the introduction of a Reserves Policy to ensure the Council’s earmarked reserves are being used to support the Council’s corporate and strategic priorities, providing support to Council Services to achieve transformational change and deliver efficiencies, working with colleagues to further support the Stockport Together and the Stockport Families Programmes, and the setting of a balanced budget for 2017/18.

Over the last twelve months, the Council has continued to address the challenge of reducing resources and increases in demand particularly in relation to those services provided to the most vulnerable residents. Working closely with its partners across the Borough the Council has ensured the most effective and efficient use of these resources. Furthermore the Council has continued to invest in capital schemes across the Borough to help grow the Stockport Economy. This will become increasingly important as the Council aims to become self-financing by 2020. Having excellent financial services is key to achieving this.

The Statement of Accounts have once again been prepared to a high standard, being handed over to the Council’s External Auditors on 31 May 2017. This is a week earlier than the date achieved in 2015/16 and means the Council has met the new financial closedown deadlines for Local Authorities a year earlier than required. The Statement of Accounts plays a vital role in providing Stockport residents, Council Members and other interested parties with an understanding of the Council’s financial position, providing assurance that public resources have been used and accounted for in an appropriate manner.

The timely preparation of the Statement of Accounts allows the Council to report its financial position for the financial year and then move its focus on meeting the financial challenges ahead. This is only possible through the hardwork and dedication of colleagues within the Finance Service. Over the next 12 months the development of growth and reform plans across Council Services will help to identify and develop new ways of working to address these financial challenges. The Finance Service will be at the forefront of this, working closely with colleagues across the Council and partner organisations.

The Statement of Accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom. It aims to ensure the readers of the Statement of Accounts can:

- Understand the overarching financial position of the Council and the 2016/17 outturn position;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for appropriately; and
- Be assured of the robustness of the Council's financial standing.

The Narrative Report provides information about Stockport. It highlights the key issues affecting the Council and its accounts and includes a summary of the Council's financial position as at 31 March 2017.

Michael Cullen
Borough Treasurer

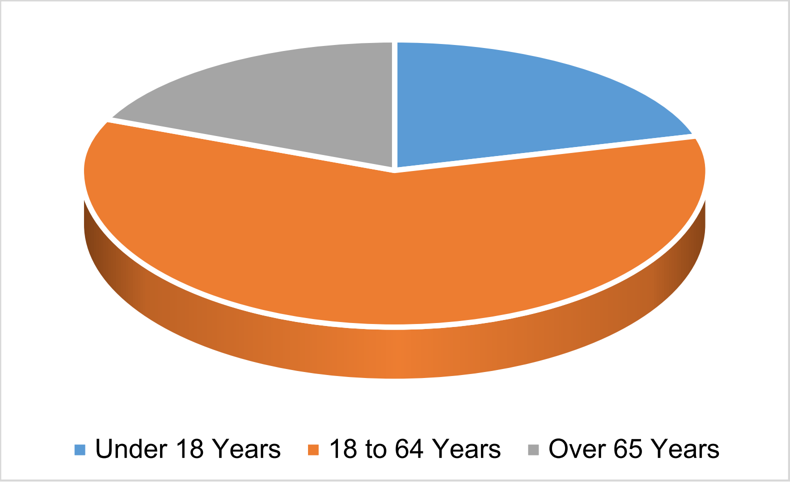
INTRODUCTION TO STOCKPORT

Stockport is one of ten local authorities in the Greater Manchester region. It is situated between the Peak District, the Cheshire Plain and the UK's fastest growing city. It is a Borough of independent shops, great schools, thriving businesses and strong communities. Nevertheless, the Council also faces many challenges and will need improved community infrastructure assets as it prospers. The Council is working hard to address these challenges and build a better future for the Borough.

KEY FACTS ABOUT STOCKPORT

Population

The Office for National Statistics 2015 mid-year population estimates report Stockport's total population as 288,733. The age profile of the population is shown below:



Compared to national averages Stockport has a high proportion of residents aged 0 to 14 years and over 65 years. This provides the Council with significant challenges in terms of the demand for and provision of services. Furthermore the population is expected to increase significantly over the medium term with a high proportion of this increase coming from those residents aged over 65 years.

Local Economy

Stockport supports the third largest workforce across Greater Manchester, with the latest data reporting 119,000 people employed within the Borough. Stockport is home to a diverse and thriving local economy. It has 11,835 businesses providing an effective environment for enterprise and business start-ups. A high proportion of people work within higher value occupations including professional and managerial roles. Going forward strong growth across a number of employment sectors is predicted for Stockport.

Political Structure

The Borough of Stockport is made up of 21 wards with three councillors representing each ward. The political make-up of the Council is:

Labour	23 Councillors
Liberal Democrats	21 Councillors
Conservatives	14 Councillors
Independent Ratepayers	3 Councillors
Stockport Residents Group	2 Councillors

The Executive is the main decision making body of the Council and is responsible for the strategic management of Council Services. The Executive consists of an Executive Leader and seven Executive Councillors, each of whom holds an Executive Portfolio covering a particular service area. The Executive Portfolios during 2016/17 were:

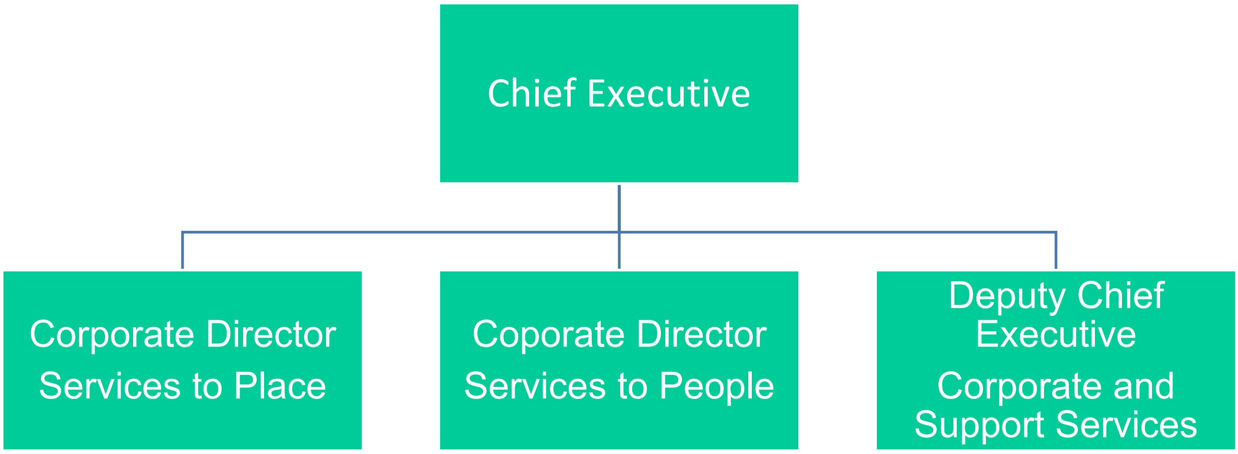
- Adult Social Care
- Children's and Family Services
- Communities and Housing
- Economy and Regeneration
- Education
- Health
- Reform and Governance

From May 2017, the Executive will be referred to as the Cabinet.

Corporate Leadership Team Structure

The Council's Corporate Leadership Team (CLT) supports the work of the Councillors. The Team is headed by the Council's Chief Executive, three Corporate Directors and supported by the Borough Treasurer. CLT is responsible for the delivery of Council Services, directing improvements and the future plans for the Borough. The Team provides managerial leadership and supports Councillors in:

- Developing strategies;
- Identifying and planning resources;
- Delivering plans; and
- Reviewing the Council's effectiveness in delivering excellent services to the residents of Stockport.



The Borough Treasurer attends CLT meetings in his role as the Council's Chief Finance Officer.

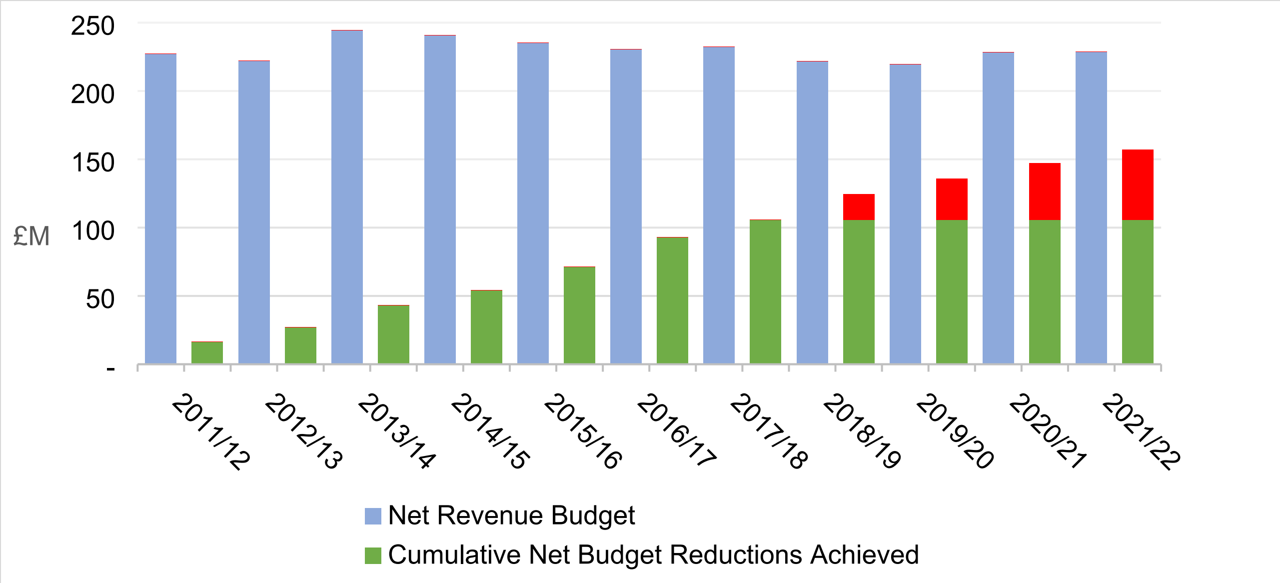
Council Employees

At the start of April 2016 the Council employed 2,400.8 full time equivalents (excluding school based employees). By March 2017 this has reduced to 2,391.7 full time equivalents (excluding school based employees). The Council recognises the importance of the Council Officers in every aspect of its work and ensures they are engaged and developed in order to be able to deliver excellent services to Stockport Residents, Members and external partners.

Medium Term Financial Landscape and Challenge

The Council faces significant financial challenges over the medium term period 2018/19 to 2021/22. By the end of 2016/17 the Council had achieved over £106m of budget reductions. A further £15.938m of budget reductions have been approved for 2017/18 with an additional £51.398m of budget reductions forecast for the four years to 2021/22. This is coupled with the challenges the Council faces as a result of the changes to the Local Authority Financing Regime and the increasing need for the Council to rely on local taxation (Council Tax and Non Domestic (Business) Rates) to fund essential services to residents.

The chart below demonstrates the level of budget reductions the Council has achieved since 2010/11 in response to the reductions in Government funding. It also highlights the forecast amount of budget reductions expected that will need to be achieved over the medium term period in order to balance the Council's budget.



This is a significant financial challenge, one which will require transformational change of service delivery models to ensure the Council is able to become self-sufficient in terms of its funding. This will need continuing investment in the Borough to stimulate economic growth and generate income for the Council to use to support the delivery of essential frontline services to residents. This is demonstrated by key regeneration projects such as Merseyway Shopping Centre, Redrock, Aurora Stockport and Stockport Exchange.

Initially the focus will be on the Council's 2018/19 savings requirement through the Council's growth and reform plans and focusing on the priorities set out in the Council Plan, whilst achieving the desired outcomes for residents. The Council is committed to piloting new approaches to reforming services, identifying new ways of working and targeting investments in key priorities. The Council's growth and reform plans provide a framework for moving towards self-funding over the coming years, stressing both the importance of investing both in a growing local tax base and the independence and resilience of local people.

Council Plan

The Council Plan sets out how the Council's Executive is preparing for the future and responding to the challenges facing the Council. It retains the focus on delivering the five 'shared outcomes' within the 2015 to 2020 Investing in Stockport Borough Plan:

- People are able to make positive choices and be independent;
- People who need support get it;
- Stockport benefits from a thriving economy;
- Stockport is a place people want to live; and
- Communities in Stockport are safe and resilient.

The Plan sets out the Council's commitment to growing the Borough's local economy, protecting vital local services and ensuring that every resident has the opportunities they deserve. The Council will continue to listen and respond to residents, elected members and other stakeholders when developing future plans, with a clear focus on investing in a sustainable future for Stockport.

The Plan is underpinned by an inclusive vision for growth and reform, shaping how the Council will engage with residents and businesses across the Borough. Whilst the Plan sets out some significant pressures and challenges, the Council will continue to use its influence to make the most of the opportunities presented by the devolution of power and responsibilities to Greater Manchester and the integration of health and social care services.

Greater Manchester Devolution and Partnership Working

The Council secured, in partnership with the Greater Manchester Councils, a unique devolution agreement with the Government that puts more power in the hand of local people, and more accountability on local politicians for the exercise of that power. The devolution of powers, budgets and responsibility to the Greater Manchester Combined Authority is underway. The recent election of a Greater Manchester Mayor, will provide further opportunities to integrate health and social care services, take a more coordinated approach to building new housing and transport infrastructure improving transport links and create more jobs for local people.

The Council also entered into a significantly increased pooled budget of approximately £200m with the Stockport Clinical Commissioning Group in 2016/17. The Stockport Together Programme sets out the collective vision for a sustainable health and care system for the residents of Stockport. This aims to improve health outcomes, reduce health inequalities, promote greater independence and lower the need for bed-based care. The Stockport Together Programme will continue to work on delivering this vision going forward.

Greater Manchester 100% Business Rates Retention Pilot

The Government is developing the mechanisms to deliver the full retention of Non Domestic (Business) Rates income by Local Authorities by 2020. As announced in the 2017 Local Government Finance Settlement, Greater Manchester will be one of the regions piloting the full retention of Business Rates from 1 April 2017. The purpose of this Pilot is to develop and trial approaches to manage risk and reward and to finance from additional Business Rates income new responsibilities and/or existing funding streams including those that support economic growth. It is hoped that the new retention scheme will provide stable funding streams and incentivise local economic growth.

Being part of the Greater Manchester Pilot provides the Council and Greater Manchester region with potential financial benefits with the guarantee that Authorities will not be worse off as a result of the Pilot. The ‘No Detriment’ agreement will guarantee that the resources available to the Council under the existing 50% retention scheme will be the same under the 100% Pilot. Furthermore being part of the Pilot will enable the Council and Greater Manchester region to be influential in the policy decisions being made as the approach to 100% Business Rates Retention by 2020 progresses.

As a result of the Pilot the Council will not receive the Revenue Support Grant or Public Health Grant from Government in 2017/18. Instead the Council will retain 100% of its Non Domestic (Business) Rates income 99% Council, 1% Greater Manchester Fire and Rescue Authority (rather than pay 50% of the income to Government) to support the funding of Council Services.

2016/17 FINANCIAL PERFORMANCE OF THE COUNCIL

2016/17 Revenue Budget and Capital Programme

On the 3 March 2016, the Council approved the 2016/17 Revenue Budget and Capital Programme. The revenue budget was set at £230.712m, with £159.289m being Cash Limit budgets and £71.423m for Non-Cash Limit budgets. The Council approved the Council Tax Resolution with a 3.75% increase on Council Tax (including 2% Adult Social Care Precept) for 2016/17.

The three-year Capital Programme was approved on 3 March 2016, with £211.178m in resources being allocated to capital schemes in 2016/17.

Revenue Budget and Capital Programme Monitoring

The Revenue Budget and Capital Programme are monitored on a quarterly basis throughout the year. Progress reports are presented to the Council’s Executive and relevant Scrutiny Committees. In addition the Council’s Treasury Management performance highlighting the performance of the Council’s investments and capital borrowing is reported to the Executive and the Corporate and Resources Scrutiny Committee on a quarterly basis.

2016/17 Revenue Outturn Position

The Council’s 2016/17 revenue outturn position is shown in the table below. The budget set at the Council meeting on 3 March 2016 was £230.712m. The original budget set out how the Council planned to allocate its resources during the year to deliver essential services to Stockport residents.

Portfolio	Original Budget £000	Revised Budget £000	Final Outturn £000	(Surplus)/ Deficit £000
Adult Social Care	63,394	67,645	68,394	749
Children and Family Services	22,689	22,789	25,060	2,271
Communities and Housing	23,244	24,031	23,849	(182)
Economy and Regeneration	3,149	2,792	2,801	9
Education	4,133	4,147	4,135	(12)
Health	16,539	17,147	17,046	(101)
Reform and Governance	26,141	28,088	28,088	0
Total (Cash Limits)	**159,289**	**166,639**	**169,373**	**2,734**
Pay	985	114	0	(114)
Superannuation (Auto-Enrolment)	265	162	0	(162)
Price Inflation / National Living Wage	6,136	3,534	0	(3,534)
Demand Pressures	2,000	0	0	0
Other Non-Cash Limits	62,037	60,263	55,361	(4,902)
Total (Non-Cash Limits)	**71,423**	**64,073**	**55,361**	**(8,712)**
TOTAL	**230,712**	**230,712**	**224,734**	**(5,978)**
Financed By				
Council Tax Requirement - General	128,927	128,927	128,927	0
Adult Social Care Precept	2,534	2,534	2,534	0
Revenue Support Grant	28,289	28,289	28,289	0
Business Rates Council Share	45,038	45,038	45,038	0
Business Rates Section 31 Grants	3,006	3,006	3,116	(110)
Public Health Grant	16,487	16,487	16,487	0
Education Services Grant	3,357	3,357	3,244	113
New Homes Bonus	3,262	3,262	3,262	0
New Homes Bonus Returned Element	100	100	100	0
Transition Grant	1,022	1,022	1,025	(3)
Collection Fund Deficit	(1,310)	(1,310)	(1,310)	0
TOTAL	**230,712**	**230,712**	**230,712**	**0**
OUTTURN SURPLUS	**0**	**0**	**(5,978)**	**(5,978)**

The Council has achieved a surplus of £5.978m for the financial year when comparing budgeted (planned) expenditure with actual expenditure. Decisions on the use of this surplus will considered as part of the Council's 2017/18 Reserves Policy (see earmarked reserves section below).

The main variances relate to three areas:

- Adult Social Care deficit of £0.749m compared to the revised budget which mainly relates to pressures within the non-residential care and learning disability service areas. Pressures in these areas have been offset by surpluses across adult service as a result of holding vacant posts and additional income;

- Children's and Families Services deficit of £2.271m compared to the revised budget which relates to cost pressures as a result of external looked after children placements and an increase in the use of foster carers; and
- Non-Cash Limit surplus of £8.712m as a result of reductions in insurance costs as a result of the Highways Investment Programme and improved risk management, additional dividend from Manchester Airport and unallocated corporate budgets set aside to meet expected demand and inflationary costs during the year.

The Comprehensive Income and Expenditure Statement (CIES) shows a surplus on the provision of services of £63.281m. The difference between this and the outturn surplus explained above relates to the adjustments that are made to the CIES through the Movement in Reserves Statement (MiRS) to ensure the Council's General Fund Balance is prepared on a funding basis rather than an accounting basis. Note 2 Adjustments between Accounting Basis and Funding Basis Under Regulations reconciles the differences. Some of the reasons for the differences include:

- Capital investments are accounted for when financed, rather than when it is consumed, e.g. General Fund Grants and Contributions of £79.428m were credited to the Comprehensive Income and Expenditure Statement in 2016/17;
- Charges for depreciation, revaluation losses and impairment of non current assets (£39.478m in 2016/17);
- Retirement benefits are charged as amounts when they become payable to the pension fund and pensioners, rather than as future benefits are earned (13.499m for 2016/17); and
- The Minimum Revenue Provision for capital financing is a charge to the General Fund but does not appear in the CIES (£7.357m for 2016/17).

General Balances

The level of General Fund Balances as at 31 March 2017 is £19.111m. This balance reflects the level of unallocated balances that would be needed to address any unexpected budget pressure. The balance is calculated to reflect the spending experiences and risks to which the Council might be exposed to and is approved as part of the budget setting process.

This is made up of the £9.200m recommended minimum level of General Fund Balances required to support the 2016/17 budget plus the £3.933m 2015/16 outturn surplus which has been held in general fund balances during the year. As part of the 2017/18 budget setting process £3.575m (2017/18) and £0.022m (2018/19) of this surplus will be utilised to support the Adult Social Care and the Stockport Together Programme. This will provide essential time and stability for new models of care to be implemented and embedded, and permanent cashable savings to be released in 2018/19.

The 2016/17 outturn surplus of £5.978m will be held in general fund balances. This will be considered as part of the Council's 2017/18 Reserves Policy (see earmarked reserves section below) and the 2018/19 budget setting process.

Earmarked Reserves

Earmarked reserves represent resources that have been set aside to fund specific commitments and plans. During the year the Council completed a review of its reserves and as a result implemented a Reserves Policy. This Policy ensures that the earmarked reserves set aside to support Council services are held at an appropriate level and that they are aligned to the Council's corporate and strategic priorities. During the year there has been a net use of these reserves of £2.068m resulting in a balance of £63.324m at 31 March 2017.

The Council's Reserves Policy is reviewed on an annual basis to ensure that the balances held in earmarked reserves remain at an appropriate level to provide the Council with budget resilience and ensure they are aligned to the corporate and strategic priorities. The 2017/18 review will consider the use of the £5.978m 2016/17 outturn surplus when determining the appropriate level of earmarked reserves to be held.

Reserves balances of £12.633m relating to Schools and £5.380m relating to the Housing Revenue Account (HRA) are also held. These balances are held in separate earmarked reserves as they are ringfenced to fund Schools and the HRA expenditure.

Note 7 to the Statement of Accounts provides more information about the balances held on individual reserves.

2016/17 Capital Programme Outturn

The Council has a significant and diverse Capital Programme with an approved £526.926m three-year Capital Programme for 2016/17 to 2018/19, with the original Capital Programme for 2016/17 being £211.178m. The individual capital schemes making up the Programme are regularly reviewed during the year and aligned to spending profiles as schemes develop. During the year, a total of £88.091m in additional schemes were added to the Programme and £61.939m was re-phased to align with the developing schemes expenditure profiles.

The forecast 2016/17 Capital Programme for 31 March 2017 was £239.919m and the outturn expenditure was £237.330m. This is the largest Capital Programme that the Council has delivered.

The Council has some significant highways capital schemes in its Programme, including:

- SEMMMS A6 to Manchester Airport Relief Road, which had expenditure of £31.201m during the year;
- The Town Centre Access Plan, which had expenditure of £14.752m in 2016/17; and

- The Highways Investment Programme, which had expenditure of £15.354m in 2016/17.

Another large element of the Council's Capital Programme is within the Economy and Regeneration Directorate is the Council's investment in the regeneration projects across the Borough including:

- Merseyway Shopping Centre acquisition;
- Stockport Exchange Phase 2;
- Redrock; and
- Aurora Stockport.

Other capital schemes incurring expenditure during the year included Communities and Housing schemes, Education schemes and the Council's Asset Management Programme. The table below sets out the 2016/17 three year Capital Programme as at 31 March 2017 by Portfolio and the resources being used to finance it.

Portfolio	2016/17 Programme £000	2017/18 Programme £000	2018/19 Programme £000
Adult Social Care	261	1,646	0
Children and Family Services	0	24	0
Communities and Housing	23,345	62,595	52,011
Economy and Regeneration	187,709	91,868	49,151
Education	9,522	8,018	3,016
Health	0	0	0
Reform and Governance	16,493	12,317	8,950
TOTAL	**237,330**	**176,468**	**113,128**
Resources			
Capital Grants	59,932	63,817	33,167
Directly Funded Borrowing	143,467	55,082	49,311
Unsupported Borrowing	17,936	21,620	13,839
Capital Receipts	837	8,435	1,105
External Contributions	782	4,003	400
Commuted Sums	1,388	2,000	2,000
Revenue Contributions (RCCO)	2,599	11,023	2,818
HRA Funding From MRR	10,389	10,488	10,488
TOTAL	**237,330**	**176,468**	**113,128**

Collection Fund

The Council is required by legislation to maintain a separate account for the administration of Council Tax and Non Domestic (Business) Rates income and related expenditure. All income collected from local taxpayers is paid in to this account and then distributed to the Council's General Fund, the Greater Manchester Police and Crime Commissioner, the Greater Manchester Fire and Rescue Authority and the Government.

The 2016/17 outturn position on the Collection fund is a surplus of £0.978m made up of a £1.139m surplus on Council Tax, offset by a £0.161m deficit on Non Domestic (Business) Rates. The Council's, the precepting Authorities' and the Government's share of this surplus is shown in the table below.

	Council Tax £000	NDR £000	Total £000
2016/17 (Surplus)/Deficit	**(1,139)**	**161**	**(978)**
Allocated to:			
Stockport Metropolitan Borough Council	**(994)**	**79**	**(915)**
Greater Manchester Fire and Rescue Authority	**(39)**	**2**	**(37)**
Greater Manchester Police and Crime Commissioner	**(106)**		**(106)**
Central Government		**80**	**80**
	(1,139)	**161**	**(978)**

In line with the legislation that governs the Collection Fund accounting, the surplus of £0.915m will not be realised by the Council until 2018/19.

Housing Revenue Account (HRA)

Under legislation, income and expenditure on council housing is 'ringfenced' within the HRA. This means the Council is not able to make contributions to or from its General Fund from or to the HRA.

After taking into account adjustments between the accounting basis and the funding basis under legislation and transfers to and from earmarked reserves there is a deficit of £0.553m reducing the HRA balance to £1m at 31 March 2017. On an accounting basis, the 2016/17 outturn position on the HRA is a surplus of £59.596m. This is mainly due to revaluation gains of £48.8m on the valuation of the HRA assets as a result of an increase to the social housing discount factor percentage.

Group Accounts

The Council's Group Accounts include those entities where there is a material financial interest and the Council holds a significant level of control. The Council's Group boundary comprises of:

- Stockport Metropolitan Borough Council;
- Stockport Homes Ltd;
- Solutions SK Ltd;
- Stockport Exchange Phase 2 Ltd; and
- Stockport Hotel Management Company Ltd.

In accordance with the Code, consideration has been given as to whether these entities should be consolidated in to the Council's Group Accounts. Solutions SK Ltd and Stockport Homes Ltd accounts are consolidated into the Council's Group Accounts. The interest in Stockport Exchange Phase 2 Ltd and Stockport Hotel Management Company Ltd is not considered material therefore these accounts are not consolidated into the Council's Group Accounts.

Further detail on the Group entities and the Group Accounts can be found in the Group Accounts section of the Statement of Accounts.

2017/18 Revenue Budget

At the Council meeting on 23 February 2017, the 2017/18 Revenue Budget was approved. The budget was set at £232.282m, with £162.561m being Cash Limit budgets and £69.721m for Non-Cash Limit budgets. The following table sets out the approved budget for 2017/18.

Portfolio	2017/18 Approved Budget £000
Adult Social Care	65,771
Children and Family Services	21,915
Communities and Housing	23,615
Economy and Regeneration	2,820
Education	4,095
Health	16,468
Reform and Governance	27,877
Total (Cash Limits)	**162,561**
Superannuation (auto-enrolment)	983
Price Inflation/National Living Wage	7,395
Demand Pressures	750
Apprenticeship Levy	400
Non Cash Limits	60,193
Total (Non-Cash Limits)	**69,721**
TOTAL EXPENDITURE	**232,282**
Financed by	
Council Tax Requirement – General	(134,284)
Council Tax Requirement – Adult Social Care Precept	(6,613)
Revenue Support Grant	0
Business Rates Council Share	(78,525)
Business Rates Tariff	1,416
Business Rates Section 31 Grants	(4,700)
Public Health Grant	0
Education Services Grant	(954)
New Homes Bonus	(2,642)
New Homes Bonus Returned Element	(107)
Adult Social Care Grant	(1,289)
Transition Grant	(1,009)
Use of One Off Resources	(3,575)
TOTAL RESOURCES	**(232,282)**

The decision to raise Council Tax by 4.99% (including a 3% Adult Social Care Precept) in setting the 2017/18 budget was not taken lightly. The impact this would have on Stockport residents was considered whilst ensuring the Council's future financial sustainability and robustness on a recurrent basis to ensure essential services particularly to those most vulnerable residents can continue to be delivered.

Given the scale of the financial challenge ahead, it was felt by the Council that there was little choice but to approve the increase in 2017/18.

The continuing effective financial management of the Council's budgets will support the Council to mitigate the risks and meet the challenges ahead. The surplus position reported in these Statement of Accounts and the level of reserves and balances held demonstrate the robustness of the Council's financial position over the medium term.

A series of Working Papers were published alongside the Council's 2017/18 Budget and Medium Term Financial Plan, providing the basis for the Council's Growth and Reform Programme going forward. Detailed Business Cases are being developed which will support the 2018/19 budget setting process with the focus being on building financial resilience and sustainability.

2017/18 Capital Programme

The three year Capital Programme 2017/18 to 2019/20 was approved at the Council meeting on 23 February 2017. Resources of £169.697m were allocated to capital schemes in 2017/18 and this has subsequently increased to £176.468m since approved. Significant capital schemes included are:

- Highways schemes make up £69.579m of the 2017/18 Programme including SEMMMS Relief Road scheme, Highways Investment Programme and the Town Centre Access Plan;
- Major regeneration schemes make up £20.466m of the 2017/18 Programme including ongoing development of Redrock which is expected to be open in late November 2017, Aurora Stockport and schemes relating to the Markets and Underbanks regeneration;
- Communities and Housing schemes make up £62.595m of the 2017/18 Programme including schemes relating to social housing improvement and new build schemes; and
- Schemes relating to the Council's Asset Management Plan and re-provision of the Dialstone Facility totalling £10.139m are also included in the 2017/18 Programme.

2016/17 NON FINANCIAL PERFORMANCE OF THE COUNCIL

Performance

The Council Plan is developed alongside the Council's Medium Term Financial Plan. This forms the basis of seven Portfolio Agreements which set out the detailed delivery plans for each Portfolio alongside the 2016/17 budgets, performance measures, policy drivers and risks. Portfolio Holders report on the progress in delivering these priorities and outcomes during the year, with the reports considered in detail by the relevant Scrutiny Committees.

A Corporate Report is also produced each quarter, setting out the Council's overall financial position along with a summary of the delivery against the key priorities and performance outcome measures. This report is considered by both the Executive and the Corporate and Resource Management and Governance Scrutiny Committee. The Annual Report for 2016/17 is due to be published in June 2017.

Overall, 2016/17 shows a similar position on performance against the outcome measures set in 2015/16; 78% of measures are on target or within an acceptable range, and of these 62% are improving or maintaining performance levels. Further analysis is contained within the Annual Report, highlighting any specific areas of concern and actions in place to address these.

Significant progress was made during 2016/17 in delivering on the Council's strategic priorities. This includes the embedding of integrated children's services with Stockport Family, and working with health partners to join up health and social care through Stockport Together Programme. Major transformation will continue across both these areas over the next twelve months, including increasing work across Greater Manchester and within localities to further integrate services.

Growing the local economy continues to be a priority to benefit Stockport residents and create a strong local economy by attracting and retaining businesses in the Borough. The major investment in Stockport Town Centre is starting to take shape. The Stockport Exchange development is complete, including new public realm, hotel and premium office accommodation at a key gateway to the Town Centre. The construction of the new leisure complex at Redrock is scheduled for completion in late 2017 which will provide improved retail and leisure facilities to residents and visitors. New residential developments are also increasing the supply of good quality, affordable housing within the Town Centre.

Investing in Stockport's infrastructure is also critical to delivering the required economic growth. The establishment of a local housing company, Viaduct Partnership Ltd, alongside the new Housing Commission will help co-ordinate the funding and development sites to enable delivery of much needed affordable housing across the Borough. The Council is three years into delivering a ten year investment of £100m in its Highways Investment Programme, whilst major capital schemes such as the A6 Manchester Airport relief road and Town Centre Access Plan are also contributing towards building a sustainable transport network across the Borough.

Achievements

The Council's key achievements over the last twelve months include:

- Completion of Stockport Exchange Phase 2 including new public realm, hotel, office and retail at a key gateway to Stockport Town Centre;
- Ongoing progress of the construction of the new leisure facilities at Redrock including a Cinema and restaurants which are due to open in November 2017;
- Continuing progress of the Council's Highways Investment Programme improving the transport links across the Borough;
- Redesign of the Council's website to help people access Council Services online;
- Stockport's first 'Digi-Fest' was held to support residents to access services online;

- Launch of 'DigiKnow' to help residents to get online, improve their digital skills and access the benefits of being online;
- Continuing integration of health and social care services across Stockport through the Stockport Together Programme providing joined up services to residents;
- Embedding of Integrated Children's Services across Stockport through Stockport Family; and
- The re-opening of Bramall Hall adding to the other cultural attractions across Stockport.

Corporate Risks

Each Portfolio has identified significant risks to achieving objectives and delivering key projects. These are outlined in Portfolio Risk Registers, contained within the Portfolio Agreements, along with any emerging risks and controls in place to mitigate these risks.

A number of Corporate Risks have been identified at a strategic level, and these have been aligned with strategic risks from Portfolio Risk Registers to form the Corporate Risk Register. The Council includes an update on internal controls and mitigating actions for the risks in its quarterly Corporate Performance and Resources Report and provides a more detailed update for the Audit Committee to consider.

The Corporate Risks include:

- Governance – inadequate governance arrangements;
- Evidence Base – lack of a robust evidence base to support key decisions;
- Change Management – ability to manage and implement change effectively;
- External – ability to influence external factors;
- Financial – failure to deliver the Medium Term Financial Plan (savings targets and balanced budget);
- Delivering Growth – failure to deliver key strategic, regeneration and capital investment programmes;
- Digital Capacity – insufficient ICT infrastructure and capacity;
- Workforce Capacity – insufficient knowledge and skills within workforce to deliver growth and reform;
- Service User/Customer Risk – inability to influence behaviour change resulting in demand and expectations continue to rise;
- Health and Social Care Integration – financial resources and capacity are insufficient to deliver the strategic change programme and associated benefits to required timescales;
- School Places – insufficient supply of school places;
- Welfare Reform – failure to provide an integrated response to welfare reform and other major changes;
- Safeguarding – failure of safeguarding arrangements for children and vulnerable adults;
- Information Governance – failure to protect the Council's information assets including personal and sensitive personal data and other confidential data; and
- Fraud – failure to deter, address or identify fraud.

Receipt of Further Information

This Statement of Accounts forms one element of the Council's financial reporting to local taxpayers, employees and other interested parties. The Council publishes its Budget and quarterly Performance and Resources Reports on the Council's website www.stockport.gov.uk.

If you would like to receive further information on these accounts, please contact me at Finance, Corporate and Support Services, Stockport Metropolitan Borough Council, Stopford House, Stockport, SK1 3XE.

MAIN CHANGES TO THE CORE FINANCIAL STATEMENTS AND SIGNIFICANT TRANSACTIONS

Expenditure Funding Analysis

The Financial Statements have adopted the new format and reporting requirements for the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement. The Council has also included the new Expenditure and Funding Analysis (EFA) required by the CIPFA Code of Practice.

The CIES and EFA adopts the Council's Portfolio reporting structure as its service segments. This will be more meaningful for Members and users of accounts, as it follows budget performance monitoring and other key documents such as Council Tax leaflets. As a result the EFA will more closely align with the reported outturn position. This is then reconciled to the CIES by adding accounting items that are not chargeable to the Council's general fund, such as capital charges and removing transactions not chargeable under generally accepted accounting practices, such as the Minimum Revenue Provision.

These changes will improve the readers understanding of the Council's Financial Statements and provide a reconciliation between the CIES reporting requirements (governed by accounting standards) and the Council's General Fund Balance.

Housing Revenue Account (HRA) Housing Valuation

The HRA housing valuation is based on the 'vacant possession value' which is considered the best sale price that could be obtained for a property on the valuation date. This valuation is then adjusted to reflect that the tenants of these properties enjoy sub-market rents and rights such as right to buy. The adjustment is set out in the 'Stock Valuation for Resource Accounting Guidance for Valuers 2016' and measures the difference between market and sub market rents at a regional level. For 2016/17 the percentage applicable to the North West was 40% compared to 35% in 2015/16. This increase in the percentage alone has resulted in an increase of £48.8m to the value of the HRA housing and is included in the Council Dwellings balance disclosed on the Council's Balance Sheet.

Stockport Exchange Phase 2 Ltd Asset Transfers

The development of the new Stockport Exchange public realm, hotel and office block was completed during 2016/17. The development, costing circa £20m, was funded by the Council through a special purpose vehicle (SPV) Stockport Exchange Phase 2 Ltd. Whilst the developments were being completed the company was held by the Council's development partner, Muse Developments Ltd (MUSE). Now that the development is complete MUSE will exit the SPV and the company will be wound down. The leases held by the SPV have been terminated and the Council has taken back ownership of the both the hotel and office block assets from Stockport Exchange Phase 2 Ltd at cost. Both properties have been treated as investment properties in the Statement of Accounts and valued at fair value as at 31 March 2017.

The Council has established a wholly owned subsidiary company to run the hotel (through a contract with Interstate Ltd) and the hotel building will be leased (on an operating lease basis) to this subsidiary. The office block and retail units are in the final stages of being fully let.

Merseyway Shopping Centre Valuation

At the beginning of the financial year the Council purchased the Merseyway Shopping Centre in Stockport Town Centre. The decision to purchase the asset was to support the ongoing regeneration of the Town Centre and give the Council direct control of the future of the shopping centre. The aim was to ensure the Town Centre would continue to provide a modern and adaptable retail experience for residents and visitors. This included a commitment to undertake a major refurbishment and reconfiguration of the asset over a ten year period.

The cost of the acquisition of the leasehold interest, supported by a RICS Redbook valuation and business case for Council ownership of the total asset, and the previous valuation of the freehold interest totalled £88.2m. As at 31 March 2017 a revaluation under IFRS 13 provided a valuation of the asset at £61.1m, a reduction in value of £27.1m. This reduction in value has been reflected on the Council's Balance Sheet.

The reduced asset valuation has been caused by a number of factors including:

- The asset transitioning from one which was prepared for sale by the vendor to one which is being prepared for redevelopment by the Council. This has seen a major reduction in the unit rental income which impacts on the asset valuation;
- A deterioration of the property investment market following the EU referendum compounding the income loss;
- Holding retail units vacant/on short term lets whilst the benefits of the regeneration projects across the Town Centre including the refurbishment and reconfiguration of the shopping centre are realised; and
- Strategic asset management decisions made during the year to support the regeneration of the Town Centre.

When purchasing the asset, it was always the Council's intention to hold the shopping centre for the medium term whilst the benefits of the other Town Centre regeneration schemes such as Redrock are realised. Whilst the Council is holding the asset the rental income generated from the retail unit lets covers the cost of the repayment of debt. This protects the Council from short to medium term asset valuation fluctuations. As a result there is no external pressure to dispose of the asset and any future disposal can be timed to maximise value based on a high level of income and strong investment market.

Pensions

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the balance sheet have increased by £35.723m during the year. This is primarily as a result of a significant decrease in the net discount rate used by the Actuary to discount the future cash flows of the fund, partially offset by much greater than expected asset returns. The assumptions are determined by the Actuary and represent the market conditions at the reporting date. Further details are given in Note 36 to the Accounts.

The figures reported in the Balance Sheet are valued in line with IFRS accounting standard IAS19, whereas contributions to the fund are based on the formal funding valuation, which is carried out every three years.

Pensions Advance Payment

The triennial valuation of the Council's pension fund was completed by the Greater Manchester Pension Fund (GMPF) during the year. Following the valuation, an option was made available to the Council allowing the payment of its employer pension contributions over the next three years in advance (rather than pay this on a monthly basis) on 1 April 2017. In return a discount on the employer pension contribution rates would be given to the Council resulting in an annual budget saving.

In setting the 2017/18 budget the Council opted to make a three year advance payment of its employer pension contributions totaling £51.111m. This means the Council has paid its employer pension contributions for 2017/18, 2018/19 and 2019/20. This resulted in a budget saving of £0.750m in each of these years. The three year advance payment was made to GMPF in April 2017 and has been disclosed in the accounts within Note 6, Events after the Balance Sheet Date and Note 36 Pensions.

Borrowing and Investments

The Council's long term borrowing has increased by £65.506m to £376.552m as at 31 March 2017. This is largely due to the borrowing from the Public Works Loan Board (PWLB) undertaken to finance the acquisition of Merseyway Shopping Centre.

As interest rates remain historically low, the Council is maintaining its internally borrowed position and utilising temporary, short term borrowing to supplement cash flow fluctuations. As a result short term borrowing has increased by £58.544m to £112.364m and short term investments reduced by £17.558m to nil as at 31 March 2017. If longer term rates look set to rise then the Council will weigh up the cheapest long term funding options.

Certificate of the Statement of Accounts

I certify that the Statement of Accounts presents a true and fair view of the financial position of Stockport Metropolitan Borough Council at 31 March 2017, and its income and expenditure for the year ended 31 March 2017.

Michael Cullen
Borough Treasurer
19 July 2017

Approval of the Statement of Accounts

In accordance with the Accounts and Audit Regulations 2015, I hereby certify that the Audit Committee of the Stockport Metropolitan Borough Council approved the Statement of Accounts for the financial year ended 31 March 2017, at its meeting of 19 July 2017.

Councillor Stuart Corris
Chair of Audit Committee
19 July 2017

FINANCIAL STATEMENTS AND NOTES TO THE CORE FINANCIAL STATEMENTS

Core financial statements are applicable to all local authorities whatever their function and comprise:

Comprehensive Income and Expenditure Statement

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

Movement in Reserves Statement

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

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the

Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council. This summarises the inflows and outflows of cash arising from both revenue (day to day) and capital (investment in new assets) transactions with third parties.

Comprehensive Income and Expenditure Statement

	2016/17 Gross Exp-enditure £000	2016/17 Gross Income £000	2016/17 Net Exp-enditure £000	Restated 2015/16 Gross Exp-enditure £000	Restated 2015/16 Gross Income £000	Restated 2015/16 Net Exp-enditure £000	Note
Adult Social Care	**125,942**	**(55,516)**	**70,426**	119,536	(51,761)	67,775	
Children & Family Services	**32,553**	**(4,869)**	**27,684**	34,772	(7,048)	27,724	
Communities & Housing	**46,404**	**(9,861)**	**36,543**	48,379	(9,124)	39,255	
Economy & Regeneration	**8,086**	**(3,257)**	**4,829**	11,441	(5,863)	5,578	
Education	**6,014**	**(2,760)**	**3,254**	5,718	(2,673)	3,045	
Health	**18,814**	**(18,093)**	**721**	14,987	(14,856)	131	
Reform & Governance	**49,135**	**(8,658)**	**40,477**	49,044	(9,253)	39,791	
Non Cash Limits	**120,876**	**(76,461)**	**44,415**	129,739	(81,502)	48,237	
Dedicated Schools Grant	**226,226**	**(199,551)**	**26,675**	225,672	(201,596)	24,076	
Housing Revenue Account	**39,946**	**(54,788)**	**(14,842)**	35,784	(55,227)	(19,443)	
Housing Revenue Account - Social Housing Adjustment Factor	**(48,841)**		**(48,841)**				
Cost Of Services	**625,155**	**(433,814)**	**191,341**	675,072	(438,903)	236,169	
Other Operating Expenditure	**2,631**	**0**	**2,631**	927	0	927	8
Financing and Investment Income and Expenditure	**83,528**	**(45,414)**	**38,114**	77,125	(36,745)	40,380	9
Taxation and Non-Specific Grant Income	**0**	**(295,367)**	**(295,367)**	0	(267,598)	(267,598)	10
(Surplus) or Deficit on Provision of Services	**711,314**	**(774,595)**	**(63,281)**	753,124	(743,246)	9,878	
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			**(49,249)**			(12,713)	
Re-measurement of the net defined benefit liability			**22,224**			(83,709)	
Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) or deficit on revaluation of Available for Sale Financial Assets			**(3,900)**			1,200	
Other Comprehensive Income and Expenditure			**(30,925)**			(95,222)	
Total Comprehensive Income and Expenditure			**(94,206)**			(85,344)	

Movement in Reserves Statement

	General Fund Balance (Note a) £000	Housing Revenue Account (Note a) £000	Capital Receipts Reserve (Note b) £000	Major Repairs Reserve (Note b) £000	Capital Grants Unapplied (Note b) £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2015	(84,928)	(7,030)	(6,269)	0	(18,377)	(116,604)	(368,043)	(484,647)
Movement in reserves during 2015/16:								
Total Comprehensive Income and Expenditure	23,464	(13,586)				9,878	(95,222)	(85,344)
Adjustments between accounting basis and funding basis under regulations (Note 2)	(33,244)	13,189	(193)	0	8,733	(11,515)	11,515	**0**
(Increase)/Decrease in 2015/16	**(9,780)**	**(397)**	**(193)**	**0**	**8,733**	**(1,637)**	**(83,707)**	**(85,344)**
Balance at 31 March 2016 carried forward	**(94,708)**	**(7,427)**	**(6,462)**	**0**	**(9,644)**	**(118,241)**	**(451,750)**	**(569,991)**
Movement in reserves during 2016/17:								
Total Comprehensive Income and Expenditure	**(3,685)**	**(59,596)**				**(63,281)**	**(30,925)**	**(94,206)**
Adjustments between accounting basis and funding basis under regulations (Note 2)	3,325	60,643	(757)	0	740	63,951	(63,951)	**0**
(Increase)/Decrease in 2016/17	**(360)**	**1,047**	**(757)**	**0**	**740**	**670**	**(94,876)**	**(94,206)**
Balance at 31 March 2017 carried forward	**(95,068)**	**(6,380)**	**(7,219)**	**0**	**(8,904)**	**(117,571)**	**(546,626)**	**(664,197)**

Note a – Reserves held for revenue purposes
Note b – Reserves held for capital purposes
Details of schools reserves within earmarked reserves are set out in Note 7 to the Core Statements
A breakdown of adjustments between the accounting basis and funding basis under regulations is set out in Note 2 to the Core Statements

Balance Sheet

	31 March 2017 £000	31 March 2016 £000	Note
Property, Plant & Equipment			
- Council dwellings	**382,372**	322,912	
- other land and buildings	**462,261**	418,538	
- vehicles, plant, furniture and equipment	**16,555**	18,344	
- infrastructure	**179,745**	168,176	
- community assets	**1,729**	1,741	
- surplus assets not held for sale	**5,035**	6,041	
- assets under construction	**114,013**	76,178	
	1,161,710	1,011,930	11
Heritage Assets	**12,826**	10,542	12
Investment Property	**195,491**	88,625	13
Intangible Assets	**475**	728	14
Long Term Investments	**43,800**	39,800	38
Long Term Debtors	**51,847**	39,563	17b
Long Term Finance lease Debtors	**13,700**	13,700	17b, 35
Long Term Assets	**1,479,849**	1,204,888	
Assets Held for Sale (short term)	**1,080**	1,603	19
Inventories	**133**	115	
Cash and Cash Equivalents	**26,408**	23,617	18
Short Term Investments	**0**	17,558	15a
Short Term Debtors	**73,184**	66,567	17a
Current Assets	**100,805**	109,460	
Short Term Creditors	**(74,382)**	(64,410)	20a
Short Term Provisions	**(3,032)**	(2,891)	21
Short Term Borrowing	**(112,364)**	(53,820)	15a
Current Liabilities	**(189,778)**	(121,121)	
Long Term Creditors	**(13,458)**	(14,610)	20b
Long Term Provisions	**(5,235)**	(5,672)	21
Long Term Borrowing	**(376,552)**	(311,046)	15a
Other Long Term Liabilities - Net pensions liability	**(308,175)**	(272,452)	36
Other Long Term Liabilities - Finance leases	**(13,700)**	(13,700)	35
Revenue Grants Receipts in Advance	**(4,072)**	(833)	32
Capital Grants Receipts in Advance	**(5,487)**	(4,923)	32
Long Term Liabilities	**(726,679)**	(623,236)	
Net Assets	**664,197**	569,991	
Usable reserves	**(117,571)**	(118,241)	MIRS
Unusable Reserves	**(546,626)**	(451,750)	23
Total Reserves	**(664,197)**	(569,991)	

These financial statements replace the unaudited financial statements certified on 31 May 2017.

Michael Cullen
Borough Treasurer
19 July 2017

Cash Flow Statement

	31 March 2017 £000	31 March 2016 £000	Note
Net (surplus) or deficit on the provision of services	**(63,281)**	9,878	
Adjustments to net surplus or deficit on the provision of services for noncash movements			
Depreciation	**(37,919)**	(34,096)	
Impairment and revaluation	**42,230**	(9,969)	
Amortisations	**(253)**	(478)	
Increase/(Decrease) in Impairment for provision of bad debts	**836**	(744)	
Decrease/(Increase) in creditors	**(9,658)**	4,067	
Increase/(Decrease) in debtors	**5,938**	(1,599)	
Increase/(Decrease) in inventories	**18**	(34)	
Pension liability	**(13,499)**	(18,322)	36
Carrying amount of non-current assets sold	**(4,996)**	(24,046)	
Movement in value of investment properties	**(25,938)**	(3,510)	
Movement in provisions	**296**	26	
	(42,945)	(88,705)	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
Proceeds from the Sale of property, plant and equipment, investment property and intangible assets	**4,002**	4,013	
Revenue expenditure funded from capital under statute	**(6,019)**	(10,489)	
Capital grants	**79,813**	55,788	
Net cash flows from Operating Activities*	**(28,430)**	(29,515)	
Investing Activities	**149,881**	56,407	24
Financing Activities	**(124,242)**	(43,428)	25
Net (increase) or decrease in cash and cash equivalents	**(2,791)**	(16,536)	
Cash and cash equivalents at the beginning of the reporting period	**23,617**	7,081	18
Cash and cash equivalents at the end of the reporting period	**26,408**	23,617	18

*The following items are included within the operating activities:

	31 March 2017 £000	31 March 2016 £000
Interest Received	**(1,993)**	(2,064)
Interest Paid	**15,219**	14,722
Finance lease interest paid	**1,119**	1,100
Dividends Received	**(4,006)**	(3,245)
Finance lease interest received	**(1,358)**	(1,331)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Expenditure and Funding Analysis
2. Adjustments between Accounting Basis and Funding Basis under Regulations
3. Expenditure and Income Subjective Analysis
4. Critical Judgements in Applying Accounting Policies and Assumptions made about the Future and other Major Sources of Estimated Uncertainty
5. Material Items of Income and Expenditure
6. Events After the Balance Sheet Date
7. Earmarked Reserve within General Fund and HRA Balances
8. Other Operating Expenditure
9. Financing and Investment Income and Expenditure
10. Taxation and Non-Specific Grant Income
11. Property, Plant and Equipment
12. Heritage Assets
13. Investment Properties
14. Intangible Fixed Assets
15. Financial Instruments
16. Nature and Extent of Risks Arising from Financial Instruments

17a. Short Term Debtors including Payments in Advance

17b. Long Term Debtors

18. Cash and Cash Equivalents
19. Assets Held for Sale

20a. Short Term Creditors including Receipts in Advance

20b. Long Term Creditors

21. Provisions
22. Usable Reserves
23. Unusable Reserves
24. Cash Flow Statement - Investing Activities
25. Cash Flow Statement - Financing Activities
26. Trading operations
27. Pooled Budget Arrangements
28. Members’ Allowances
29. Officers’ Remuneration
30. External Audit Costs

Notes to the Core Financial Statements (continued)

31. Dedicated Schools Grant
32. Grant Income
33. Transactions with Related Parties
34. Capital Expenditure and Capital Financing
35. Leases
36. Pensions – Accounted for as Defined Benefit Pension Schemes
37. Contingent Assets and Liabilities
38. Investments
39. Accounting Policies
40. Prior Period Restatement

1. Expenditure and Funding Analysis

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

2016/17	**Reported Outturn £000**	**Non General Fund Accounts £000**	**Earmarked reserves £000**	**Net Expenditure Chargeable to the General Fund and HRA Balances £000**	**Adjustments between Funding and Accounting Basis £000**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £000**
Adult Social Care	68,394		688	69,082	1,344	70,426
Children & Family Services	25,060		1,964	27,024	660	27,684
Communities & Housing	23,849		(425)	23,424	13,119	36,543
Economy & Regeneration	2,801		336	3,137	1,692	4,829
Education	4,135		158	4,293	(1,039)	3,254
Health	17,046		197	17,243	(16,522)	721
Reform & Governance	28,088		1,338	29,426	11,051	40,477
Non Cash Limits	55,361		368	55,729	(11,314)	44,415
Dedicated Schools Grant		0	3,448	3,448	23,227	26,675
Housing Revenue Account		553	494	1,047	(64,730)	(63,683)
Net Cost Of Services	**224,734**	**553**	**8,566**	**233,853**	**(42,512)**	**191,341**
Other Income and Expenditure	(230,712)		(2,454)	(233,166)	233,166	0
Other Operating Expenditure				0	2,631	2,631
Financing and Investment Income and Expenditure				0	38,114	38,114
Taxation and Non-Specific Grant Income				0	(295,367)	(295,367)
(Surplus) or deficit	**(5,978)**	**553**	**6,112**	**687**	**(63,968)**	**(63,281)**
Opening General Fund and HRA Balances brought forward	**(13,133)**	**(1,553)**	**(87,449)**	**(102,135)**		
Less (Surplus)/ Deficit on General Fund and HRA Balance in Year	**(5,978)**	**553**	**6,112**	**687**		
Closing General Fund and HRA Balances brought forward	**(19,111)**	**(1,000)**	**(81,337)**	**(101,448)**		

2015/16	Reported Outturn £000	Non General Fund Accounts £000	Earmarked reserves £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Adult Social Care	64,976		816	65,792	1,983	67,775
Children & Family Services	26,586		(213)	26,373	1,351	27,724
Communities & Housing	27,021		768	27,789	11,466	39,255
Economy & Regeneration	3,323		(113)	3,210	2,368	5,578
Education	4,105		(131)	3,974	(929)	3,045
Health	14,613		117	14,730	(14,599)	131
Reform & Governance	27,384		(848)	26,536	13,255	39,791
Non Cash Limits	62,371		(8,365)	54,006	(5,769)	48,237
Dedicated Schools Grant		0	645	645	23,431	24,076
Housing Revenue Account		(553)	156	(397)	(19,046)	(19,443)
Net Cost Of Services	230,379	(553)	(7,168)	222,658	13,511	236,169
Other Income and Expenditure	(232,312)		(523)	(232,835)	232,835	0
Other Operating Expenditure				0	927	927
Financing and Investment Income and Expenditure				0	40,380	40,380
Taxation and Non-Specific Grant Income				0	(267,598)	(267,598)
Surplus or deficit	(1,933)	(553)	(7,691)	(10,177)	20,055	9,878
Opening General Fund and HRA Balances brought forward	(11,200)	(1,000)	(79,758)	(91,958)		
Less (Surplus)/ Deficit on General Fund and HRA Balance in Year	(1,933)	(553)	(7,691)	(10,177)		
Closing General Fund and HRA Balances brought forward	(13,133)	(1,553)	(87,449)	(102,135)		

Note to the Expenditure and Funding Analysis

This note explains the main adjustments from Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement:

2016/17 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Reclassification between Service Segments for CIES Note a £000**	**Adjustments for Capital Purposes Note b £000**	**Net Change for the Pensions Adjustments Note c £000**	**Other Differences Note d £000**	**Total Adjustments £000**
Adult Social Care	**0**	**385**	**959**	**0**	**1,344**
Children & Family Services	**(1)**	**62**	**599**	**0**	**660**
Communities & Housing	**(464)**	**13,307**	**276**	**0**	**13,119**
Economy & Regeneration	**(210)**	**1,733**	**169**	**0**	**1,692**
Education	**(1)**	**0**	**(1,038)**	**0**	**(1,039)**
Health	**(16,551)**	**0**	**29**	**0**	**(16,522)**
Reform & Governance	**5,228**	**4,745**	**1,078**	**0**	**11,051**
Non Cash Limits	**(588)**	**(10,793)**	**79**	**(12)**	**(11,314)**
Dedicated Schools Grant	**(786)**	**22,214**	**1,751**	**48**	**23,227**
Housing Revenue Account	**(5,540)**	**(59,190)**	**0**	**0**	**(64,730)**
Net Cost Of Services	**(18,913)**	**(27,537)**	**3,902**	**36**	**(42,512)**
Other Income and Expenditure from the Funding Analysis	**233,166**	**0**	**0**	**0**	**233,166**
Other Operating Expenditure	**0**	**775**	**0**	**1,856**	**2,631**
Financing and Investment Income and Expenditure	**2,360**	**26,157**	**9,597**	**0**	**38,114**
Taxation and Non-Specific Grant Income	**(216,613)**	**(76,527)**	**0**	**(2,227)**	**(295,367)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**0**	**(77,132)**	**13,499**	**(335)**	**(63,968)**

2015/16 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Reclassification between Service Segments for CIES	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	Note a	Note b	Note c	Note d	
	£000	£000	£000	£000	£000
Adult Social Care	0	337	1,646	0	1,983
Children & Family Services	0	242	1,109	0	1,351
Communities & Housing	150	10,751	565	0	11,466
Economy & Regeneration	(35)	2,133	270	0	2,368
Education	(1)	0	(928)	0	(929)
Health	(14,649)	0	50	0	(14,599)
Reform & Governance	3,655	7,730	1,870	0	13,255
Non Cash Limits	203	(5,677)	(325)	30	(5,769)
Dedicated Schools Grant	(705)	21,031	3,137	(32)	23,431
Housing Revenue Account	(5,753)	(13,296)	0	3	(19,046)
Net Cost Of Services	(17,135)	23,251	7,394	1	13,511
Other Income and Expenditure from the Funding Analysis	232,835	0	0	0	232,835
Other Operating Expenditure	0	(883)	0	1,810	927
Financing and Investment Income and Expenditure	4,809	24,643	10,928	0	40,380
Taxation and Non-Specific Grant Income	(220,509)	(51,532)	0	4,443	(267,598)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	0	(4,521)	18,322	6,254	20,055

Notes:

a. Reclassifications - this column represents reclassifications between headings reported to management and how items should be classified in the CIES. The main items include the transfer of the Public Health Grant to Net Cost of Services from other Income and Expenditure and the transfer of costs and income from Non Cash Limits and Reform and Governance to Financing and Investment Income and Expenditure (relating to interest and the investment estate).

b. Adjustments for Capital Purposes – this column adds in depreciation and impairment and revaluation gains and losses. It also adjusts for capital disposals and capital grant income. MRP and capital funding charged to revenue are deducted because as they are not chargeable under generally accepted accounting practices.

c. Adjustments for Pensions – this column removes employer pension contributions made by the Council as allowed by statute and replaces them with current service costs and past service costs. It also adds in the net interest on the defined pensions liability charged to the CIES.

d. Other adjustments – this column relates to differences between amounts payable/receivable under statute and amounts debited/credited to the CIES and amounts. It includes premiums and discounts on debt settlement, timing differences on Council tax and NDR and the payment to the government housing receipts pool.

The adjustments in columns b to d are analysed in more detail in Note 2, Adjustments between Accounting Basis and Funding Basis under Regulations.

2. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council within the year to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure, in accordance with proper accounting practice.

2016/17	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000
Adjustments for Capital Purposes						
Charges for depreciation, revaluation losses and impairment of non current assets	(39,478)	43,789				4,311
Amortisation of intangible assets	(253)					(253)
Movements in the market value of investment properties	(25,990)	52				(25,938)
Revenue expenditure funded from capital under statute	(6,019)					(6,019)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,030)	1,036	(4,002)			(4,996)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to finance capital expenditure	79,428	386			740	80,554
Statutory provision for the repayment of debt	7,357					7,357
Principal repayments for transferred debt	1,192					1,192
Voluntary provision for the repayment of debt		4,170				4,170
Capital expenditure financed from revenue balances	2,261	338				2,599
Posting of HRA resources from revenue to the Major Repairs Reserve		10,893		(10,893)		0
Total Adjustments for Capital Purposes	16,468	60,664	(4,002)	(10,893)	740	62,977
Pensions Adjustments						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(33,590)	(21)				(33,611)
Employer's pensions contributions and direct payments to pensioners payable in the year	20,112					20,112
Total Adjustments for Pensions	(13,478)	(21)	0	0	0	(13,499)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure			818			818
Use of the Capital Receipts Reserve to finance prior year capital expenditure			574			574
Use of the Major Repairs Reserve to finance capital expenditure				10,389		10,389
Use of the Major Repairs Reserve to repay debt				504		504
Cash payments in relation to deferred capital receipts			(3)			(3)
Total Adjustments to Capital Resources	0	0	1,389	10,893	0	12,282
Other differences						
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(1,856)		1,856			0
Financial Instruments (transferred to (or from) the Financial Instruments Adjustment Account)	12					12
Council tax and NDR (transferred to or from Collection Fund)	2,227					2,227
Holiday pay (transferred to the Accumulated Absences Reserve)	(48)					(48)
Total Adjustments for Other Differences	335	0	1,856	0	0	2,191
Total Adjustments	3,325	60,643	(757)	0	740	63,951

2015/16	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves** £000
Adjustments for Capital Purposes						
Charges for depreciation, revaluation losses and impairment of non current assets	(41,363)	(2,703)				(44,066)
Amortisation of intangible assets	(478)					(478)
Movements in the market value of investment properties	(2,358)	(1,152)				(3,510)
Revenue expenditure funded from capital under statute	(10,489)					(10,489)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(21,086)	899	(4,014)			(24,201)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to finance capital expenditure	55,594	193			8,733	64,520
Statutory provision for the repayment of debt	6,999					6,999
Principal repayments for transferred debt	1,126					1,126
Voluntary provision for the repayment of debt		3,100				3,100
Capital expenditure financed from revenue balances	3,340	4,647				7,987
Posting of HRA resources from revenue to the Major Repairs Reserve		8,252		(8,252)		0
Total Adjustments for Capital Purposes	**(8,715)**	**13,236**	**(4,014)**	**(8,252)**	**8,733**	**988**
Pensions Adjustments						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(37,766)	(44)				(37,810)
Employer's pensions contributions and direct payments to pensioners payable in the year	19,488					19,488
Total Adjustments for Pensions	**(18,278)**	**(44)**	**0**	**0**	**0**	**(18,322)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure			1,488			1,488
Use of the Capital Receipts Reserve to finance prior year capital expenditure			527			527
Use of the Major Repairs Reserve to finance capital expenditure				8,252		8,252
Cash payments in relation to deferred capital receipts			(4)			(4)
Total Adjustments to Capital Resources	**0**	**0**	**2,011**	**8,252**	**0**	**10,263**
Other differences						
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(1,810)		1,810			0
Financial Instruments (transferred to (or from) the Financial Instruments Adjustment Account)	(14)	(3)				(17)
Council tax and NDR (transferred to or from Collection Fund)	(4,443)					(4,443)
Holiday pay (transferred to the Accumulated Absences Reserve)	16					16
Total Adjustments for Other Differences	**(6,251)**	**(3)**	**1,810**	**0**	**0**	**(4,444)**
Total Adjustments	**(33,244)**	**13,189**	**(193)**	**0**	**8,733**	**(11,515)**

3. Expenditure and Income Subjective Analysis

	Council 2016/17 £000	**VA Schools 2016/17 £000**	**Total 2016/17 £000**	Council 2015/16 £000	VA Schools 2015/16 £000	Total 2015/16 £000
Expenditure						
Employee Benefit Expenses	**222,952**	**24,889**	**247,841**	223,416	23,363	246,779
Other service expenses	**334,851**	**1,246**	**336,097**	337,484	1,054	338,538
Capital charges including depreciation and impairment	**1,953**		**1,953**	50,715		50,715
Financing and investment expenditure including interest	**83,528**		**83,528**	78,075		78,075
Levies	**39,264**		**39,264**	38,090		38,090
Payments to Housing Capital Receipts Pool	**1,856**		**1,856**	1,810		1,810
Losses/(gains) on disposal of assets	**775**		**775**	(883)		(883)
	685,179	**26,135**	**711,314**	728,707	24,417	753,124
Income						
Fees, charges and other service income	**(121,738)**	**(878)**	**(122,616)**	(116,480)	(209)	(116,689)
Financing and investment income including interest	**(45,414)**		**(45,414)**	(36,745)		(36,745)
Income from council tax and non domestic rates	**(180,247)**		**(180,247)**	(166,009)		(166,009)
Government grants and contributions (including donations)	**(401,061)**	**(25,257)**	**(426,318)**	(399,595)	(24,208)	(423,803)
	(748,460)	**(26,135)**	**(774,595)**	(718,829)	(24,417)	(743,246)
	(63,281)	**0**	**(63,281)**	9,878	0	9,878

4. Critical Judgements in Applying Accounting Policies and Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

In applying the accounting policies set out in Note 39, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. Details about the accounting policies made and how these have been applied are set out in Note 39 and throughout the Notes to the accounts. Details are given below of the critical judgements made in the Statement of Accounts where there is no appropriate Note in which to include it.

Manchester Airport Group
The Council's shareholding in the Manchester Airport Group in 2016/17 is 3.22% of the airport's capital. The asset is held at fair value and a valuation must be carried out annually. The valuation for 2016/17 is based on the earnings based method.
A firm of financial experts and valuers have been engaged by the Council to provide an independent valuation which includes reviewing the financial performance, stability and business assumptions of the Manchester Airport Group.

Various methods of measuring fair value of the airport have been considered by the financial experts and valuers including earnings-based, discounted cash flow, net asset value and dividend yield methods. They consider that, based on nature and size of the group, the earnings based is the most appropriate for 2016/17. The valuation provided is based on estimations and assumptions and therefore, should the Council sell its shareholding, the value held in these statements may not be realised.

Accounting for Schools
There are currently four types of schools within the Borough, maintained schools, i.e. Community Schools, Voluntary Controlled Schools (VC) and Voluntary Aided Schools (VA), and non-maintained schools, Academy Schools.

In line with the Code of Practice and accounting standards, all maintained schools are now considered to be entities controlled by the Council. Rather than produce group accounts, the Code requires the income, expenditure, assets and liabilities, reserves and cash flows of each school to be recognised in the Council's single entity accounts.

All maintained school accounts are operated in accordance with the Council's general accounting policies as per the Statement of Accounts. All school activity is accounted for in the year that it takes place and not simply when cash payments are made or received (i.e. the accruals concept). All schools have a local bank account facility as permitted under the Stockport Scheme for Financing Schools, thereby allowing schools to procure all non-staffing activity direct with suppliers. All such expenditure is collated from schools on a monthly basis and is input into the Council's financial system.

All school expenditure is funded directly by the Dedicated Schools Grant (DSG) allocation and other school specific grants provided by the Department for Education (DfE) and no additional Council resources are allocated. Any year end surplus or deficit reported on either an individual school or within the DSG centrally retained funds are permitted to be carried forward and are recorded in the appropriate council reserve account at year end.

Expenditure and income are recorded in the Dedicated Schools Grant reporting line in the Comprehensive Income and Expenditure Statement.

Academies are directly funded by central government (DfE), they are self-governing and are independent of direct control by the Council. They are not classed as maintained schools. No expenditure or income is recorded in the Council's Financial Statements.

Accounting for Schools non-current assets
The Accounting Code of Practice contains guidance on the recognition of schools non-current assets in the Council's Balance Sheet. It stipulates that assets should be recognised if they meet the appropriate recognition criteria for the Council.
The Council has reviewed the various arrangements that it has with schools on a case by case basis. The decision as to whether the school is recorded on the

Council's Balance Sheet is determined by the ownership of the asset and what rights the legal owner has over the asset.

An analysis of the number of schools by type is shown below:

Type of School	Number of Nursery Schools	Number of primary schools	Number of Secondary Schools	Number of Special Schools	**31 March 2017 Total**	31 March 2016 Total
Community	5	55	5	6	**71**	71
Voluntary Controlled		8			**8**	8
Voluntary Aided		17	3		**20**	20
Maintained Schools	**5**	**80**	**8**	**6**	**99**	**99**
Academies		4	5		**9**	9
	5	**84**	**13**	**6**	**108**	108

Community Schools
All Community Schools are owned by the Council and the land and buildings used by the schools are included in the Council's Balance Sheet. The exception to this is the PFI school noted below.

The value of Community schools within the other land and buildings category of non-current assets is £297m at 31 March 2017 (£266m at 31 March 2016).

Capital expenditure on Community Schools, whether a Council led scheme or a school directly funded scheme, is recorded as spend against the relevant school asset (or plant and equipment).

Voluntary Controlled (VC) and Voluntary Aided (VA) Schools
Legal ownership of the Council's VC and VA schools rests with a Diocesan Trustee Body or an independent Trustee body in the case of one VA school. The schools occupy the premises subject to the direction of the Trustees and all decisions relating to the land and buildings rest with the Trustees. There has been no assignment of rights to the schools who occupy premises under an informal licence arrangement, which passes no interest to the Council and is terminable by the Trustees at any time.
Under these arrangements the Council does not include any VC or VA schools on its Balance Sheet. The exception to this is school playing fields which are usually owned by the Council and included on the Council's Balance Sheet.

Capital expenditure on VC Schools, whether a Council led scheme or a school directly funded scheme, is recorded as Revenue Expenditure Funded from Capital Under Statute (REFCUS).

Capital expenditure on VA Schools does not normally form part of the Council's capital programme, being accounted for directly by the relevant Trustee or Diocesan Body. However there is one current Council led scheme for a major rebuild of a new VA school in Heaton Chapel. This scheme will also be accounted for as REFCUS.

Academies

Academies are not recorded in the Council's Balance Sheet. The freehold land on which the schools are located is owned by the Council and 125 year leases at peppercorn rents have been granted to the relevant charitable bodies now responsible for running the schools.

When a school which is held on the Council's Balance Sheet transfers to academy status, this is treated as a disposal for nil consideration in the year that the transfer takes place, rather than as an impairment on the date that approval to academy status is announced. The Accounting Code of Practice effectively treats this as a disposal of a group entity to be accounted for in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Priority Schools Building Programme

Three schools (two primary and one secondary) have been built under the Priority School Building Programme (PSBP), funded directly by the Secretary of State for Education. The delivery of the PSBP is being managed by the Education Funding Agency (EFA).

Two schools have been delivered using capital grant funding and one has been delivered under a Private Finance Initiative (PFI) contract. The EFA has entered into delivery contracts, using its Contractor Framework, for the building contracts. The primary schools were completed in April 2016 and the secondary school was completed in October 2016.

The schools that have been delivered using grant funding have been recognised within non-current assets as donated assets, initially at build cost, with a corresponding grant entry in the Comprehensive Income and Expenditure Statement: Taxation and Non-specific Grant Income and Expenditure for £18.452m. The schools have then been revalued to current value.

The school that has been delivered under the PFI contract has not been recognised on the Balance Sheet. The approximate value of this school is £3m.

In this case, the contract between the Education Funding Agency and the Contractor covers the design and building of the new school and the life-cycling of the building fabric for 25 years, including any variances under the contract. The school has to make an annual contribution to the hard facilities management costs and this is charged to revenue. It is considered that as the Council does not control the setting of fees and charges it does not exercise control over the asset for recognition purposes.

Stockport Exchange Multi-Storey Car Park

In March 2013, the Council entered into a series of agreements (leases) to enable the development of a multi-storey car park on the Stockport Exchange site. The development was completed in February 2014 when the lease agreements were triggered.

The agreements comprise separate but linked transactions to establish the operating and finance leases for the land and buildings elements of the site.
Essentially the land element of this arrangement is dealt with under operating leases, which means that it is not required to be recognised as an asset in the Council's Balance Sheet and the rents payable and receivable are revenue transactions. However, the multi-storey car park building is considered to be a finance lease. The lease transactions are disclosed within the Leases note (Note 35) to the Core Statements.

Business Rates
Since the introduction of the Business Rates Retention Scheme on 1 April 2013, the Council is responsible for financing 49% of the liability created by successful appeals against Business Rates charged to businesses in 2016/17 and in earlier financial years. A provision has therefore been recognised for 49% of the best estimate of the amount that businesses have been overcharged up to 31 March 2017. The estimate is £3.452m as at 31 March 2017 (£2.781m as at 31 March 2016) and is based on the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful and unsuccessful appeals to date.

Local Authority Mortgage Scheme
During 2013/14 the Council implemented its Local Authority Mortgage Scheme (LAMS). LAMS is aimed at first-time buyers and, under the scheme, the Council provides a guarantee for a portion of the deposit required by banks. The Council deposited £2m with Lloyds Bank over five years, which is equivalent to the limit of the guarantee being given.

In line with the Council's Minimum Revenue Provision (MRP) Policy, MRP is not being charged for the prudential borrowing used to fund the LAMS deposit as the debt liability will be met from the capital receipt which will be released when the deposit matures in five years. A reserve has been established to meet any repossession losses that may occur.

Pensions liability
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied.

More information on the Pensions Liability can be found at Note 36, Pensions – Accounted for as Defined Benefit Pension Schemes.

Stockport Exchange Phase 2
Stockport Exchange Phase Two is the development of a 115 bedroom hotel, a 40,000 square feet office block and public realm. Muse Developments Ltd (MUSE) were selected as the preferred development partner following a procurement exercise.

At its meeting on October 2013, the Executive approved that the Council, in partnership with MUSE, proceed with the development of Stockport Phase 2. The

Executive approved the use of prudential borrowing to finance the development. The Council and MUSE entered into a funding agreement whereby the Council provided funds for the development on a commercial basis. The developer in turn created a Special Purpose Vehicle, Stockport Exchange Phase 2 Ltd (MUSE SPV), and the funds were drawndown based on contractor certificates as the development of the hotel and office block proceeded.

The development commenced on site in September 2015 and was completed in December 2016. Whilst the development was being carried out, the funding provided to MUSE SPV created a long term debtor on the balance sheet. MUSE held all the equity interest in the SPV and the Council determined that it did not control the activities of the SPV so the company was not consolidated into its 2015/16 Group Statement of Accounts.

As part of the arrangement, there was a put/call option that would be exercised if MUSE failed to find a buyer for either the hotel or offices, or both.

Both the LG Act 2003 and Localism Act 2011 state that council must set up a company in order to trade commercially so the Council cannot operate a hotel directly. The Council does not have to establish a separate trading company for the rental of the offices as this is not purely a commercial venture as it falls into the Council's wider regeneration aims.

The Council sought advice when determining the structure to adopt going forward to help evaluate the risks and implications of the available options. Subsequently, the Council purchased the MUSE SPV for £1 following the exercise of the option, surrendered the leases it had with the SPV transferring the assets to its Balance Sheet, and established a separate trading company to facilitate hotel operation.

<u>MUSE SPV</u>
The option was exercised on 24 October 2016 and the Council purchased the share capital in the MUSE SPV for £1. This is recognised as an Investment asset at £1 plus the fair value of the option prior to conversion.

On the purchase of the SPV, the SPV held the hotel and office assets with a creditor for the loan for the development; the Council had the same long term debtor balance for the loan to MUSE SPV. The original lease for the land from the Council to MUSE SPV was for 250 years at a premium of £1, with a peppercorn rent. These leases were surrendered on 16 December 2016 and the carrying value for the hotel and office assets, £18.957m, was transferred to the Council's balance sheet in return for extinguishing the loan in the SPV balance sheet.

The offices and hotel have been classified as investment assets and are included on the Council's balance sheet at fair value in accordance with IFRS 13. As at 31 March 2017 the valuations are £10.900m and £9.200m respectively. The hotel has been leased to the Stockport Hotel Management Company Ltd.

There are minimal transactions remaining in the SPV. The Council has guaranteed to meet any final items of expenditure and there is £0.422m in the 2017/18 capital programme to meet the remaining costs. The audited SPV Statement of Accounts to the period ended 31 December 2016 show a turnover of £19.766m of which £18.957m represents the value of the hotel and assets transferred to the Council.

Although, the SPV is a wholly owned company of the Council, based on qualitative and quantitative assessments, the interest in the company is not considered material for consolidation into the Group Accounts. Information is material if omitting it or misstating it could influence the decision or view that users of accounts make, on the basis of financial information about a specific reporting entity.
Once all transactions are complete, the SPV will become a dormant company and ultimately be wound up.

Stockport Hotel Management Company Ltd
On 19 September 2016, the Council incorporated Stockport Hotel Management Company Ltd as the trading company for the Hotel appointing two Council Officers as Directors. This is a wholly owned company of the Council and the Council has provided £0.100m of share capital. Interstate Ltd has been appointed to operate the Hotel under the Holiday Inn Express franchise and it opened for business on 19 December 2016.

The Hotel is being leased by the Council to Stockport Hotel Management Company Ltd. The lease is for 15 years running from 19 December 2016 until 18 December 2031. The rent is comprised of a five year stepped base rent topped up by 55% of profits earned above those projected. The base rent for the first year is £0.276m. The Council has considered the conditions of the lease and concluded that the risks and rewards of ownership remain with the Council, largely because of the short-term lease and variable rental income and so has determined the lease to be an operating lease.

As a wholly owned company, the Council must consider consolidating Stockport Hotel Management Company Ltd within its group accounts. The cash flow projections for the Company show a turnover ranging from £1.717m to £2.297m in the first five years. Based on qualitative and quantitative assessments, it has been judged that the interest in the entity is not material to the Council and therefore not consolidated into the Council’s Group Accounts for 2016/17.

5. Material items of Income and Expenditure

Revaluation gain on HRA council dwellings
The revaluation gain on HRA non-current assets calculated under proper practices includes £48.8m relating to the increase in the social housing adjustment factor from 35% in 2015/16 to 40% in 2016/17. This has been reported as an exceptional item on the face of the Comprehensive Income and Expenditure Statement. The gain offsets previous impairments losses that were reported in the CIES under the same heading. The adjustment is explained in more detail in Note 3 to the Housing Revenue Account.

Change in Fair Value of Investment Properties
There is a loss of £27.057m arising on the revaluation of an investment asset, Merseyway Shopping Centre, which has been accounted for within Financing and Investment Income and Expenditure. There is no impact on the General Fund as the

loss is reversed out in the Movement in Reserves Statement. Further details are given in the Narrative Statement.

School transferring to Academy Status
In 2015/16 a school transferred to academy status with a resultant loss on transfer of the asset shown in Financing and Investment Income and Expenditure.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue on 19 July 2017 by the Borough Treasurer. This is the date up to which events after the balance sheet date have been considered and included where relevant.

There is one non-adjusting event after the balance sheet date as detailed below:

Advance pension payment.
The Council has opted to make a three year advance payment of its employer pension contributions totalling £51.111m on 3 April 2017, covering employer pension contributions for 2017/18, 2018/19 and 2019/20.

7. Earmarked Reserves within General Fund and HRA Balances

The Council has a number of earmarked reserves, which represent sums set aside over the years for specific purposes. These are listed in the table below. With the exception of school and HRA reserves, these reserves are regarded as usable for General Fund purposes.

During 2016/17 a new Reserves Policy was implemented by the Council, creating new earmarked reserves based on the priorities of the Council's corporate and strategic objectives. Existing opening general fund earmarked reserves of £65.392m have been re-aligned and consolidated into the new reserves created by this Policy.

	Balance at	Increase/	Reclassific-	**Balance at**

	31 March 2016 £000	Reduction in year £000	ations In year £000	**31 March 2017 £000**
Primary Schools	(8,419)	315	0	**(8,104)**
Secondary Schools	(3,552)	1,941	0	**(1,611)**
Special Schools	(657)	(51)	0	**(708)**
Other School Balances less than £0.5m	(300)	98	0	**(202)**
School Balances under Local Management Total	**(12,928)**	**2,303**	**0**	**(10,625)**
DSG Total	**(3,255)**	**1,232**	**15**	**(2,008)**
Schools Reserves Total	**(16,183)**	**3,535**	**15**	**(12,633)**
Transformation - Invest to Save Reserve	(10,010)	596	0	**(9,414)**
Transformation - Double Running Reserve	(3,500)	540	0	**(2,960)**
Workforce Investment/Change Reserve	(5,499)	999	0	**(4,500)**
Airport Reserve	(1,245)	0	0	**(1,245)**
Capital Programme Investment Reserve	(5,000)	(2,907)	472	**(7,435)**
Corporate Property Reserve	(1,500)	0	22	**(1,478)**
Infrastructure Investment Reserve	(2,001)	0	0	**(2,001)**
Digital by Design Reserve	(6,700)	4,127	0	**(2,573)**
Health and Social Care Integration Reserve	(3,865)	810	0	**(3,055)**
Equipment Refresh Reserve	(1,999)	0	0	**(1,999)**
Waste Smoothing Reserve	(1,800)	0	0	**(1,800)**
Traded Services Reserve	(671)	91	0	**(580)**
Devolution Reserve	(500)	0	0	**(500)**
Children's Reserve	(1,500)	180	0	**(1,320)**
Adults Reserve	(1,500)	847	0	**(653)**
Demand Changes Reserve	(712)	0	0	**(712)**
Insurance Reserve	(10,000)	0	0	**(10,000)**
Collection Fund Reserve	(1,295)	(2,453)	0	**(3,748)**
Legislative and Statutory Requirements Reserve	(1,295)	64	454	**(777)**
Third Party Monies Reserve	(204)	(2,089)	18	**(2,275)**
Area Committee Reserves	(470)	(80)	0	**(550)**
Revenue Grant Reserve (includes ringfenced reserves)	(3,376)	2,038	0	**(1,338)**
RCCO	0	(785)	(981)	**(1,766)**
Directorate Flexibility Reserve - Place	(250)	79	0	**(171)**
Directorate Flexibility Reserve - People	(250)	26	0	**(224)**
Directorate Flexibility Reserve - CSS	(250)	0	0	**(250)**
General Fund Earmarked Reserves	**(65,392)**	**2,083**	**(15)**	**(63,324)**
Schools and General Fund Earmarked Reserves	**(81,575)**	**5,618**	**0**	**(75,957)**
HRA Earmarked reserves	**(5,874)**	**494**	**0**	**(5,380)**
All Earmarked Reserves Total	**(87,449)**	**6,112**	**0**	**(81,337)**
Comparative figures for previous year	(79,758)	(7,691)	0	**(87,449)**

8. Other Operating Expenditure

	2016/17 £000	2015/16 £000
(Gains)/losses on the disposal of non-current assets	**775**	(883)
Payments to the Government Housing Capital Receipts Pool	**1,856**	1,810
	2,631	927

9. Financing and Investment Income and Expenditure

	2016/17 Expenditure £000	**2016/17 Income £000**	**2016/17 Net £000**	Restated* 2015/16 Expenditure £000	~~Restated~~ 2015/16 Income £000	Restated* 2015/16 Net £000
Interest payable and similar charges	**17,297**		**17,297**	15,906		15,906
Net interest on the net defined benefit liability	**34,797**	**(25,200)**	**9,597**	34,292	(23,364)	10,928
Interest receivable and similar income		**(3,316)**	**(3,316)**		(3,381)	(3,381)
Income and expenditure in relation to investment properties and changes in their fair value	**30,675**	**(12,319)**	**18,356**	5,112	(6,049)	(937)
Gains/ losses on trading accounts	**759**	**(573)**	**186**	744	(706)	38
Other investment income		**(4,006)**	**(4,006)**		(3,245)	(3,245)
Loss on disposal of academies			**0**	21,071		21,071
	83,528	**(45,414)**	**38,114**	77,125	(36,745)	40,380

*Balances have been restated to exclude central support costs (see Note 39r)

10. Taxation and non-specific Grant Income

	2016/17 £000	2015/16 £000
Capital grants and contributions	**(58,075)**	(51,532)
Capital grants and contributions - donated assets (Note 4)	**(18,452)**	
Council Tax income	**(132,457)**	(124,450)
Non domestic rates	**(47,790)**	(41,559)
Non-ringfenced government grants	**(38,593)**	(50,057)
	(295,367)	(267,598)

11. Property, Plant and Equipment

Movements in 2016/17

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant and Equipment** £000
Cost or Valuation								
At 1 April 2016	**330,906**	**465,969**	**36,257**	**263,808**	**2,005**	**13,520**	**76,178**	**1,188,643**
Additions	**10,573**	**8,972**	**1,166**	**17,033**			**53,042**	**90,786**
Donations (Note 4)		**18,452**						**18,452**
Revaluation increases/ decreases to Revaluation Reserve	**5,876**	**9,505**						**15,381**
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	**47,769**	**(1,536)**						**46,233**
Impairment losses to Surplus or Deficit on the Provision of Services		**(7,534)**						**(7,534)**
Derecognition - Disposals	**(1,755)**	**(1,953)**						**(3,708)**
Reclassifications & Transfers	**(660)**	**3,695**	**91**	**3,671**		**(2,486)**	**(15,207)**	**(10,896)**
Other Movements *		**(59)**		**(4,402)**				**(4,461)**
At 31 March 2017	**392,709**	**495,511**	**37,514**	**280,110**	**2,005**	**11,034**	**114,013**	**1,332,896**
Accumulated Depreciation and Impairment								
At 1 April 2016	**(7,994)**	**(47,431)**	**(17,913)**	**(95,632)**	**(264)**	**(7,479)**	**0**	**(176,713)**
Depreciation Charge	**(10,385)**	**(15,243)**	**(3,046)**	**(9,135)**	**(12)**	**(6)**		**(37,827)**
Depreciation written out to Revaluation Reserve	**1,054**	**32,645**						**33,699**
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	**6,913**	**(4,524)**						**2,389**
Impairment losses to Surplus or Deficit on the Provision of Services		**1,142**						**1,142**
Derecognition - Disposals	**75**	**102**						**177**
Reclassifications & Transfers						**1,486**		**1,486**
Other Movements *		**59**		**4,402**				**4,461**
At 31 March 2017	**(10,337)**	**(33,250)**	**(20,959)**	**(100,365)**	**(276)**	**(5,999)**	**0**	**(171,186)**
Net Book Value								
At 31 March 2017	**382,372**	**462,261**	**16,555**	**179,745**	**1,729**	**5,035**	**114,013**	**1,161,710**
At 1 April 2016	322,912	418,538	18,344	168,176	1,741	6,041	76,178	1,011,930

Assets under construction include the A6 to Manchester Airport Relief Road and the Highways Town Centre Access Package schemes.

Movements in 2015/16

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2015	315,983	451,575	39,662	248,883	1,761	13,329	43,816	1,115,009
Additions	13,062	20,468	1,798	11,422	235		48,915	95,900
Revaluation increases/ decreases to Revaluation Reserve	(36)	6,188				1,087		7,239
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	(1,733)	720						(1,013)
Impairment losses to Surplus or Deficit on the Provision of Services		(28)						(28)
Derecognition - Disposals	(1,854)	(22,054)						(23,908)
Reclassifications & Transfers	5,087	9,100	6	3,503	9	(896)	(16,553)	256
Reclassified to/from Held for Sale	397							397
Other Movements *			(5,209)					(5,209)
At 31 March 2016	330,906	465,969	36,257	263,808	2,005	13,520	76,178	1,188,643
Accumulated Depreciation and Impairment								
At 1 April 2015	(6,830)	(28,749)	(19,591)	(86,882)	(251)	(2,600)	0	(144,903)
Depreciation Charge	(6,757)	(14,951)	(3,531)	(8,750)	(13)	(2)		(34,004)
Depreciation written out to Revaluation Reserve		5,251				285		5,536
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	6,313	(4,940)						1,373
Impairment losses to Surplus or Deficit on the Provision of Services		(5,085)				(5,216)		(10,301)
Derecognition - Disposals	55	983						1,038
Reclassifications & Transfers	(114)	60				54		0
Reclassified to/from Held for Sale	(661)							(661)
Other Movements *			5,209					5,209
At 31 March 2016	(7,994)	(47,431)	(17,913)	(95,632)	(264)	(7,479)	0	(176,713)
Net Book Value								
At 31 March 2016	322,912	418,538	18,344	168,176	1,741	6,041	76,178	1,011,930
At 1 April 2015	309,153	422,826	20,071	162,001	1,510	10,729	43,816	970,106

*Fully depreciated and decommissioned assets which have been de-recognised.

Revaluations

The valuation of the freehold and leasehold properties which comprise the Council's property portfolio was carried out by Mr Ian Keyte, MRICS, who is employed by Carillion plc, a company which provides property services to the Council.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Properties which are valued at current value are formally valued under a five year rolling programme, with annual desk top reviews in the intervening period, to ensure that carrying values do not differ materially from current values at the balance sheet date.

HRA properties were valued as at 1 April 2015 in line with updated CLG guidance "Stock Valuation for Resource Accounting – Guidance for Valuers – 2010". This guidance has been updated during 2016/17. Valuations have been updated during the year in line with house price indices.

Valuation bases of property, plant and equipment are set out in the Statement of Accounting Policies.

The Council's surplus assets comprise mainly land sites which have been valued at fair value reflecting highest and best use based on prevailing planning policy. Surplus assets were previously valued at existing use value.

In the main the valuation figures incorporated in the accounts are the aggregate of separate valuations of parts of the portfolio, not a valuation or apportioned valuation of the portfolio valued as a whole. The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report.

The exception to this is in-year expenditure on assets, which is analysed by the valuer at the end of the financial year. Some expenditure is added to asset values, where in the opinion of the valuer, it adds some value to the asset. Other expenditure is written off as an impairment during the year, where in the opinion of the valuer it does not add value to the asset. All assets will be 'officially' revalued, taking this expenditure into account during the five year rolling programme of revaluations.

In accordance with the Code of Practice, the Council has charged depreciation on its property, plant and equipment to the Comprehensive Income and Expenditure Statement, regardless of the maintenance regime on any individual asset.

The following table illustrates the life of the assets for each category type, as adopted by Stockport Metropolitan Borough Council (other than freehold land and assets under construction which are not depreciated). Depreciation is calculated on a straight line basis.

Category	Life of Asset
Housing Stock	Buildings 15 – 150 years for components
Other Buildings	Buildings 40 years
Vehicles, Plant and Equipment	Plant 10 years Equipment / IT 5 years Solar Panels (council dwellings) 25 years
Infrastructure	Bridges 40 years Highways 25 years Playgrounds 25 years
Community Assets	40 years

From 1 April 2010 there has been a requirement to apply component accounting in order to calculate depreciation on assets within Property, Plant and Equipment, to accurately reflect the cost of use of the assets. This means that each part of an item of Property, Plant and Equipment, with a cost that is significant in relation to the cost of the item, shall be depreciated separately. In practice this has been achieved by applying a de minimis limit to individual asset values within the Property, Plant and Equipment category of £1m. Below this limit componentisation has been considered not to have a material effect on depreciation charges.

All assets are split into buildings and land (which is not depreciated). Buildings over the £1m threshold which have been revalued since 1 April 2010, have been further subdivided into components of structure, services and roof. They have been valued on an average asset life basis, which averages typical costs of the components of buildings over maximum life expectancy for these components. Depreciation is calculated on these average lives which range from 30 - 40 years, compared to the normal life expectancy of buildings of 40 years.

The Council's housing stock has been analysed into significant identifiable components for depreciation purposes. The building components have been depreciated over the useful lives as noted above. Previously dwellings were depreciated on a straight line basis over 40 years. There has been a five year transitional period ending on 31 March 2017 put in place as part of the 2012 self-financing arrangements for councils to apply full componentisation for HRA assets. The Council has been able to implement this change in 2016/17, a year earlier than required. This has given rise to an increase in depreciation charged for dwellings of approximately £4m in 2016/17.

The table below shows the progress of the Council's rolling programme for the revaluation of property, plant and equipment. The basis for valuation is set out in the statement of accounting policies.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Valued at historical cost:		451	16,555	179,745	1,729		114,013	312,493
Valued at current value in:								
2016/17	**382,372**	**384,590**						**766,962**
2015/16		33,580				1,800		35,380
2014/15		22,871				3,235		26,106
2013/14		9,266						9,266
2012/13		11,503						11,503
Total Fixed Assets	**382,372**	**462,261**	**16,555**	**179,745**	**1,729**	**5,035**	**114,013**	**1,161,710**

Capital Commitments

Capital works are normally planned and carried out over a number of years. At 31 March 2017 the Council had £36.3m which had been contracted for. These works include further phases of schemes which are already in progress as well as other planned schemes which have not yet been started.

	2016/17 £000	2015/16 £000
New housing schemes	**10,772**	
Brinnington Sports Centre	**5,238**	
Highways Town Centre Access Package	**5,197**	5,412
Aurora Stockport	**4,529**	
Highways - A6 to Manchster Airport Relief Road	**3,603**	5,745
Other Highways, Regeneration and Environmental Works	**2,082**	2,372
Redrock	**1,636**	
Repairs and improvements to other Council properties	**1,417**	2,526
Improvements to schools – New builds and expansions	**1,401**	3,038
Market and Underbanks	**404**	
Improvements to schools - Other	**49**	282
ICT projects	**15**	127
	36,343	19,502

12. Heritage Assets

Movements in 2016/17

	Properties and monuments £000	**Fine and Decorative Art £000**	**Social and Industrial History £000**	**Civic Regalia £000**	**Total Heritage Assets £000**
Cost or Valuation					
At 1 April 2016	**4,485**	**5,805**	**666**	**527**	**11,483**
Additions	**873**	**59**			**932**
Transfers	**1,275**				**1,275**
Insurance revaluations		**(28)**		**197**	**169**
At 31 March 2017	**6,633**	**5,836**	**666**	**724**	**13,859**
Accumulated Depreciation and Impairment					
At 1 April 2016	**(941)**				**(941)**
Depreciation Charge	**(92)**				**(92)**
At 31 March 2017	**(1,033)**	**0**	**0**	**0**	**(1,033)**
Net Book Value					
At 31 March 2017	**5,600**	**5,836**	**666**	**724**	**12,826**
At 1 April 2016	3,544	5,805	666	527	10,542

Movements in 2015/16

	Properties and monuments £000	Fine and Decorative Art £000	Social and Industrial History £000	Civic Regalia £000	Total Heritage Assets £000
Cost or Valuation					
At 1 April 2015	4,485	5,820	666	527	11,498
Additions		47			47
Insurance revaluations		(62)			(62)
At 31 March 2016	4,485	5,805	666	527	11,483
Accumulated Depreciation and Impairment					
At 1 April 2015	(849)				(849)
Depreciation Charge	(92)				(92)
At 31 March 2016	(941)	0	0	0	(941)
Net Book Value					
At 31 March 2016	3,544	5,805	666	527	10,542
At 1 April 2015	3,636	5,820	666	527	10,649

The Council's Heritage Assets comprise:

Properties and monuments
These comprise properties which are considered to be held and maintained principally for their contribution to knowledge and culture and are reported at historical cost. The most significant asset by value is Staircase House, a Medieval Town House with a Jacobean staircase, which had a net book value of £3.2m at 31 March 2017. This property underwent a major restoration in the period up to 2005, at a cost of around £3m.

Bramall Hall, a Tudor manor house, has undergone an extensive restoration in 2016/17 and 2015/16 at a cost of around £2m, mostly funded from a grant from the Heritage Lottery Fund. Improvements have been made to the historic rooms, architecture and fabric of the building.

Collections
There are various collections which are exhibited or stored at the Council's museums, halls and the art gallery and are reported at insurance valuation. The collections comprise:

1. Fine and decorative arts;
2. Social and industrial history;
3. Civic Regalia.

The fine and decorative arts collection comprises several paintings which were donated by a local benefactor, John Benjamin Smith in 1879, valued at approximately £1m.

The social and industrial history collection comprises about 75% by size of the collection as a whole, even though its value accounts for only approximately 9% of the collections as a whole. The social and industrial history collection is very diverse and comprises many objects with negligible market values but which have important heritage status and historical value.
In addition the Council has a small collection of natural history and archaeological items which have no cost or valuation information and are not recognised in the Balance Sheet.

Insurance valuations for collections were prepared in 2010/11 in conjunction with Art and Antiques Appraisals Ltd. Certain assets have since been subject to revised insurance valuations by various experts.

Preservation and Management

Buildings, statues, memorials and monuments
The Council has responsibility for a number of heritage resources such as buildings, statues, memorials and monuments which are all managed by a number of different departments and the Council's asset management company Carillion plc. The Council has responsibility, as owner of these assets, to keep them in a good state of repair. The Council has a Conservation and Heritage Strategy policy framework, which aims to ensure that the borough's finite heritage assets are preserved and enhanced. The definition of heritage assets in this document is much wider than the accounting definition used for the Statement of Accounts.

Conservation Area Management Plans have sought to bring together internal services to provide a more corporate and joined up approach to dealing with conservation matters. Conservation and heritage matters overlap and integrate with many Council services and responsibilities including tourism, economic development, leisure, education, highways, planning etc. It is the Council's aim to ensure that Council and non-Council owned and managed heritage assets have appropriate conservation and management plans in place and recognition of the resources needed to implement these. The Stockport Historic Environment Database contains information on statutory and locally listed buildings, conservation areas, Article 4 directions, scheduled monuments and registered historic parks and gardens. Policies on strategic management of properties, including additions and disposals, are set out in the Corporate Asset Management Plan and Estates Strategy.

Collections
The Council's museum service has a proactive programme of professional collections management to ensure the collections are properly cared for and safeguarded for future generations.

All museum sites in Stockport have attained Accredited status, the national standard to ensure the professional care and use of museum collections. All collections management is carried out in conjunction with the recommended procedures, guidelines and policies which have all been adopted and are rigidly adhered to.
Stockport Council has a Collections Management Plan which outlines a five year plan for the effective management of the collections and this incorporates an

acquisition and disposal policy clearly outlining the criteria and procedures for acquiring new material into the collection and for disposing of material out of the collection. Most acquisitions are made by donation. A number of donations are received each year and usually have to fulfil the criteria of the policy which limits collecting to within the Stockport area or of objects which have a strong Stockport connection.

There is a regular programme of environmental and pest monitoring which is carried out at all the sites. The condition of objects is recorded when the object is inventoried or documented as part of its use.

Staff are currently in the process of producing a full inventory of the collections, which will take a number of years to complete. As part of this inventory, the objects are documented, condition checked, labelled, photographed if of particular interest or fragility and repacked using appropriate curatorial grade materials. Lists of potential objects for disposal or display are kept as part of this process and any objects which pose a threat to the collections or have sustained irreparable damage are only disposed of after due consideration and discussion. It is rare that any object formerly acquired into the collection is disposed of. Basic remedial conservation is carried out at the stores with any objects requiring specialised conservation being sent to a relevant qualified conservator.

13. Investment Properties

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

	2016/17 £000	Restated* 2015/16 £000
Income including rental income	**(12,319)**	(6,049)
Expenditure	**4,518**	1,602
Net income from investment properties	**(7,801)**	(4,447)
Loss on disposal of investment properties	**219**	
Changes in Fair Value of Investment Properties (unrealised gains/losses)	**25,938**	3,510
	18,356	(937)

*Balances have been restated to exclude central support costs (see Note 39r)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement in the normal course of letting. However, the Council as landowner may become liable for maintenance and service costs of certain properties if they become vacant.

Valuation Process for Investment Properties
The fair value of the Council's investment property is measured on a rolling basis but all assets are subject to a desk top review at each reporting date.

Except for the asset detailed below, the valuation of investment properties which comprise the Council's investment property portfolio has been carried out by Mr Ian Keyte, MRICS, who is employed by Carillion plc, a company which provides property services to the Council.

The Council's 4.64% interest in land held at Manchester Airport is based on a value obtained by Manchester City Council's valuer in 2016/17.
The Council's hotel has been valued by CBRE Ltd at 31 March 2017.
The Council's interest in Merseyway Shopping Centre has been valued by CBRE Ltd at 31 March 2017.

Fair Value Hierarchy
The Council's investment portfolio comprises a core of industrial ground leases, as well as a mix of retail, commercial and leisure property. The Council's largest investments are the Merseyway Shopping Centre (£61.100m), the Stockport Exchange Office (£10.900m) and the Stockport Exchange Hotel (£9.200m).

All of the Council's directly held investment assets, valued at £154.224m, have been assessed overall as Level 3 in the fair value hierarchy as the measurement technique uses Level 2 observable inputs, but with some Level 3 unobservable inputs to determine the fair value measurements (e.g. location or physical condition).
The Manchester Airport Land, valued at £8.669m, has been assessed as Level 2 in the fair value hierarchy.

Valuation Techniques used to Determine Level 3 Fair Values for Investment Properties
The valuation of the Merseyway Shopping Centre has adopted the investment method which uses a discounted cash flow and capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, covenant strength, the terms of in-place leases and expectations for rentals from future leases over the economic life of the buildings. Taking all these factors into consideration, the valuation has produced an equivalent yield of 7.6% and an initial yield of 7.4%.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about rent growth and vacancy levels and the discount rate. The overall valuation is sensitive to all of these assumptions and they are interrelated.

The hotel has been valued using the income capitalisation method and discounted cash flow, having regard to projected trading information. This has been considered in light of transactional evidence and adjustments made to reflect age, size, location and offering.

The capital value of the remaining portfolio has been measured using the income approach, having regard to rental values and investment yields (the "all risk yield" approach). The approach has been developed using the Council's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, terms of the lease agreement, rent growth, occupancy levels, bad debt levels, maintenance costs, type and location of the property, security of the income (tenant's covenant strength) etc. Whilst reference is made to comparable market data from independent published sources, the Council's portfolio is in the main secondary in nature and not in prime locations.

The Council holds other retail interests, most of which are located in Stockport Town Centre. Capital values have been assessed as above, based on income stream, tenure, lease term and covenant strength.

Some income producing assets within the Council's town centre portfolio are anticipated to be short term in nature, as the objective of their acquisition has been for their strategic inclusion in the wider redevelopment of the town centre.

Highest and Best Use of Investment Properties
In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques
There has been no change in the valuation techniques used during the year for investment properties.

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3
Significant changes in rental income and rent growth; vacancy levels or yield will result in a significantly lower or higher fair value.

Generally the lower the yield the more secure the property is as an investment. This may manifest itself in the quality of the tenant in occupation, the prospects for income and capital growth and the location of the property. Historically retail property in prime locations has attracted the lowest yields followed by office then industrial property.

Industrial ground leases are considered very secure assets which whilst producing relatively modest incomes and are considered by the market to have significant capital values as the risk of default by the tenant is remote given that the income is often secured on commercial premises.

For Merseyway Shopping Centre, increasing/decreasing the yield by 0.5% reduces/increases the value by approximately £2m.

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

	Investment Assets 2016/17 £000	Assets Under Construction 2016/17 £000	Total 2016/17 £000	Total 2015/16 £000
Balance at start of year	**88,625**		**88,625**	89,840
Additions:				
- Purchases	**78,740**		**78,740**	2,551
- Stockport Exchange (loan extinguished – Note 4)	**18,957**		**18,957**	
- Other expenditure	**350**	**27,564**	**27,914**	
- Transfers	**2,409**	**5,034**	**7,443**	(256)
Disposal	**(250)**		**(250)**	
Net unrealised gains/(losses) from fair value adjustments	**(25,938)**		**(25,938)**	(3,510)
Balance at end of the year	**162,893**	**32,598**	**195,491**	88,625

The net losses arising on revaluation include £27.057m on the revaluation of Merseyway Shopping Centre, the explanation for which is included in the Narrative Statement.

The changes in fair value of investment property are attributable to Level 3 assets (£24.964m) and Level 2 assets (£0.974m). All other movements relate to Level 3 assets.

Assets under construction include the Redrock and Aurora Stockport schemes.

14. Intangible Fixed Assets

	2016/17 £000	2015/16 £000
Balance at start of year:		
- Gross carrying amount	**3,188**	4,726
- Accumulated amortisation	**(2,460)**	(3,520)
Net carrying amount at start of year	**728**	1,206
Amortisation for the year	**(253)**	(478)
Net carrying amount at end of year	**475**	728
Comprising:		
Gross carrying amounts	**3,188**	3,188
Accumulated amortisation	**(2,713)**	(2,460)
	475	728

Intangible assets comprise software package licences, development of a new payroll system and website development. These short-lived assets are amortised to revenue over five to ten years from the year following the year of acquisition and are stated at historical cost.

15. Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability of another entity. This definition is broad and includes instruments used in the treasury management activity of an authority, including the borrowing and lending of money and the making of investments.

Definitions

The **amortised cost of a financial asset or financial liability** is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The **effective interest rate (EIR)** is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an estimate is made of cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see IAS 18 Revenue), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible, the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments) is used.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A. Financial Instrument Balances

Accounting regulations require the 'financial instruments' (investments and borrowing of the Council) shown in the balances sheet to be further analysed into various defined categories. The borrowings and investments disclosed in the balance sheet are made up of the following categories of 'financial instruments'.

	Long-Term Balance at 31 March 2017 £000	Current Balance at 31 March 2017 £000	Long-Term Balance at 31 March 2016 £000	Current Balance at 31 March 2016 £000
Borrowing:				
Financial liabilities at amortised cost				
PWLB: maturity loans	**292,209**	**9,865**	231,319	185
PWLB: annuity loans	**3**	**403**	395	597
Market loans - LOBOs	**48,208**	**0**	79,332	0
Market Loans - Other	**31,100**	**0**	0	0
Other local authorities + 364 days	**5,032**	**5,033**	0	0
Temporary loans	**0**	**97,063**	0	53,038
Sub Total	**376,552**	**112,364**	311,046	53,820
Cash & Cash Equivalents	**0**	**13,872**	0	11,262
Total Borrowings	**376,552**	**126,236**	311,046	65,082
Trade Creditors				
Financial liabilities at amortised cost	**0**	**7,927**	0	7,543
Total Creditors	**0**	**7,927**	0	7,543
Other Long-Term Liabilities				
Stockport Exchange Multi Story Car park finance lease	**13,700**	**0**	13,700	0
Total Other Long-Term Liabilities	**13,700**	**0**	13,700	0
Investments:				
Loans & receivables				
Temporary investments	**0**	**0**	0	17,558
Cash & Cash Equivalents	**0**	**40,280**	0	34,879
Total loans & receivables	**0**	**40,280**	0	52,437
Available-for-sale financial assets				
Long-term investments	**43,800**	**0**	39,800	0
Total Available for sale financial assets	**43,800**	**0**	39,800	0
Other Long-Term Receivables				
Stockport Exchange Multi Story Carpark finance lease	**13,700**	**0**	13,700	0
Total Other Long-Term Investments	**13,700**	**0**	13,700	0
Total Investments	**57,500**	**40,280**	53,500	52,437
Debtors				
Trade Debtors	**1,417**	**7,719**	1,659	6,488
Long-term Debtors	**11,055**	**0**	10,879	0
Total Debtors	**12,472**	**7,719**	12,538	6,488

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

Included in the long-term debtors figure of £11.055m is the Manchester Airport loan conversion of debt previously administered on behalf of the Airport by the Council, comprising a number of PWLB annuity and maturity loans for which the Council was previously reimbursed. These were converted into one loan of £9.151m for 45 years at 12% on 9 February 2010 (across 10 Greater Manchester Councils).

Lenders Option Borrowers Option (LOBO) loans of £27.5m have been included in long term borrowing as market loans but have a call date in the next 12 months.
The above long term figures are based on (EIR) calculations where the maturity period for a LOBO is taken as being the contractual period to maturity.

In June 2016 £30m of Lenders Option Borrowers Option (LOBO) market loans were converted by the lender to market loans without any options, hence the change in categorisation in the table above. This means the loan effectively became fixed rate loans at their current interest rates and with their state maturities.

B. Financial Instruments Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments are made up as follows:

	Balance as at 31 March 2017			
	Financial Liabilities Liabilities measured at amortised cost £000	**Financial Assets Loans and receivables £000**	**Financial Assets Available-for-sale assets £000**	**Total £000**
Interest expense	**17,297**	**0**	**0**	**17,297**
Total expense in (Surplus) or Deficit on the Provision of Services	**17,297**	**0**	**0**	**17,297**
Interest income	**0**	**(3,316)**	**0**	**(3,316)**
Dividend income	**0**	**0**	**(4,006)**	**(4,006)**
Total income in (Surplus) or Deficit on the Provision of Services	**0**	**(3,316)**	**(4,006)**	**(7,322)**
Unrealised Gain on revaluation	**0**	**0**	**(3,900)**	**(3,900)**
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**(3,900)**	**(3,900)**
Net (gain)/loss for the year	**17,297**	**(3,316)**	**(7,906)**	**6,075**

	Balance as at 31 March 2016			
	Financial Liabilities Liabilities measured at amortised cost £000	Financial Assets Loans and receivables £000	Financial Assets Available-for-sale assets £000	Total £000
Interest expense	15,906	0	0	15,906
Total expense in (Surplus) or Deficit on the Provision of Services	15,906	0	0	15,906
Interest income	0	(3,381)	0	(3,381)
Dividend income	0	0	(3,245)	(3,245)
Total income in (Surplus) or Deficit on the Provision of Services	0	(3,381)	(3,245)	(6,626)
Unrealised Loss on revaluation	0	0	1,200	1,200
Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	1,200	1,200
Net (gain)/loss for the year	15,906	(3,381)	(2,045)	10,480

C. Fair Value of Financial Assets

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

Financial assets measured at fair value			
Recurring Fair Value Measurements	**Input level in Fair Value Hierarchy**	**Valuation technique used to measure Fair Value**	**£000**
Available for Sale			
Manchester Airport as at 31 March 2017	Level 2	Earnings Based	43,700
Manchester Airport as at 31 March 2016	Level 3	Earnings Based	39,800

The Council holds a 3.22% share in Manchester Airport Holdings Ltd (MAHL). The fair value of the shares held by the Council has been calculated by estimating the open market value of MAHL in a transaction between a willing buyer and a willing seller. An appropriate discount has also been applied to reflect the nature and rights of the shares held by the Council.

There is a high degree of comparability with listed company data and the valuation conclusion, including any movement in share price, is measurable against listed counterparts. It is therefore considered that the shares should be classed as input level 2 on the fair value hierarchy. This is a change from the prior year when the shares were classed as level 3. An external expert opinion was sought which confirmed that the Level 2 valuation was more appropriate, as most of the inputs are observable.

Although there has been a change in level there is no change in valuation technique used, which is the earnings based method. This takes as its basis the profitability of the company, assessing its historic earnings typically by reference to results of a three to five year period and arriving at a view of “maintainable” or “prospective” earnings. It draws on data from comparable quoted companies and comparable transactions of companies operating in the relevant industrial sector. The data is then adjusted by discount factors to allow for the fact that the shares are not publically traded and that the Council holds a minority interest with no voting rights. The valuation has been made using annual audited accounts of MAHL for 2015 and 2016 along with interim 6 month reports for the period ending 30 September 2016. These shares are subject to an annual valuation. In 2016/17 this has seen an increase in value of £3.9m.

D. The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial asset carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans, receivables and debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

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

***Methods and Assumptions in valuation technique*:**
The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today’s terms.

The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration, i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, the prevailing interest rate of a similar instrument with a published market rate, as the discount factor.

Inclusion of Accrued Interest:
The purpose of fair value disclosure is primarily to provide a comparison with the carrying value in the balance sheet. Since this also includes accrued interest as at the balance sheet date, accrued interest has also been included in the Fair Value calculation, up to and including the valuation date.

Discount Rates used in NPV Calculation:
The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March, using bid prices where applicable.

Fair Value of Assets and Liabilities carried at Amortised Cost

The fair values are calculated as follows:

(i) Fair value of liabilities carried at amortised cost

Financial Liabilities:	**31 March 2017**		31 March 2016	
	Carrying amount £000	**Fair Value £000**	Carrying amount £000	Fair Value £000
PWLB: maturity	**302,074**	**406,300**	231,504	303,024
PWLB: annuity	**406**	**419**	992	1,063
Market Loans - LOBOs	**48,208**	**61,571**	79,332	93,402
Market Loans - Other	**31,100**	**45,138**	0	0
Other local authorities + 364 days	**10,065**	**10,067**	0	0
Short-term borrowing	**97,063**	**97,050**	53,038	53,010
Cash overdrawn	**13,872**	**13,872**	11,262	11,262
Trade creditors	**7,927**	**7,927**	7,543	7,543
Liabilities	**510,715**	**642,344**	383,671	469,304

The Council has used a transfer value (new loan certainty rate) for the fair value of financial liabilities. In addition, an exit price valuation has also been taken (PWLB Maturity £478.823m, PWLB Annuity £0.421m) which is calculated using early repayment discount rates. The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

Fair value of the liabilities at 31 March 2017 is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss, based on economic conditions at 31 March 2017, arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £406.719m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

For LOBO loans, fair value uses ‘mark to model’ and not ‘mark to market’ methodology. There were limited trades in the LOBO market for the financial year ending 31 March 2017. The rates used for the discount rates in the calculation were derived by applying a margin above a comparable gilt, which is based on pricing of instruments when the market was more active.

(ii) Fair value of assets carried at amortised cost

Loans & receivables:	**31 March 2017**		31 March 2016	
	Carrying amount £000	**Fair Value £000**	Carrying amount £000	Fair value £000
Cash & Cash Equivalents	**40,280**	**40,280**	34,879	34,879
Deposits with banks and building societies	**0**	**0**	17,558	17,562
Trade debtors	**9,136**	**9,136**	8,147	8,147
Long-term debtors	**11,055**	**11,055**	10,879	10,879
Assets	**60,471**	**60,471**	71,463	71,467

The fair value of financial assets above is the same as the carrying amount because the Council’s portfolio of loans is made up of cash or cash equivalent investments that can be readily converted into cash. The interest rate is the prevailing market rate and so the fair value of these loans and receivables is the same as the carrying value.

Trade and long-term debtors are carried at cost as this is a fair approximation of their value.

16. Nature and Extent of Risks arising from Financial Instruments

The Council’s activities expose it to a variety of financial risks. The key risks are:

Credit Risk: the possibility that other parties might fail to pay amounts due to the Council;

Liquidity Risk: the possibility that the Council might not have funds available to meet its commitments to make payments;

Refinancing Risk: the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;

Market Risk: the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate or Stock Market movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- By approving annually in advance prudential and treasury indicators for the following three years limiting:

    - the Council's overall borrowing;
    - its maximum and minimum exposures to fixed and variable rates;
    - its maximum and minimum exposures to the maturity structure of its debt;
    - its maximum annual exposures to investments maturing beyond a year; and

- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 3 March 2016 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2016/17 was set at £675m. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was set at £650m. This is the expected level of debt and other long term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40% respectively, based on the Council's net debt; and
- The maximum and minimum exposures to the maturity structure of debt are shown at note 16c.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury

Management Practices TMPs) covering specific areas, such as interest rates risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

The Council’s management of treasury risks actively works to protect the financial resources available to fund services. The Council has fully adopted CIPFA’s Treasury Management Code of Practice and has created and maintained a Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities and Treasury Management Practices, setting out the manner in which the Council will seek to achieve those policies and objectives and prescribing how it will monitor and control those activities.

Treasury Management Policy Statement
The Council defines its treasury management activities as:

'The management of the Council’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council's full Treasury Management Policy Statement and Treasury Management Practices are available to view on request.

Managing Treasury Management Risks
The Council embodies within its business and service planning processes the means by which it can identify treasury management risks and is familiar with and has implemented methods by which those risks can be successfully managed and contained. The Council believes that in by doing so it is treating the subject of risk management with sufficient priority.

In order that the Council manages and contains its risks successfully, it has identified what its risks are and considered to what extent it is able and prepared to suffer the consequences of those risks impacting adversely on its finances. To the extent that it is unable or unprepared to bear those consequences, it has sought to protect itself against that eventuality.

(a) Credit Risk
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources.

The risk is minimised through the Annual Investment Strategy which affirms that the effective management and control of risk are prime objectives of the Council's treasury management activities.

The Council has well documented records of the standing of counterparties it does or may deal with, and continuous access to independent sources of advice and information on the same.

- The Council needs to be alert to the prospect of the counterparties they deal with being unable or unwilling to fulfil their contractual responsibilities, especially as a result of failure to maintain their credit status. This applies not only to contracts relating to capital financing and investment, but also to outsourcing;
- The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above;
- The Council uses the creditworthiness service provided by its external treasury management advisor, Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:
  - credit watches and credit outlooks from credit rating agencies
  - CDS spreads to give early warning of likely changes in credit ratings
  - Sovereign ratings to select counterparties from only the most creditworthy countries;
- The Council has a sound diversification policy with high credit quality counterparties, covering both commercial lenders and borrowers the Council may deal with. Such a policy is needed to prevent over reliance on a small number of counterparties and considers country, Capita Asset Services and group limits;
- The Council has a sound diversification policy with high credit quality counterparties, covering both commercial lenders and borrowers the Council may deal with. Such a policy is needed to prevent over reliance on a small number of counterparties and considers country, Capita Asset Services and group limits;
- Know your counterparty is a key principle; the Council does not rely on credit ratings alone for their understanding of counterparties. Credit ratings remain a

key source of information but it is recognised that they do have limitations. The Council has regard to the ratings issued by both Fitch, Moody's and Standard & Poor's. Ratings are kept under regular review and 'ratings watch' notices acted upon; and

- Credit ratings are used as a starting point when considering credit risk. The Council also makes use of generally available market information, such as the quality financial press, market data, information on government support for banks and the credit ratings of that government support.

As part of its business or service planning processes, the Council has established clear policies on:

- Use of credit risk analysis techniques;
- Diversification;
- Credit criteria used for creating/managing approved counterparty lists/limits;
- Approved methodology for changing limits & adding/removing counterparties;
- Country, Capita Asset Services and group listing of counterparties and the overall limits applied to each, where appropriate; and
- Details of credit rating agencies' services and their application and description of overall approach to collecting and using information other than credit ratings for counterparty risk assessment.

Specific credit criteria in respect of financial assets held by this authority at the balance sheet date are detailed specifically in the Treasury Management Policy Statement and Annual Investment Strategy.

The full investment strategy for 2016/17 was approved by Council on 3 March 2016 and is available on the Council website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.
The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £40.280m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience of default and uncollectability adjusted to reflect current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

	Deposits with Banks & other Financial Institutions	Trade Debtors
Amounts as at 31 March 2017 (£000)	**40,280**	**9,136**
Historical Experience of Default	**0**	**15.51%**
Historical experience adjusted for market conditions as at 31 March 2017	**0**	**15.51%**
Estimated maximum exposure to default & uncollectability (£000s)	**0**	**1,417**
Amounts as at 31 March 2016 (£000)	52,437	8,147
Historical Experience of Default	0	20.36%
Historical experience adjusted for market conditions as at 31 March 2016	0	20.36%
Estimated maximum exposure to default & uncollectability (£000)	0	1,659

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

The Council does not generally allow credit for customers, such that £4.324m of the £9.136m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2017 £000	31 March 2016 £000
Less than one month	**4,812**	4,649
One to three months	**1,818**	817
Three to six months	**805**	584
Six months to one year	**284**	438
More than one year	**1,417**	1,659
Total	**9,136**	8,147

(b) Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy Reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets.

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

The maturity structure of financial liabilities (excluding amounts due to customers) is as follows (at nominal value):

Loans Outstanding	31 March 2017 £000	31 March 2016 £000
Public Works Loans Board	**299,614**	230,363
Market debt	**77,500**	77,500
Other local authorities +364 days	**10,000**	0
Temporary borrowing	**97,028**	53,028
Stockport Exchange Multi Story Carpark finance lease	**13,700**	13,700
Total	**497,842**	374,591
Less than 1 year	**112,114**	53,028
Between 1 and 2 years	**5,003**	749
Between 2 and 5 years	**48,056**	28,145
Between 5 and 10 years	**21,261**	20,764
More than 10 years	**311,408**	271,905
Total	**497,842**	374,591

In the more than 10 years category there are £27.5m of LOBOs which have a call date in the next 12 months.

(c) Refinancing & Maturity Risk

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

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt. The Council therefore has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that there is a reasonable spread in the maturity periods for borrowing and the value of loans due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy on 3 March 2016).

			31 March 2017			31 March 2016		
	Approved minimum limits	**Approved maximum limits**	**Fixed**	**Variable**	**% Fixed**	Fixed	Variable	% Fixed
	%	**%**	**£000**	**£000**	**%**	£000	£000	%
Less than 1 year	**0%**	**40%**	**112,086**	**28**	**22.5%**	53,000	28	14.2%
Between 1 and 2 years	**0%**	**40%**	**5,003**		**1.0%**	749		0.2%
Between 2 and 5 years	**0%**	**45%**	**48,056**		**9.7%**	28,145		7.5%
Between 5 and 10 years	**0%**	**45%**	**21,261**		**4.3%**	20,764		5.5%
More than 10 years	**50%**	**100%**	**311,408**		**62.5%**	271,905		72.6%
Total			**497,814**	**28**	**100%**	374,563	28	100%

(d) Market Risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowing and investments and to interest rate risk in two different ways; the first being the uncertainty of interest paid and received, and the second being the effect of fluctuations in interest rates on the fair value of an instrument. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed. The treasury management team therefore work to an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2017 £000	31 March 2016 £000
Increase in interest payable on variable rate borrowings	1,603	1,470
Increase in interest receivable on variable rate investments	(247)	(320)
Impact on Surplus or Deficit on the Provision of Services	**1,356**	**1,150**
Share of overall impact debited to the HRA	66	253
Impact on Other Comprehensive Income and Expenditure	**0**	**0**
Decrease in fair value of fixed rate borrowing liabilities (no impact on surplus or deficit on the Provision of Services or other Comprehensive Income and Expenditure)	(78,541)	(58,949)

Short-term borrowing (under twelve months) has been included in the increase in interest payable for variable rate borrowing, despite being at fixed rates. This is due to the short-term nature of the borrowing that would effectively be subject to being replaced at higher rates within twelve months and therefore increase the interest payable.

Increase in interest payable on variable rate borrowings includes LOBO loans with a call date in 2016/17.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the note, Fair Value of Assets and Liabilities at Amortised Cost.

Price Risk

The Council does not generally invest in equity shares or marketable bonds, however in common with all Greater Manchester Authorities, the Council has a 3.22% non-voting shareholding in Manchester Airport plc (except Manchester City Council which holds 35.5%). The holding in shares is shown at the Balance Sheet date at £43.7m being the Fair Value. Whilst this holding is generally illiquid (no active market), the Council is exposed to losses arising from movements in the price of the shares.

The Fair Value derived is on a market value basis, taking into account the nature of the holding, its illiquidity and the Company's Articles of Association. As the Council is a non-voting minority shareholder the price valuation was made using only information available to minority shareholders/publically available information.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead the Council monitors factors that might cause a fall in the value of specific shareholdings.

The £43.7m shares are classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

Foreign Exchange Risk
The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

17a. Short Term Debtors including Payments in Advance

These include all debts falling due within 12 months of the balance sheet date:

	Balance at 31 March 2017 £000	Balance at 31 March 2016 £000
Central Government	**13,693**	12,524
Other Local Authorities	**23,658**	21,468
NHS Bodies	**1,504**	650
Public Corporations and other	**25,948**	23,853
Council Tax	**12,402**	13,195
Social Services Clients	**5,702**	5,166
Housing Rents	**1,174**	1,565
Car & Other loans	**163**	170
Subsidiary Undertakings	**3,279**	3,151
	87,523	81,742
Bad Debt Provision	**(14,339)**	(15,175)
	73,184	66,567

17b. Long Term Debtors

These represent amounts that are not due for repayment within 12 months of the balance sheet date. They can be analysed as follows:

	Balance at 31 March 2017 £000	Balance at 31 March 2016 £000
Loan -Stockport Homes Ltd	**29,451**	15,718
Loan -Solutions SK Ltd	**9,341**	5,738
Loans to Manchester Airport plc	**9,151**	9,151
Local Authority Mortgage Scheme	**2,000**	2,000
Loan to Stockport Exchange Phase 2 Ltd (Note 4)		5,228
Stockport Exchange finance lease interest	**899**	614
Stockport Exchange prepaid rent	**643**	664
Car and bike loans to Employees	**181**	257
Mortgages	**115**	116
Other debts	**66**	77
	51,847	39,563
Finance Lease Long term Debtor	**13,700**	13,700
	65,547	53,263

18. Cash and Cash Equivalents

Cash and cash equivalents as shown in the statement of cash flows can be reconciled to the related items in the balance sheet as follows:

	Balance at 31 March 2017 £000	Balance at 31 March 2016 £000
Cash and bank balances	**22,530**	22,879
Short term investments, considered to be cash equivalents	**17,750**	12,000
Bank Overdraft	**(13,872)**	(11,262)
	26,408	23,617

19. Assets held for Sale

	Balance at 31 March 2017 £000	Balance at 31 March 2016 £000
Balance at start of year	**1,603**	2,515
Transfers	**692**	264
Assets sold	**(1,215)**	(1,176)
Balance at end of year	**1,080**	1,603

There are no non-current assets held for sale at 31 March 2017 (31 March 2016 – Nil).

20a. Short Term Creditors including Receipts in Advance

These include all amounts owing within 12 months of the balance sheet date:

`	**Balance at 31 March 2017 £000**	Balance at 31 March 2016 £000
Central Government	**(10,420)**	(7,284)
Other Local Authorities	**(3,962)**	(3,252)
NHS Bodies	**(2,953)**	(1,828)
Public Corporations and other	**(49,013)**	(43,586)
Subsidiary Undertakings	**(3,327)**	(3,801)
Employees Accumulated Absences	**(4,707)**	(4,659)
	(74,382)	(64,410)

20b. Long Term Creditors

These include all amounts due after more than 12 months of the balance sheet date:

	Balance at 31 March 2017 £000	Balance at 31 March 2016 £000
Debt administered by Other Councils	**(6,932)**	(8,124)
Stockport Exchange Deferred Income	**(5,738)**	(5,930)
Stockport Exchange Finance Lease interest	**(745)**	(513)
Loans under the Chronically Sick & Disabled Persons Act 1971	**(43)**	(43)
	(13,458)	(14,610)

21. Provisions

	Balance 31 March 2016 £000	Increases in the year £000	Decreases in the year £000	**Balance 31 March 2017 £000**
Insurance Fund - Long Term	(4,630)		585	**(4,045)**
Insurance Fund - Short Term	(1,129)		382	**(747)**
	(5,759)		**967**	**(4,792)**
NDR Appeals Provision - Long Term	(1,042)	(148)		**(1,190)**
NDR Appeals Provision - Short Term	(1,739)	(523)		**(2,262)**
	(2,781)	**(671)**		**(3,452)**
Planning Appeals - Short Term	(23)			**(23)**
Long Term Provisions	(5,672)	(148)	585	**(5,235)**
Short Term Provisions	(2,891)	(523)	382	**(3,032)**
Total	(8,563)	**(671)**	**967**	**(8,267)**
Comparative figures for 2015/16:				
Long Term Provisions	(6,205)	(185)	718	(5,672)
Short Term Provisions	(2,384)	(649)	142	(2,891)
Total	(8,589)	(834)	860	(8,563)

Insurance Fund
The insurance provision is in respect of outstanding liability claims in connection with employer's and public liability and Education property. Some schools have taken out their own policies to cover uninsured risks in respect of burst water pipes and theft from property. The amount shown in the provision highlights commitments where settlements have yet to be agreed (any balances are shown as an earmarked reserve.)

Non-Domestic Rates (NDR) Appeals Provision
Since the introduction of the Business Rates Retention Scheme on 1 April 2013, Stockport MBC is responsible for financing 49% of the liability created by successful appeals against Business rates charged to businesses in 2016/17 and in earlier financial years. A provision has therefore been recognised for 49% of the best estimate of the amount that businesses have been overcharged up to 31 March 2017 The estimate is £3.452m as at 31 March 2017 and is based on the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful and unsuccessful appeals to date.

Planning Appeals
This provision is to cover the compensation and court costs which might be incurred by the Council pursuant to a defendants' successful appeal against planning decisions.

22. Usable Reserves

Movements in usable reserves are set out in the Movement in Reserves Statement and supporting notes. An explanation of usable reserves is set out below.

General Fund Balances
The General Fund is the statutory fund into which all the Council's receipts are paid and all its liabilities are met, except where otherwise permitted by statutory rules. The General Fund Balance summarises the resources that the Council is able to spend on its services or capital investment, or the deficit that it is required to recover. Included within the General Fund Balance reported in the Movement in Reserves Statement are Earmarked General Fund Reserves.

See the Narrative Report for more details on the General Fund Balance.

Housing Revenue Account
The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for the Council's housing provision. It contains the balance of income and expenditure that is available to fund future expenditure in connection the Council's housing provision or the amount required to be recovered from tenants in future years where it is in deficit.

Included within the Housing Revenue Account Balance reported in the Movement in Reserves Statement are Earmarked Housing Revenue Account Reserves.
See the statements and notes for an explanation of and in year movements on the Housing Revenue Account.

Earmarked General Fund Reserves and Earmarked Housing Revenue Account Reserve

Earmarked General Fund Reserves and Earmarked Housing Revenue Account Reserves are the amounts set aside from General Fund and HRA balances to provide financing for future expenditure plans. See Note 7 for more details of Earmarked Reserve balances.

Capital Receipts Reserve

This represents capital receipts from the disposal of land and other assets which are available to finance capital expenditure. The balance at year end represents receipts which have not yet been applied for this purpose.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

Capital Grants Unapplied

The balance at year end represents capital grants without conditions which have been received but not yet applied to finance capital expenditure.

23. Unusable Reserves

The movement on unusable reserves is shown below:

	Revaluation Reserve £000	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Deferred Capital Receipts Reserve £000	Pensions Reserve £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Available for Sale Financial Instruments Reserve £000	Total Unusable Reserves £000
Balance at 31 March 2015	(144,347)	(519,279)	976	(13,990)	337,839	(3,131)	4,675	(30,786)	(368,043)
Movement in reserves during 2015/16:									
Other Comprehensive Income and Expenditure	(12,713)				(83,709)			1,200	(95,222)
Movements to other reserves	10,312	(21,722)	17	159	18,322	4,443	(16)		11,515
Net (Increase)/ Decrease in 2015/16	(2,401)	(21,722)	17	159	(65,387)	4,443	(16)	1,200	(83,707)
Balance at 31 March 2016 carried forward	(146,748)	(541,001)	993	(13,831)	272,452	1,312	4,659	(29,586)	(451,750)
Movement in reserves during 2016/17:									
Other Comprehensive Income and Expenditure	(49,249)				22,224			(3,900)	(30,925)
Movements to other reserves	5,867	(81,129)	(12)	3	13,499	(2,227)	48		(63,951)
Net (Increase)/ Decrease in 2016/17	(43,382)	(81,129)	(12)	3	35,723	(2,227)	48	(3,900)	(94,876)
Balance at 31 March 2017 carried forward	(190,130)	(622,130)	981	(13,828)	308,175	(915)	4,707	(33,486)	(546,626)

(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost; and
- used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised.

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

	2016/17 £000	**2016/17 £000**	2015/16 £000	2015/16 £000
Balance at beginning of the year		**(146,748)**		(144,347)
Upward revaluation of assets	**(58,176)**		(18,752)	
Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	**8,927**		6,039	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(49,249)**		(12,713)
Difference between fair value depreciation and historical cost depreciation	**4,471**		3,675	
Accumulated gains on assets sold or scrapped	**1,396**		6,637	
Amount written off to the Capital Adjustment Account		**5,867**		10,312
Balance at end of year		**(190,130)**		(146,748)

(b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.
The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 2 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2016/17		2015/16	
	£000	£000	£000	£000
Balance at beginning of the year		**(541,001)**		(519,279)
Charges for depreciation of non -current assets	**37,919**		34,096	
Revaluation (gains)/losses and impairment losses on Property, Plant and Equipment	**(42,230)**		9,970	
Amortisation of intangible assets	**253**		478	
Revenue expenditure funded from capital under statute	**6,019**		10,489	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**3,600**		17,409	
	5,561		72,442	
Difference between fair value depreciation and historical cost depreciation	**(4,471)**		(3,675)	
Net written out amount of the cost of non-current assets consumed in the year		**1,090**		68,767
Capital financing applied in the year:				
Receipt of capital loans	**1,306**		968	
Repayment of loans	**(1,306)**		(968)	
Use of the Capital Receipts Reserve to finance new capital expenditure	**(818)**		(1,488)	
Use of the Capital Receipts Reserve to finance prior capital expenditure	**(574)**		(527)	
Use of the Major Repairs Reserve to finance new capital expenditure	**(10,389)**		(8,252)	
Use of the Major Repairs Reserve to repay debt	**(504)**			
Capital grants relating to donated assets	**(18,452)**			
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**(50,076)**		(43,662)	
Application of grants and contributions to capital financing from the Capital Grants Unapplied Account	**(12,026)**		(20,858)	
Statutory provision for the financing of capital investment and charged against the General Fund and HRA balances	**(7,357)**		(6,999)	
Capital expenditure charged against the General Fund and HRA balances	**(2,599)**		(7,987)	
Principal repayments for transferred debt and deferred purchase scheme	**(1,192)**		(1,126)	
Voluntary revenue provision for capital financing	**(4,170)**		(3,100)	
		(108,157)		(93,999)
Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement		**25,938**		3,510
Balance at end of the year		**(622,130)**		(541,001)

(c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2016/17 £000	2015/16 £000
Balance at beginning of the year	**993**	976
Timing Differences on premiums and discounts	**0**	30
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statute	**(12)**	(13)
Balance at end of the year	**981**	993

(d) Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2016/17 £000	2015/16 £000
Balance at beginning of the year	**(13,831)**	(13,990)
Transfer to the Capital Receipts Reserve upon receipt of cash	**3**	4
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**0**	155
Balance at end of the year	**(13,828)**	**(13,831)**

(e) Pensions Reserve

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

See Note 36 to the Core Financial Statements for an explanation of the in-year movements on the Pensions Reserve.

	2016/17 **£000**	2015/16 £000
Balance at beginning of the year	**272,452**	337,839
Remeasurements of the net defined benefit liability/asset	**22,224**	(83,709)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**33,611**	37,810
Employer's pensions contributions and direct payments to pensioners payable in the year	**(20,112)**	(19,488)
Balance at end of the year	**308,175**	272,452

(f) Collection Fund Adjustment Account

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

	2016/17 **£000**	2015/16 £000
Balance at beginning of the year	**1,312**	(3,131)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**(2,227)**	4,443
Balance at end of the year	**(915)**	1,312

(g) Accumulated Absences Account

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

	2016/17		2015/16	
	£000	**£000**	£000	£000
Balance at beginning of the year		**4,659**		4,675
Settlement or cancellation of accrual made at the end of the preceding year	**(4,659)**		(4,675)	
Amounts accrued at the end of the current year	**4,707**		4,659	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**48**		(16)
Balance at end of the year		**4,707**		4,659

(h) Available for Sale Financial Instruments Reserve

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

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

	2016/17 £000	2015/16 £000
Balance at beginning of the year	**(29,586)**	(30,786)
(Upward)/downward revaluation of investment - Manchester Airport	**(3,900)**	1,200
Balance at end of the year	**(33,486)**	(29,586)

24. Note to the Cash Flow Statement – Investing Activities

	31 March 2017 £000	31 March 2016 £000
Purchase of property, plant and equipment, investment property and intangible assets	**194,148**	100,043
Purchase of short-term and long-term investments	**22,600**	45,500
Other capital payments for investing activities	**38,858**	23,809
Other payment for investing activities	**71**	145
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(4,002)**	(4,013)
Capital grants	**(59,961)**	(57,098)
Proceeds from short-term and long-term investments	**(40,000)**	(48,000)
Other receipts from investing activities	**(1,833)**	(3,979)
	149,881	56,407

25. Note to the Cash Flow Statement – Financing Activities

	31 March 2017 £000	31 March 2016 £000
Cash receipts of short- and long-term borrowing	**(537,590)**	(170,860)
Other receipts from financing activities	**(2,182)**	(845)
Repayments of short- and long-term borrowing	**415,530**	128,277
	(124,242)	(43,428)

26. Trading Operations

The table below shows the main areas of the Council's operations which operate in a competitive or semi-competitive environment. These Trading Operations balance their budget by generating income from other parts of the Council or external organisations.

	Turnover £000	**Total Expenditure £000**	**2016/17 (Surplus) /Deficit £000**	Turnover £000	Restated* Total Expenditure £000	Restated* 2015/16 (Surplus) /Deficit £000
Building Control	**(336)**	**313**	**(23)**	(456)	352	(104)
Stockport Market	**(237)**	**446**	**209**	(250)	392	142
	(573)	**759**	**186**	(706)	744	38

*Balances have been restated to exclude central support costs (see Note 39r)

Building Control
Building Regulations exist principally to ensure the health, safety, welfare and convenience of people in and around buildings, and the water and energy efficiency of buildings. The regulations apply to most new buildings and many alterations of existing buildings, whether domestic, commercial or industrial. Compliance is mandatory.

In addition to the building regulation function that is open to private competition, the building control services also provide functions to support local governance, which contribute to local priorities. These additional functions include emergency response to dangerous structures (office hours only), property addressing and administration of demolition notices.

Whereas the building regulation services, checking designs and certifying work as built, is funded through income, generally the additional functions are funded through local Council budgets.

Stockport Market
Stockport Market provides affordable space for small scale retail businesses in a Town Centre location. This caters for approximately 50 indoor and up to 50 outdoor traders.

Through the provision of the Stockport Market, the Council is aiming to support small businesses and at the same time provide a diverse shopping offer within the Town Centre. The Market also provides opportunity for small scale retail entrepreneurs to test out their business ideas. These objectives contribute to the Council's Thriving Stockport priority.

27. Pooled Budget Arrangements

Pooled Budgets with Stockport Clinical Commissioning Group (CCG) Section 75 Agreements

Within Stockport, the original Section 75 agreement was signed between NHS Stockport and Stockport Metropolitan Borough Council (SMBC) on 1 April 2009 to jointly commission a range of services from within a pooled fund. The agreement was extended to March 2013, at which point, it was reviewed and updated to reflect the transition from the Primary Care Trust (PCT) to the Stockport CCG and renewed for a further year. Following minor changes in 2014/15, a further extension for 2015/16 was approved and the pooled fund was also expanded significantly to include the Better Care Fund (BCF).

The memorandum below illustrates the contributions by partners and the financial performance by points of delivery (PODS) and the overall performance for the section 75 Agreement in 2016/17 and 2015/16. The 2015/16 disclosure has been reclassified in line with these new working arrangements.

The £19.295m Better Care Fund allocation into the pooled budget by Stockport CCG was received via the CCG core services allocation from NHS England. The outturn position is reflected based on who was the lead commissioner of the approved schemes within the Better Care Fund schedule.

A new section 75 legal agreement between Stockport Clinical Commissioning Group and the Council is being developed. This new agreement will recognise further integrations of the commissioning function between the Council and Stockport commissioning group, to continue to enhance the joint commissioning arrangements.

Pooled Budget Statement

2016/17	Prevention £000	Boroughwide £000	Community / Out of Hospital £000	Acute £000	Total £000
Funding provided to the Pooled Budget					
Stockport Council	(22,159)	(7,277)	(69,556)		(98,992)
Stockport CCG	(368)	(2,884)	(29,393)	(67,478)	(100,123)
Total	(22,527)	(10,161)	(98,949)	(67,478)	(199,115)
Expenditure met from the Pooled Budget					
Stockport Council	21,752	6,579	71,309		99,640
Stockport CCG	368	2,884	27,753	69,668	100,673
Total	22,120	9,463	99,062	69,668	200,313
Net (surplus) / deficit arising from the pooled budget in year	(407)	(698)	113	2,190	1,198
Net (surplus) / deficit split by each partner					
Stockport Council	(407)	(698)	1,753	0	648
Stockport CCG	0	0	(1,640)	2,190	550
Total	(407)	(698)	113	2,190	1,198

2015/16	Prevention £000	Boroughwide £000	Community / Out of Hospital £000	Acute £000	Total £000
Funding provided to the Pooled Budget					
Stockport Council		(4,356)	(35,224)		(39,580)
Stockport CCG	(375)	(9,153)	(1,657)	(917)	(12,102)
Total	(375)	(13,509)	(36,881)	(917)	(51,682)
Expenditure met from the Pooled Budget					
Stockport Council		4,348	35,783		40,131
Stockport CCG	375	8,321	1,576	917	11,189
Total	375	12,669	37,359	917	51,320
Net (surplus) / deficit arising from the pooled budget in year	0	(840)	478	0	(362)
Net (surplus) / deficit split by each partner					
Stockport Council	0	(8)	559	0	551
Stockport CCG	0	(832)	(81)	0	(913)
Total	0	(840)	478	0	(362)

28. Members' Allowances

The Council paid the following amounts to Council Members during the year.

	2016/17 £000	2015/16 £000
Allowances	**922**	901
Expenses	**3**	4
Total	**925**	905

29. Officer Remuneration

Senior Officer Remuneration for 2016/17 is given in the table below.

Post Holder		Salary, Fees & Allowances (1) £	Expenses Allowance (2) £	Benefits in Kind (3) £	Compensation for Loss of Office (4) £	Employers Pension Contribution (6) £	Note
Chief Executive - E. Boylan	**2016/17**	**181,750**	**134**	**0**	**0**	**0**	*
	2015/16	180,584	134	131	0	0	
Deputy Chief Executive, Strategy and Democracy	**2016/17**	**136,215**	**1,392**	**0**	**0**	**25,244**	*
	2015/16	130,552	1,561	0	0	23,434	
Corporate Director, Corporate and Support Services	**2016/17**	**0**	**0**	**0**	**0**	**0**	A
	2015/16	136,292	1,446	0	107,852	110,268	
Corporate Director, Services to People	**2016/17**	**133,924**	**2,599**	**0**	**0**	**25,331**	*
	2015/16	131,247	2,599	0	0	23,990	
Corporate Director, Services to Place	**2016/17**	**121,854**	**955**	**0**	**0**	**23,116**	B
	2015/16	73,543	0	0	0	13,416	
Borough Treasurer	**2016/17**	**80,728**	**0**	**80**	**0**	**15,180**	A
	2015/16	0	0	0	0	0	
Director, Adult Social Care	**2016/17**	**0**	**0**	**0**	**0**	**0**	C
	2015/16	96,554	448	0	105,245	17,647	
Director of Public Health	**2016/17**	**62,352**	**0**	**0**	**0**	**0**	>
	2015/16	66,866	0	0	0	0	
Service Director, Major Projects	**2016/17**	**0**	**0**	**0**	**0**	**0**	D
	2015/16	21,589	0	0	79,506	145,065	
Head of Legal and Governance	**2016/17**	**62,611**	**0**	**0**	**0**	**11,836**	E
	2015/16	63,708	0	114	0	11,552	

Notes to the Senior Officer Remuneration table	
A	The post of Corporate Director, Corporate and Support Services was removed from the staffing structure from 1 April 2016. The post of Borough Treasurer was created from 1 April 2016 and encompasses the statutory Section 151 role.
B	The Corporate Director, Services to Place left the Authority on 29 November 2015; the post remained vacant until 4 April 2016.
C	The post of Director of Adult Social Care was removed with effect from 1 April 2016. The statutory role of Director of Adult Social Care is now undertaken by the Corporate Director, Services to People from 1 April 2016.
D	The Service Director, Major Projects left the Authority on 15 April 2016 and the post was deleted with effect from that date.
E	During 2016/17 there was a change in post-holder for the role of Head of Legal and Governance.
*	Increases in salary relate to 2016/17 national pay award increases and annual payscale increment increases.
>	Reduction in salary due to reduced hours of post-holder.

The table below lists the Council's Senior Officers, their statutory roles and areas of responsibility as at 31 March 2017.

Officer	Statutory Role	Areas of Responsibility
Chief Executive - E.Boylan	Head of Paid Service, Council Returning Officer	All Council activities
Deputy Chief Executive		People and Organisational Development, Policy Performance, Public Service Reform, Legal and Democratic Governance, Community Safety, Elections, Registrars, Libraries, Neighbourhood Management, Coroners, Democratic Services, Estate and Asset Management, Business Support, Information and Communication.
Corporate Director, Services to People	Director of Childrens Services, Director of Adult Social Care & Chief Education Officer	Early Help and Prevention, Safeguarding Children, Childrens Disability Partnership, Childrens Social Care, Supporting Families, School Improvement, SEN and Inclusion, Participation and Education, School Services, Youth Offending, Commissioning School Places, School Effectiveness, Participation and Education, Health and Well-being, Business Intelligence, Service Redesign, Market Development, Quality and Commissioning, Disability Services, Older Peoples Services, Short Term Support, Service Integration
Corporate Director, Services to Place		Climate Change, Public Protection, Public Realm, Transportation, Building Control, Culture and Leisure, Economic Development and Regeneration, Planning Services, Strategic Housing, Learning and Employment.
Borough Treasurer	Section 151 Finance Officer	Finance, Revenues and Benefits, Customer Services, Advice and Information, STaR Procurement.
Head of Legal and Democratic Governance	Monitoring Officer	Legal and Democratic Governance.
Director of Public Health	Director of Public Health	Health Protection, Healthcare, Early Diagnosis and Sexual Health, Lifestyle Services, Mental Well Being and Workplace, Priority Communities and Cultural Determinants, Healthy Schools, Healthy Promotion, Teenage Pregnancy.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid as shown on the table below.

Remuneration Band	**2016-17**				
	Number of employees who received redundancy or other related payments		**Number of employees who did not receive redundancy or other related payments**		
	Schools*	**Other Services**	**Schools***	**Other Services**	**Total**
£50,000 - £54,999	**0**	**8**	**47**	**23**	**78**
£55,000 - £59,999	**0**	**1**	**30**	**15**	**46**
£60,000 - £64,999	**0**	**2**	**31**	**8**	**41**
£65,000 - £69,999	**0**	**2**	**14**	**4**	**20**
£70,000 - £74,999	**0**	**1**	**2**	**3**	**6**
£75,000 - £79,999	**0**	**0**	**3**	**1**	**4**
£80,000 - £84,999	**0**	**3**	**1**	**3**	**7**
£85,000 - £89,999	**0**	**1**	**2**	**0**	**3**
£90,000 - £94,999	**0**	**1**	**1**	**2**	**4**
£95,000 - £99,999	**0**	**1**	**0**	**1**	**2**
£100,000 - £104,999	**0**	**2**	**1**	**1**	**4**
£105,000 - £109,999	**0**	**0**	**0**	**0**	**0**
£110,000 - £114,999	**0**	**0**	**0**	**1**	**1**
£120,000 - £124,999	**0**	**0**	**0**	**0**	**0**
Total	**0**	**22**	**132**	**62**	**216**

Remuneration Band	2015-16				
	Number of employees who received redundancy or other related payments		Number of employees who did not receive redundancy or other related payments		
	Schools	Other Services	Schools	Other Services	Total
£50,000 - £54,999	0	5	53	22	80
£55,000 - £59,999	0	2	30	23	55
£60,000 - £64,999	1	1	33	13	48
£65,000 - £69,999	0	1	9	3	13
£70,000 - £74,999	0	4	3	1	8
£75,000 - £79,999	0	2	4	0	6
£80,000 - £84,999	0	0	1	2	3
£85,000 - £89,999	0	0	2	1	3
£90,000 - £94,999	0	0	1	0	1
£95,000 - £99,999	0	0	1	1	2
£100,000 - £104,999	0	1	0	0	1
£105,000 - £109,999	0	1	0	1	2
£110,000 - £114,999	0	0	0	0	0
£120,000 - £124,999	0	0	0	1	1
Total	1	17	137	68	223

Exit packages

Exit packages include voluntary redundancy costs paid to employees and pension contributions (Capital Costs) paid to the Local Government Pension Scheme applicable to employees who have taken voluntary early retirement.

Exit Package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Total cost of exit packages in each band**		
				Redundancy	**Capital**	**Total**
	2016/17	**2016/17**	**2016/17**	**2016/17 £000**	**2016/17 £000**	**2016/17 £000**
£0 - £20,000	**19**	**51**	**70**	641	19	**660**
£20,001 - £40,000	**0**	**29**	**29**	628	168	**796**
£40,001 - £60,000	**0**	**12**	**12**	267	313	**580**
£60,001 - £80,000	**0**	**3**	**3**	95	116	**211**
£80,001 - £100,000	**0**	**2**	**2**	55	116	**171**
£100,001 - £150,000	**0**	**1**	**1**	38	86	**124**
£150,001 - £200,000	**0**	**1**	**1**	42	114	**156**
£200,001 - £250,000	**0**	**1**	**1**	44	167	**211**
TOTAL	**19**	**100**	**119**	**1,810**	**1,099**	**2,909**

Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band		
				Redundancy	Capital	Total
	2015/16	2015/16	2015/16	2015/16 £000	2015/16 £000	2015/16 £000
£0 - £20,000	0	50	50	444	54	498
£20,001 - £40,000	0	12	12	268	70	338
£40,001 - £60,000	0	2	2	72	33	105
£60,001 - £80,000	0	1	1	16	47	63
£80,001 - £100,000	0	2	2	40	133	173
£100,001 - £150,000	0	4	4	218	209	427
£150,001 - £200,000	0	1	1	108	85	193
£200,001 - £250,000	0	1	1	80	148	228
TOTAL	0	73	73	1,246	779	2,025

During 2016/17 there were 119 redundancies of which 19 were compulsory. 14 of the 19 compulsory redundancies related to the end of fixed term contracts and due to employment rights, these employees are entitled to receive a redundancy payment. Six of the compulsory redundancies related to school based staff.

30. External Audit Costs

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

	2016/17 £000	2015/16 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor.	**126**	126
Fees payable to Grant Thornton for the certification of grant claims and returns.	**21**	22
Other fees	**30**	24
	177	172

31. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2015. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2016/17 are as follows:

	Central Expenditure £000	**Individual Schools Budget £000**	**Total £000**
Final DSG for 2016/17 before academy recoupment			**199,205**
Academy figure recouped for 2016/17			**(31,128)**
Total DSG after Academy recoupment for 2016/17			**168,077**
Plus: Brought Forward from 2015/16			**1,588**
Less: Carry-forward to 2017/18 agreed in advance			**0**
Agreed initial budgeted distribution in 2016/17	**40,866**	**159,888**	**200,754**
In year adjustments	**(5,315)**	**(25,186)**	**(30,501)**
Final Budgeted distribution for 2016/17	**35,551**	**134,702**	**170,253**
Less Actual central expenditure	**34,518**		
Less Actual ISB deployed to schools		**134,702**	
Plus Local Authority contribution for 2016/17	**0**	**0**	**0**
Carry-forward to 2017/18	**1,033**	**0**	**1,033**

32. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

	2016/17 Credited to taxation and non-specific grant income £000	**2016/17 Credited to services £000**	2015/16 Credited to taxation and non-specific grant income £000	2015/16 Credited to services £000
Capital				
Department for Education capital programme (including DFC, Basic Need and Capital Maintenance)	**(5,018)**	**(1,989)**	(6,456)	(207)
Department for Transport Highways capital programme	**(18,727)**		(19,173)	
Transport for Greater Manchester A6 to Manchester Airport Relief Road	**(31,201)**		(22,743)	
Housing HRA - HCA funding	**(386)**		(193)	
Housing - Disabled Facilities Grant		**(1,098)**		(818)
Rural Broadband (DCMS and ERDF)				(2,330)
Department of Health			(517)	(336)
Heritage Lottery Fund	**(645)**		(704)	
Other government grants	**(170)**		(171)	
Capital Contributions:				
Developer and other highways contributions	**(1,425)**		(1,055)	
Other LA contributions to Rural Broadband				(281)
Other contributions	**(503)**	**(199)**	(520)	(284)
Total Capital Grants and Contributions	**(58,075)**	**(3,286)**	(51,532)	(4,256)
Dedicated Schools Grant (DSG)		**(168,156)**		(171,530)
Pupil Premium Grant		**(9,283)**		(9,443)
Local Authority Central Education Services	**(3,244)**		(3,648)	
Other Education and Schools Grants		**(7,371)**		(9,835)
Subsidy grants for benefits payments:				
Rent Allowances		**(45,130)**		(48,948)
Rent Rebates		**(28,598)**		(29,907)
Benefit Administration		**(941)**		(1,016)
Other Benefit Grants		**(584)**		(486)
Other Government Grants:				
Revenue Support Grant	**(28,289)**		(39,184)	
Council Tax Freeze Grant			(1,417)	
New Homes Bonus Grant	**(3,362)**		(2,326)	
Grants in lieu of Business Rates	**(2,672)**		(3,482)	
Transition Grant	**(1,026)**			
Public Health Grant		**(16,487)**		(14,649)
Other Government Grants		**(4,937)**		(6,741)
Contributions:				
NHS Stockport to Adults Social Care		**(25,587)**		(24,802)
NHS Stockport to Children's Social Care		**(838)**		(602)
Total Revenue Grants & Contributions	**(38,593)**	**(307,912)**	(50,057)	(317,959)
Total Grants & Contributions	**(96,668)**	**(311,198)**	(101,589)	(322,215)

Analysis of Grants Receipts in Advance
The balance of Grants Receipts in Advance represents grants received that have yet to be recognised as income, as they have conditions attached to them, which will require the grant to be repaid, if conditions are not met. The balances at the year end are as follows:

	2016/17 £000	2015/16 £000
Revenue Grants Receipts in Advance		
Housing Benefit	**(3,838)**	
Early Years	**(105)**	
Dedicated Schools Grant (DSG)	**(67)**	
Other grants under £60,000	**(62)**	(237)
Learning Community Grant		(596)
	(4,072)	(833)

	2016/17 £000	2015/16 £000
Capital Grants Receipts in Advance		
Department for Transport	**(1,902)**	(2,378)
Department for Education	**(1,780)**	(1,675)
CLG	**(1,161)**	
Department of Health	**(333)**	(333)
DEFRA	**(214)**	(214)
Other government grants	**(97)**	(323)
	(5,487)	(4,923)

33. Transactions with Related Parties

The Council is required to disclose material transactions with related parties. Related parties are individuals or organisations that have the ability to control or significantly influence the Council or be controlled or influenced by the Council. This note sets out details of transactions between related parties and the Council.

Central Government: the Government has significant influence over the general operations of the Council. It is responsible for providing the framework within which the Council operates. It also provides the majority of funding for Council services. Grants received from government departments are set out in Note 32.

Members of the Council have direct control over the Council's financial and operating policies. Details of Members' interests, both pecuniary and non-financial are recorded in the Register of Members' Interests, which is open to public inspection. Members' interests are also available to view via the Council's web site. The total of members' allowances paid in 2016/17 is shown in Note 28.

Each year Members are asked to declare any such interests including related parties. In addition, the Council's Constitution sets out procedures for the declaration of Members' interests, and those of their close family members, at Council meetings and for the withdrawal of Members from meetings, if it is deemed that there is a conflict of interest. Several Members are trustees, employees and Council representatives of various charitable and similar voluntary organisations that receive financial and other support from the Council. During the year, the Council paid £0.871m to organisations in which four members had either a voluntary interest or held a stewardship role.

Corporate Directors and Service Directors are required on an annual basis to make a declaration of related parties. In addition there is a code of conduct under which such officers must disclose any pecuniary and non-financial interests. Related parties were declared in 2016/17 as follows.

The Deputy Director of Public Health holds an honorary contract with Stockport NHS Foundation Trust to July 2016 and an honorary contract with NHS Stockport CCG. These are a non-monetary contract that allows the post holder to work in the other organisations whilst being employed by the Council.

Other material related party transactions

The Council has undertaken business on normal contractual terms for the supply of services from the following organisations that are related parties for the purposes of IAS 24:

Borough Care: a residential care provider for the Council.

Life Leisure (Stockport Sports Trust): was formed to manage the Council's indoor sports facilities.

Payments to related parties	**2016/17 £000**	2015/16 £000
Borough Care	**5,816**	5,539
Life Leisure (Stockport Sports Trust)	**1,687**	1,380

Payments from related parties	**2016/17 £000**	2015/16 £000
Borough Care	**3**	9
Life Leisure (Stockport Sports Trust)	**157**	138

Amounts due to SMBC at 31 March	**2016/17 £000**	2015/16 £000
Borough Care	**86**	57
Life Leisure (Stockport Sports Trust)	**60**	59

Amounts owed to related parties at 31 March	**2016/17 £000**	2015/16 £000
Borough Care	**213**	151
Life Leisure (Stockport Sports Trust)	**158**	0

Stockport Clinical Commissioning Group (CCG)
Stockport Council has pooled all of the Adult Social Care service, Public Health service and Health Policy service with Stockport CCG from 2016/17. Details can be found in Note 27 Pooled Budget arrangements.
Some of the services previously provided by Stockport PCT are now provided by Pennine Care NHS Foundation Trust and Stockport NHS Foundation Trust.

Stockport NHS Foundation Trust

- Community/Acute contract 2016/17 - £2.4m (2015/16 - £3.7m)
- Health Visitors 2016/17 - £4.8m (2015/16 - £2.4m)
- Older Peoples Service- Home based Community Contracts - 2016/17 - £2.1m (2015/16 - £2.1m)

Pennine Care NHS Foundation Trust

- Drug and Alcohol Service 2016/17 - £1.1m (2015/16 - £1.2m)
- Learning Disabilities contract 2016/17 - £1.0m (2015/16 - £1.0m)

Joint Services

Greater Manchester Combined Authority
Greater Manchester Combined Authority (GMCA) co-ordinates key economic development, regeneration and transport functions and will, in the future, have financial implications which will impact on the availability and use of resources by the Council and the other Greater Manchester Authorities. Transport for Greater Manchester is the executive body of GMCA in relation to its transport functions, responsible for investing in improving transport services and facilities across Greater Manchester.

Association of Greater Manchester Authorities (AGMA)
The Association is a partnership between the ten Local Authorities within the Greater Manchester area. The ten co-operate on a number of issues both statutory and non-statutory, where there is the possibility of improving service delivery by working together. A number of AGMA units exist which the Council contributes to. The expenditure incurred is contained within the relevant service headings in the Comprehensive Income and Expenditure Statement.

Other Public Bodies
The Comprehensive Income and Expenditure Statement, within net cost of services, includes the following amounts that are charged as levies for services not directly provided by the Council:

- Greater Manchester Combined Authority Transport Levy £19.865m (£20.485m in 2015/16)
- Greater Manchester Waste Disposal Authority £19.230m (£17.023m in 2015/16).
- The Environmental Agency £0.168m (£0.166m in 2015/16)

Other related parties disclosed elsewhere in the Statement of Accounts
Pension funds are disclosed in other notes to the Core Financial Statements and in Note 36 Defined Benefit Pension schemes.

34. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2016/17 £000	2015/16 £000
Opening Capital Finance Requirement	**476,643**	448,178
Capital Investment		
Property, Plant & Equipment	**90,786**	95,900
Investment Assets	**106,654**	2,551
Heritage Assets	**932**	47
Assets Held for Sale	**0**	0
Revenue Expenditure funded from capital under statute	**6,019**	10,489
Loans treated as capital expenditure	**32,839**	13,320
Share Capital	**100**	
	237,330	122,307
Sources of Finance		
Government grants received or receivable	**(59,932)**	(60,993)
Capital receipts	**(818)**	(1,488)
External contributions	**(2,170)**	(3,527)
Direct Revenue Contributions	**(12,988)**	(16,239)
Minimum Revenue Provision (MRP)	**(13,911)**	(11,595)
	(89,819)	(93,842)
Closing Capital Financing Requirement	**624,154**	476,643
Increase/(decrease) in Capital Financing Requirement relating to borrowing	**147,511**	28,465

35. Leases

Stockport Exchange Leases
In March 2013, the Council entered into a series of agreements (leases) to enable the development of a multi-storey car park on the Stockport Exchange site. The development was completed in February 2014 when the lease agreements were triggered.

The agreements comprise separate but linked transactions to establish operating and finance leases for the land and buildings elements of the site.

The outstanding obligations tables for both operating and finance leases payable and receivable include the future minimum payments due under non-cancellable leases in future years, for all the land and buildings transactions for this development under the lease agreements.

Council as Lessee
The Council, on an on-going basis, enters into various operating and finance lease agreements with lessors in providing some of its services.

The Council has finance lease agreements in respect of a multi-storey car park building and intangible assets. The Council leases vehicles, plant and other equipment under the terms of operating leases.

The table below analyses the rentals paid for operating and finance lease by asset classification charged to the Comprehensive Income and Expenditure Statement.

	Operating Lease £000	**Finance Lease £000**	**2016 /17 Total £000**	Operating Lease £000	Finance Lease £000	2015 /16 Total £000
Land & Buildings	**913**	**886**	**1,799**	929	860	1,789
Plant , equipment & vehicles	**209**		**209**	1,529		1,529
	1,122	**886**	**2,008**	2,458	860	3,318

Certain lease costs paid by the Council are reimbursed by subsidiary companies.

<u>Finance Leases</u>
The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments made on finance leases are shown in the table below:

	31 March 2017 £000	31 March 2016 £000
Current	**(913)**	(886)
Non-Current	**(46,745)**	(47,658)
Finance costs payable in future years	**33,958**	34,844
	(13,700)	(13,700)

Outstanding obligations to make payments under the finance leases (excluding costs) at 31 March 2017 are as follows:

	31 March 2017 £000	31 March 2016 £000
Not later than one year	**0**	0
Later than 1 year and not later than 5 years	**0**	0
Over five years	**(13,700)**	(13,700)
	(13,700)	(13,700)

Operating Leases

The Council leases land and buildings, vehicles, plant and other equipment under the terms of operating leases, the future minimum lease payments due under non-cancellable leases in future years are shown in the table below:

	31 March 2017 £000	31 March 2016 £000
Not later than one year	**985**	1,053
Later than 1 year and not later than 5 years	**3,076**	3,128
Over five years	**22,776**	23,503
	26,837	27,684

Council as Lessor

Finance lease

The Council leases a multi-storey car park under a finance lease.

The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2017 £000	31 March 2016 £000
Current	**1,105**	1,073
Non-Current	**56,589**	57,694
Finance costs payable in future years	**(43,994)**	(45,067)
	13,700	13,700

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	31 March 2017 £000	31 March 2016 £000
Not later than one year	**0**	0
Later than 1 year and not later than 5 years	**0**	0
Over five years	**13,700**	13,700
	13,700	13,700

Operating Leases

The Council has numerous operating leasing agreements with private individuals and entities regarding shops, other premises and land where the Council acts as the lessor.

The table below shows future years minimum lease payments receivable:

	31 March 2017 £000	31 March 2016 £000
Not later than one year	**(9,630)**	(5,272)
Later than 1 year and not later than 5 years	**(27,240)**	(18,767)
Over five years	**(198,889)**	(276,067)
	(235,759)	(300,106)

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 £10.344m rents were receivable by the Council (2015/16 £5.273m).

	Property, Plant and Equipment £000	Investment Properties £000	Total £000
Cost or Valuation			
Opening balance at 1 April 2016	**10,083**	**69,443**	**79,526**
Changes due to expiry/new leases	**398**	**381**	**779**
	10,481	**69,824**	**80,305**
Additions/Transfers	**187**	**99,139**	**99,326**
Revaluations	**843**	**(26,734)**	**(25,891)**
At 31 March 2017	**11,511**	**142,229**	**153,740**
Accumulated Depreciation/Amortisation and Impairment			
Opening balance at 1 April 2016	**(985)**		**(985)**
Changes due to expiry/new leases	**(37)**		**(37)**
	(1,022)		**(1,022)**
Depreciation/Impairment	**(264)**		**(264)**
Revaluations	**(41)**		**(41)**
At 31 March 2017	**(1,327)**		**(1,327)**
Net book Value at 31 March 2017	**10,184**	**142,229**	**152,413**
Net book Value at 1 April 2016	9,098	69,443	78,541

36. Pensions – Accounted for as Defined Benefit Pension Schemes

The Council participates in three pension schemes, the details of which are set out in the Statement of Accounting Policies.

Teachers
Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17, the Council paid £11.48m to the Department for Education (£11.13m in 2015/16) in respect of teachers' pension costs, which represented 16.48% of teachers' pensionable pay (14.1%/16.48% in 2015/16). In addition, the Council is responsible for all pension payments relating to added years that it has awarded as discretionary benefits, together with the related increases. In 2016/17 these amounted to £1.28m (£1.32m in 2015/16), representing 1.8% of pensionable pay (1.8% in 2015/16).

The amount owing to the Teachers' Pension Scheme at 31 March 2017 was £0.035m (31 March 2016 £1.596m) representing March 2016 employee and employer contributions.

NHS
During 2013/14 Public Health staff transferred to the Council, these staff have maintained their membership of the NHS Pension Scheme. The Scheme provides members with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically an unfunded defined benefit scheme. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17, the Council paid £0.096m to the NHS Pension Scheme in respect of former NHS staff retirement benefits (£0.143m in 2015/16), which represented 14.3% of pensionable pay (14.3% in 2015/16). There were no contributions remaining payable at the year end.

Other Employees
In 2016/17, the Council paid an employer's contribution of £18.0m into the Greater Manchester Pension Fund (£17.4m in 2015/16), representing 19.0% of pensionable pay (18.3% in 2015/16). In addition, the Council makes further payments in respect of added years benefits it has awarded, together with the related increases. In 2016/17 these amounted to £0.78m (£0.77m in 2015/16), representing 0.8% of pensionable pay (0.9% in 2015/16).

The Greater Manchester Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme, the scheme is managed by Tameside MBC who became the administering authority in 1987. Each of the member authorities are represented on the Pension Fund Advisory Panel.
Further information can be found in the Greater Manchester Pension Fund's Annual Report which is available upon request from Tameside Metropolitan Borough

Council, Concord Suite, Manchester Road, Droylsden, Tameside, M43 6SF, or at their website www.gmpf.org.uk.

The costs of retirement benefits are recognised in Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed in the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance through the Movement in Reserves Statement during the year.

Comprehensive Income and Expenditure Statement	2016/17			2015/16		
	Net (liability)/ Assets £000	Assets £000	Obligations £000	Net (liability)/ Assets £000	Assets £000	Obligations £000
Cost of Services:						
Service cost comprising:						
- current service cost	**23,178**		**23,178**	26,500		26,500
- past service costs (including curtailments)	**836**		**836**	382		382
Financing and Investment Income and Expenditure						
- interest income on plan assets	**(25,200)**	**(25,200)**		(23,364)	(23,364)	
- interest cost on defined benefit obligation	**34,797**		**34,797**	34,292		34,292
Post-employment benefits charged to CIES	**33,611**	**(25,200)**	**58,811**	37,810	(23,364)	61,174
Other Post-employment benefits charged to the CIES:						
Remeasurement of the net defined benefit liability comprising:						
- return on Plan assets (excluding the amount included in the net interest expense)	**(119,678)**	**(119,678)**		27,633	27,633	
- actuarial gains and losses arising on changes in demographic assumptions	**1,611**		**1,611**			
- actuarial gains and losses arising on changes in financial assumptions	**175,077**		**175,077**	(96,645)		(96,645)
- Other experience	**(34,786)**		**(34,786)**	(14,697)		(14,697)
Re-measurements of the net defined pensions liability	**22,224**	**(119,678)**	**141,902**	(83,709)	27,633	(111,342)
Movement in Reserves Statement						
Reversal of net charges made for retirement benefits in accordance with IAS 19	**(33,611)**	**25,200**	**(58,811)**	(37,810)	23,364	(61,174)
Actual amounts charged against the General Fund Balance for pensions in the year:						
- Employers' contributions payable to the scheme	**18,048**	**18,048**		17,396	17,396	
- Unfunded Benefits payable to pensioners	**2,064**	**2,064**		2,092	2,092	
Movement on pensions reserve	**(13,499)**	**45,312**	**(58,811)**	(18,322)	42,852	(61,174)

The Balance Sheet holds the underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2017 and they are set out as follows:

	Greater Manchester Pension Fund		Teachers' Discretionary		Total	
	31 March 2017 £000	31 March 2016 £000	**31 March 2017 £000**	31 March 2016 £000	**31 March 2017 £000**	31 March 2016 £000
Fair Value of plan assets	**861,945**	723,881	**0**	0	**861,945**	723,881
Present value of defined benefit obligation	**(1,149,162)**	(976,857)	**(20,958)**	(19,476)	**(1,170,120)**	(996,333)
Net liability arising from defined benefit obligation	**(287,217)**	(252,976)	**(20,958)**	(19,476)	**(308,175)**	(272,452)

The funding arrangements and asset liability matching strategy adopted by the pension fund are described in detail in the Greater Manchester Pension Fund's 'Funding Strategy Statement' which gives a summary of the GMPF's approach to funding liabilities; it is available to view on their website - www.gmpf.org.uk.

Changes in the Fair Value of Plan Assets	**Period ended 31 March 2017**			Period ended 31 March 2016		
	Net (liability)/ Assets £000	**Assets £000**	**Obligations £000**	Net (liability)/ Assets £000	Assets £000	Obligations £000
Fair Value of Employer Assets	**723,881**	**723,881**	**0**	732,047	732,047	0
Present value of funded liabilities	**(966,004)**		**(966,004)**	(1,036,195)		(1,036,195)
Present value of unfunded liabilities	**(30,329)**		**(30,329)**	(33,691)		(33,691)
Opening position as at 31 March 2016	**(272,452)**	**723,881**	**(996,333)**	(337,839)	732,047	(1,069,886)
Service Costs:						
- current service cost*	**(23,178)**		**(23,178)**	(26,500)		(26,500)
- past service costs (including curtailments)	**(836)**		**(836)**	(382)		(382)
Total service cost	**(24,014)**	**0**	**(24,014)**	(26,882)	0	(26,882)
Net Interest:						
- interest income on plan assets	**25,200**	**25,200**		23,364	23,364	
- interest cost on defined benefit obligation	**(34,797)**		**(34,797)**	(34,292)		(34,292)
Total net interest	**(9,597)**	**25,200**	**(34,797)**	(10,928)	23,364	(34,292)
Total defined benefit cost recognised in Profit or (Loss)	**(33,611)**	**25,200**	**(58,811)**	(37,810)	23,364	(61,174)
Cash Flows:						
- Contributions from Members	**0**	**5,986**	**(5,986)**	0	5,950	(5,950)
- Contributions from Employer	**18,048**	**18,048**		17,396	17,396	
- Contributions in respect of unfunded benefits	**2,064**	**2,064**		2,092	2,092	
- Benefits paid	**0**	**(30,848)**	**30,848**	0	(27,243)	27,243
- Unfunded benefits paid	**0**	**(2,064)**	**2,064**	0	(2,092)	2,092
Cashflows	**20,112**	**(6,814)**	**26,926**	19,488	(3,897)	23,385
Expected closing position	**(285,951)**	**742,267**	**(1,028,218)**	(356,161)	751,514	(1,107,675)
Remeasurements:						
- Changes in demographic assumptions	**(1,611)**	**0**	**(1,611)**	0	0	0
- Changes in financial assumptions	**(175,077)**	**0**	**(175,077)**	96,645	0	96,645
- Other experience	**34,786**	**0**	**34,786**	14,697	0	14,697
- Return on assets excluding amounts included in net interest	**119,678**	**119,678**		(27,633)	(27,633)	
Total Remeasurements recognised in CIES	**(22,224)**	**119,678**	**(141,902)**	83,709	(27,633)	111,342
Fair Value of Employer Assets	**861,945**	**861,945**		723,881	723,881	
Present Value of Funded liabilities	**(1,137,785)**		**(1,137,785)**	(966,004)		(966,004)
Present Value of Unfunded liabilities	**(32,335)**		**(32,335)**	(30,329)		(30,329)
Closing Position as at 31 March 2017	**(308,175)**	**861,945**	**(1,170,120)**	(272,452)	723,881	(996,333)

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

The net pension liability for the Greater Manchester Pension Fund at 31 March 2017 includes a £11.38m liability in respect of unfunded pension payments (31 March 2016 £10.85m liability).

Employer's contributions to the Greater Manchester Pension Fund for the year ended 31 March 2018 will be approximately £18.3m.

However the Council has opted to make a three year advance payment of its employer pension contributions totalling £51.111m on 3 April 2017, covering employer pension contributions for 2017/18, 2018/19 and 2019/20. This will generate a saving on the estimated contributions above.

The last formal actuarial valuation of the Greater Manchester Pension Fund was undertaken as at 31 March 2016. This was carried out in accordance with the statutory requirements. The aim of the triennial valuation is principally to balance the objectives of stability of contributions and ensuring the solvency of the fund. At subsequent year ends the actuary performs an annual assessment which is an update of the formal valuation to reflect current conditions. These annual assessments form the basis of the balances reflected in the Statement of Accounts in accordance with IAS 19. The IAS 19 valuations do not determine the contributions that the Council needs to pay into the fund; these are set by the triennial actuarial valuations. However, the IAS 19 results can give an indication of the expected movement of the position of the fund between triennial valuations. A further valuation will be undertaken as at 31 March 2019.

Liabilities in the Greater Manchester Pension Fund have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, actuaries to the pension fund.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute, as described in the accounting policies note.

The main assumptions used in their calculations are set out below:

Basis for Estimating Assets and Liabilities	**Assumptions as at 31 March 2017**	Assumptions as at 31 March 2016
Longevity at 65 for current pensioners:		
Men	**21.5 years**	21.4 years
Women	**24.1 years**	24.0 years
Longevity at 65 for future pensioners:		
Men	**23.7 years**	24.0 years
Women	**26.2 years**	26.6 years
Financial Assumptions:		
Rate of increase in pensions	**2.4%**	2.2%
Rate of increase in salaries	**2.5%**	3.5%
Rate for discounting scheme liabilities (actual)	**2.6%**	3.5%

The weighted average duration of the defined benefit obligation for scheme members is 17.5 years.

Life expectancies for the prior year end are based on the Funds VitaCurves. The allowance for future life expectancies is shown below:

Historic Mortality	Prospective Pensioners	Pensioners
Year ended 31 March 2016	CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% per annum	CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% per annum

Sensitivity Analysis:

Change in Assumptions at 31 March 2017	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	**9%**	**110,952**
0.5% Increase in the Salary increase rate	**1%**	**16,142**
0.5% Increase in the Pension increase rate	**8%**	**93,347**

The sensitivity analysis above is based on reasonable, possible changes to the assumptions occurring at the end of the reporting period. In practice assumptions are unlikely to change and changes may be interrelated. The estimations are in line with accounting policies for the scheme. The methods and types of assumptions used in preparing the analysis have not changed from those used in previous periods.

Assets in the Greater Manchester Pension Fund are valued at fair value, and consist of equities, bonds, property and cash. The table below sets out the value and proportion of assets held in the said classes together with the prices quoted in the market:

Fair value of scheme asset	Period ended 31 March 2017				Period ended 31 March 2016			
	Quoted Prices in active markets	Quoted Prices not in active markets	Total	Percentage of Total Assets	Quoted Prices in active markets	Quoted Prices not in active markets	Total	Percentage of Total Assets
	£000	£000	£000	%	£000	£000	£000	%
Equity Instruments (by industry type):								
Consumer	70,058	0	70,058	8%	63,745	0	63,745	9%
Manufacturing	71,737	0	71,737	8%	52,461	0	52,461	7%
Energy and Utilities	57,379	0	57,379	7%	38,859	0	38,859	5%
Financial Institutions	88,116	0	88,116	10%	70,220	0	70,220	10%
Health and Care	30,925	0	30,925	4%	30,270	0	30,270	4%
Information Technology	21,898	0	21,898	3%	16,263	0	16,263	2%
Other	14,683	0	14,683	2%	9,540	0	9,540	1%
Bonds (by sector):								
Corporate Bonds	40,891	0	40,891	5%	36,064	0	36,064	5%
Government Bonds	0	0	0	0%	0	0	0	0%
UK Government	11,340		11,340	1%	5,739		5,739	1%
Other	27,230	0	27,230	3%	22,602	0	22,602	3%
Private Equity:	0	24,490	24,490	3%	0	18,086	18,086	3%
Real Estate:								
UK	0	23,637	23,637	3%	0	22,794	22,794	3%
Investment Funds and Unit Trusts:								
Equities	215,798	0	215,798	24%	201,714	0	201,714	28%
Bonds	61,523	0	61,523	7%	56,238	0	56,238	8%
Infrastructure	0	19,873	19,873	2%	0	9,701	9,701	1%
Other	15,457	42,960	58,417	7%	14,224	35,206	49,430	7%
Derivatives:								
Other	0	0	0	0%	1,905	0	1,905	0%
Cash and Cash Equivalents:								
All	23,950	0	23,950	3%	18,250	0	18,250	3%
Total Assets	750,985	110,960	861,945	100%	638,094	85,787	723,881	100%

37. Contingent Assets and Liabilities

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

On 13 November 2012, the directors of MMI triggered MMI's Scheme of Arrangement.
A levy notice was issued on 1 January 2014 by the Scheme Administrator at a rate of 15% on established scheme liabilities and a further levy notice of 10% was issued in April 2016, bringing the total levy to 25%.

This arrangement also applies to the Council's 10.5% share of MMI liabilities for the Greater Manchester Residuary Body, the body appointed to wind up the affairs of the former Greater Manchester Council.

It is expected that the eventual settlement of claims will give rise to additional levies in the future. The Council has made provision for future levy payments based on actuarial advice and considers that it has adequate insurance reserves to cover any shortfalls on additional levy payments, should they arise.

Pensions
The Council is the guarantor to a number of organisations with respect to pensions. The Council has agreed to keep under assessment, taking account of actuarial advice, the level of risk arising on premature termination of the organisations by reason of insolvency, winding up or liquidation. If one of the organisations fails to pay any sum payable in respect of the pension liability, then the Council will pay on demand all sums remaining unpaid and will indemnify the Administering Authority against all losses, damage costs and expenses arising or incurred by the Administering Authority as a result of the default.

Greater Manchester Loan Funds Guarantee
The Council agreed to enter into an indemnity agreement to support the Greater Manchester Loan Fund. The fund was set up to provide loans to new and growing business in Greater Manchester. This was entered into alongside other Greater Manchester Authorities and given to Manchester City Council in order to underwrite the initial £12m to £14m capital in proportion to its percentage of GM population at the date of the establishment of the fund (June 2013).
For the Council the maximum indemnity will be £1.47m which is 10.5% of the total indemnity. At 31 March 2017 loans totalling £5.05m have been advanced. The risk of the indemnity being called upon is considered to be low.

Housing Investment Fund
The Greater Manchester Devolution Agreement provides for a Housing Investment Fund of £300m over ten years, to be invested in the form of recoverable loans and equity into property investments to deliver the growth ambitions of Greater Manchester (GM).

The Fund was set up on 1 April 2015 and is administered by Manchester City Council as accountable body. The Fund provides the opportunity to invest in locally prioritised schemes and give the flexibility required to stimulate the market, accelerate growth and increase housing supply.

In return for GM receiving this Fund it must guarantee that 80% of the funds drawn down, to a maximum of £240m, will be repaid to Her Majesty's Treasury (HMT) at the end of the Fund life (this is likely to be in 2028 when all loans advanced are

repaid). The Department of Communities and Local Government (DCLG) will underwrite the first 20% of any loss to the Fund (up to a maximum of £60m).
Each GM authority will indemnify a proportion of the Fund based on its percentage of GM population as at 1 April 2015. For the Council the maximum indemnity will be £25.2m which is 10.49% of the total indemnity. At 31 March 2017 the amount drawn down was £41.831m. It is not currently anticipated that there will be any call on this indemnity.

38. Investments

Long Term Investments
The long term investments are shown in the Balance Sheet as follows:

	31 March 2017 £	31 March 2016 £
Manchester Airport PLC	**43,700,002**	39,800,002
Stockport Homes Ltd	**0**	0
Solutions SK Ltd	**2**	2
Stockport Exchange Phase 2 Ltd	**1**	
Stockport Hotel Management Company Ltd	**100,000**	
	43,800,005	39,800,004

Manchester Airport plc
The principal activity of Manchester Airport plc is the operation and development of Manchester International Airport. The Council has a 3.22% share of the Airport's share capital, and this has been included in the financial statements at fair value.

A dividend payment of £2.490m was received by the Council in July 2016 relating to the Airport's 2015/16 results (£2.0m received in July 2015 relating to the 2015/16 results). An interim dividend for 2015/16 of £1.516m was received in December 2016 (£1.25m received December 2015).

Further information may be obtained from Marketing Communications, Manchester Airport Group PLC, Manchester, M22.

Stockport Homes Ltd
Stockport Homes Ltd is wholly-owned by the Council and is a company limited by guarantee. The company is an ALMO (arms-length management organisation) of the Council and its principal activities are to manage and maintain the housing stock of the Council. It commenced trading on 1 October 2005 and has been accounted for on the acquisition basis.
Further details of the company and its trading results are set out in the Group Accounts section of these financial statements.

Solutions SK Ltd
Solutions SK Ltd is wholly-owned by the Council and was formed to take over the responsibility for providing highways maintenance, property and building maintenance, catering, and refuse collection services. It commenced trading on 1 November 2006 and has been accounted for on the acquisition basis.
Further details of the company and its trading results are set out in the Group Accounts section of these financial statements.

Stockport Exchange Phase 2 Ltd
Stockport Exchange Phase 2 Ltd was formed by Muse Developments Ltd (MUSE) to undertake the hotel and office block development. As part of the arrangement, there was a put/call option that would be exercised if MUSE failed to find a buyer for either the hotel or offices, or both. The option was exercised on 24 October 2016 and the Council purchased the share capital in the company for £1. There are minimal transactions remaining, the company will become a dormant company and ultimately be wound up.

Stockport Hotel Management Company Ltd
On 19 September 2016, the Council incorporated Stockport Hotel Management Company Ltd as the trading company for the Hotel appointing two Council Officers as Directors. This is a wholly owned company of the Council and the Council has provided £0.100m of share capital.

Short Term Investments
Short term investments as at 31 March 2017 were nil (£17.558m at 31 March 2016). These relate to in-house investments with institutions listed in the Council's approved lending list. The Council invests for a range of periods, from overnight to 364 days, dependent on cash flows, liquidity, interest rate views and consistency with financial plans.

39. Accounting Policies

a. General Principles
The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), supported by International Financial Reporting Standards (IFRS).

From 2016/17 the Council is required to report its service segments based on the way it operates and manages its services and is no longer required to follow the service expenditure analysis set out in the Service Reporting Code of Practice for Local Authorities. The Council has adopted the portfolio reporting structure for its service segments. The 2015/16 comparatives for the Comprehensive Income and Expenditure Statement have been restated accordingly (see Note 40 for further details).

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

These financial statements have been prepared with reference to the following qualitative characteristics and underlying assumptions:

- Relevance: the accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.

- Materiality: the concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted providing that in aggregate they would not affect the interpretation of the accounts.

- Faithful Representation: the financial statements are complete, neutral and free from error, and faithfully represent the phenomena that they purport to represent.

- Comparability: the financial statements are based on the Code which should aid comparison between other local authorities and with other reporting dates.

- Verifiability: these accounts utilise quantified information in order to assure users that this information faithfully represent the economic phenomena that it purports to represent.

- Timeliness: these accounts provide decision makers with information that is capable of influencing their decisions.

- Understandability: these accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and local government. Every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary of terms contained within the accounts.

- Accruals Basis: the financial statements, other than the cash flow, are prepared on an accruals basis. Income and Expenditure is recognised in the accounts in the period in which it is earned or incurred not as the cash is received or paid.

- Going Concern: the accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

- Primacy of Legislation Requirements: in accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards. The following legislative accounting requirements have been applied when compiling these accounts:

    - Capital receipts from the disposal of property, plant and equipment are treated in accordance with the provisions of the Local Government Act 2003.
    - The Local Government Act 2003 requires the Council to set aside a minimum revenue provision.

Conventions
Throughout this Statement of Accounts credit balances are indicated with parentheses, e.g. (£1,234).

b. Revenue Recognition and Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. The only exception to this principal is for electricity, gas and similar quarterly payments. These are charged at the date of the meter reading rather than being apportioned between financial years.

Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council tax and NDR
The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

d. Acquisitions and Discontinued Operations

Acquired operations

Any material operations acquired or discontinued by the Council during the accounting period are disclosed in the accounts.

e. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

f. Exceptional Items

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

g. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

h. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

i. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post-Employment Benefits
Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Business Services Ltd on behalf of the Department for Education (DfE);
- The NHS Pension scheme, administered by NHS Business Services Authority; and
- The Local Government Pensions Scheme, administered by Tameside Metropolitan Borough Council as the Greater Manchester Pension Fund (GMPF).

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

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

The Local Government Pension Scheme
The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a basket of high quality corporate bonds, Government gilts and other factors.
- The assets of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

    - quoted securities – current bid price
    - unquoted securities – professional estimate

- unitised securities – current bid price
- property – market value.

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

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

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the Greater Manchester Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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

j. Events After the Balance Sheet Date

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

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

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

k. Financial Instruments

Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the

Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets
Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables
Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.
Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets
Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.
Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis; and
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

I. Heritage Assets

Heritage assets are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets comprise:

- Properties and monuments are carried at historical cost with depreciation charged as for assets within property, plant and equipment, where it is considered the assets do not have indefinite lives. Due to the specialist and unique nature of the properties, the Council considers that it is not practicable to obtain valuations at a cost which is commensurate with the benefits to users of the financial statements. This also applies to various statues and monuments where no cost or valuation information is available and which have been excluded from the Balance Sheet.
- Various collections which are exhibited or stored at the Council's museums, halls and the art gallery. These are reported at insurance valuation which is based on market values. A detailed insurance valuation was prepared in 2010/11 and this has been reviewed and updated in subsequent years for renewal purposes. This would include in year donations where an insurance

valuation is considered appropriate. Formal valuations for insurance purposes are performed on a periodic basis. The collections comprise:

1. Fine and decorative arts
2. Social and industrial history
3. Civic Regalia

Assets within the collections are considered to have indeterminate lives hence the Council does not consider it appropriate to charge depreciation. Collections which are on loan to the Council are not included in the Balance Sheet valuation.

The carrying amounts of heritage assets are reviewed and where there is evidence of impairment this is recognised and measured in line the Council's general policy on asset impairment.

m. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Capital grants and contributions used to fund Revenue Expenditure Funded from Capital Under Statute have been accounted for as revenue grants/contributions at the point at which it is known that they will fund such expenditure.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

n. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

o. Interests in Companies and Other Entities

The Council has material interests in companies that have the nature of subsidiaries and which require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

p. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not

depreciated but are revalued annually according to market conditions at the year end.

An investment property under construction is measured at cost until such time as its fair value can be determined reliably or its construction is complete, whichever comes first. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

q. Leases

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

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

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

The Council as Lessee

<u>Finance Leases</u>

Property, plant and equipment and intangibles held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment and intangibles recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

The Council as Lessor

Finance Leases
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.
Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the

Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing.

Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

<u>Operating Leases</u>
Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement (relating to investment properties). Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

r. Overheads and Support Services

The Council operates and manages its support services within the Reform and Governance segment and this is how these services are reported to management. The costs of overheads and support services are therefore not re-apportioned. This represents a change from 2015/16 when support costs were recharged to services in accordance with the Service Reporting Code of Practice.

s. Property, Plant and Equipment

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

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure is capitalised subject to a de minimis level of £10,000, except for devolved education expenditure where a de minimis level of £2,000 is applied.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:

- the purchase price; and

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment
Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the bases set out in the Property, Plant and Equipment note to the Core Statements. Where material, buildings (non council dwellings) which have been revalued from 1 April 2010 have been valued on an average asset life basis, which averages typical costs of components of buildings over maximum life expectancy for these components. Depreciation is calculated on these average lives which range from 30 - 40 years, compared to the normal life expectancy of buildings of 40 years. Components of council dwellings whose cost is significant in relation to the total cost of the dwellings are depreciated separately.

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

Disposals and Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and

Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

t. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets
A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

u. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against council tax for the expenditure.
Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation and retirement and employee benefits and do not represent usable resources for the Council – these reserves are further explained in the relevant policies.

Internal Insurance Funds
The Council operates two main self-insurance funds, set up to meet potential future claims and claims agreed in principal but yet to be settled.
The funds have been split between provisions, reflecting claims which are certain or very likely to occur and reserves, for unknown future claims.

v. Revenue Expenditure Funded from Capital under Statute

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

w. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Council. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Council Statement of Accounts (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

x. Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

y. Fair Value Measurement

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

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

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

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

40. Prior Period Restatement

Service Expenditure and Income

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the Council's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP). This note shows how the net expenditure and income for 2015/16 has been restated.

Net Expenditure	**As previously reported in the CIES 2015/16 £000**	**Adjustments between SERCOP classifications and internal reporting classifications £000**	**As restated 2015/16 £000**
SERCOP Service line			
Central Services to the Public	3,317	(3,317)	0
Cultural and Related Services	17,990	(17,990)	0
Environmental and Regulatory Services	35,969	(35,969)	0
Planning Services	5,943	(5,943)	0
Education and Children's services	65,666	(65,666)	0
Highways and transport services	38,878	(38,878)	0
Other Housing Services	1,336	(1,336)	0
Adult Social Care	76,617	(76,617)	0
Public Health	147	(147)	0
Corporate and Democratic Core	3,148	(3,148)	0
Non Distributed Costs	5,651	(5,651)	0
Portfolio/Reporting Heading			
Adult Social Care		67,775	67,775
Children & Family Services		27,724	27,724
Communities & Housing		39,255	39,255
Economy & Regeneration		5,578	5,578
Education		3,045	3,045
Health		131	131
Reform & Governance		39,791	39,791
Non Cash Limits		48,237	48,237
Dedicated Schools Grant		24,076	24,076
Housing Revenue Account	(19,443)	0	(19,443)
Cost of Services	**235,219**	**950**	**236,169**
Other Operating Expenditure	927	0	927
Financing and Investment Income and Expenditure	41,330	(950)	40,380
Taxation and Non-Specific Grant Income	(267,598)	0	(267,598)
Deficit on Provision of Services	**9,878**	**0**	**9,878**

Gross Expenditure	As previously reported in the CIES 2015/16 £000	Adjustments between SERCOP classifications and internal reporting classifications £000	As restated 2015/16 £000
SERCOP Service line			
Central Services to the Public	9,035	(9,035)	
Cultural and Related Services	19,898	(19,898)	
Environmental and Regulatory Services	39,315	(39,315)	
Planning Services	12,331	(12,331)	
Education and Children's services	277,503	(277,503)	
Highways and transport services	44,289	(44,289)	
Other Housing Services	81,940	(81,940)	
Adult Social Care	130,168	(130,168)	
Public Health	14,894	(14,894)	
Corporate and Democratic Core	3,230	(3,230)	
Non Distributed Costs	5,735	(5,735)	
Portfolio/Reporting Heading			
Adult Social Care		119,536	119,536
Children & Family Services		34,772	34,772
Communities & Housing		48,379	48,379
Economy & Regeneration		11,441	11,441
Education		5,718	5,718
Health		14,987	14,987
Reform & Governance		49,044	49,044
Non Cash Limits		129,739	129,739
Dedicated Schools Grant		225,672	225,672
Housing Revenue Account	35,784		35,784
Cost of Services	**674,122**	**950**	**675,072**
Other Operating Expenditure	927	0	927
Financing and Investment Income and Expenditure	78,075	(950)	77,125
Taxation and Non-Specific Grant Income	0	0	0
Gross Expenditure on Provision of Services	**753,124**	**0**	**753,124**

Gross Income	As previously reported in the CIES 2015/16 £000	Adjustments between SERCOP classifications and internal reporting classifications £000	As restated 2015/16 £000
SERCOP Service line			
Central Services to the Public	(5,718)	5,718	0
Cultural and Related Services	(1,908)	1,908	0
Environmental and Regulatory Services	(3,346)	3,346	0
Planning Services	(6,388)	6,388	0
Education and Children's services	(211,837)	211,837	0
Highways and transport services	(5,411)	5,411	0
Other Housing Services	(80,604)	80,604	0
Adult Social Care	(53,551)	53,551	0
Public Health	(14,747)	14,747	0
Corporate and Democratic Core	(82)	82	0
Non Distributed Costs	(84)	84	0
Portfolio/Reporting Heading			
Adult Social Care		(51,761)	(51,761)
Children & Family Services		(7,048)	(7,048)
Communities & Housing		(9,124)	(9,124)
Economy & Regeneration		(5,863)	(5,863)
Education		(2,673)	(2,673)
Health		(14,856)	(14,856)
Reform & Governance		(9,253)	(9,253)
Non Cash Limits		(81,502)	(81,502)
Dedicated Schools Grant		(201,596)	(201,596)
Housing Revenue Account	(55,227)	0	(55,227)
Cost Of Services	**(438,903)**	**0**	**(438,903)**
Other Operating Expenditure	0	0	0
Financing and Investment Income and Expenditure	(36,745)	0	(36,745)
Taxation and Non-Specific Grant Income	(267,598)	0	(267,598)
Gross Income on Provision of Services	**(743,246)**	**0**	**(743,246)**

Movement on Reserves Statement

The CIPFA Code of Local Authority Accounting in the UK 2016/17 requires the total General Fund Balance and total Housing Revenue Account Balance to be presented. In previous years it was recommended that Earmarked General Fund Reserves and Earmarked Housing Revenue Account reserves be separately presented. The 2015/16 Movement in Reserves has been restated for this change.

	General Fund Balance as previously stated £000	Earmarked General Fund Reserves as previously stated £000	General Fund Balance Restated £000	Housing Revenue Account as previously stated £000	Earmarked HRA Balances as previously stated £000	Housing Revenue Account Balance Restated £000
Balance at 31 March 2015	(11,200)	(73,728)	(84,928)	(1,000)	(6,030)	(7,030)
Movement in reserves during 2015/16:						
(Surplus) or deficit on provision of services	23,464		23,464	(13,586)		(13,586)
Other Comprehensive Income and Expenditure						
Total Comprehensive Income and Expenditure	**23,464**	**0**	**23,464**	**(13,586)**	**0**	**(13,586)**
Adjustments between accounting basis and funding basis under regulations (Note 2)	(33,244)		(33,244)	13,189		13,189
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(9,780)	0	(9,780)	(397)	0	(397)
Transfers to/from Earmarked Reserves (Note 7)	7,847	(7,847)	0	(156)	156	0
(Increase)/Decrease in 2015/16	**(1,933)**	**(7,847)**	**(9,780)**	**(553)**	**156**	**(397)**
Balance at 31 March 2016 carried forward	**(13,133)**	**(81,575)**	**(94,708)**	**(1,553)**	**(5,874)**	**(7,427)**

Housing Revenue Account

HRA INCOME AND EXPENDITURE STATEMENT	2016/17 £000	2015/16 £000	Note
INCOME			
Dwelling rents	**(44,150)**	(44,760)	
Other Rents	**(24)**	(9)	
Charges for services and facilities	**(8,820)**	(8,707)	11
Contributions towards expenditure	**(1,794)**	(1,751)	
Total Income	**(54,788)**	(55,227)	
EXPENDITURE			
Repairs and maintenance	**13,476**	12,841	
Supervision and management	**15,780**	14,615	
Rents, rates, taxes and other charges	**5,368**	5,317	11
Bad or doubtful debts	**208**	268	8
Depreciation of non-current assets	**10,893**	7,282	7
Revaluation (gains)/losses of non-current assets	**(54,682)**	(4,579)	10
Debt management costs	**62**	40	
Total expenditure	**(8,895)**	35,784	
Net Income of HRA Services per Council Comprehensive Income and Expenditure Statement	**(63,683)**	(19,443)	
HRA services share of Corporate and Democratic Core	**128**	128	
Net Income for HRA Services	**(63,555)**	(19,315)	
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
Gain on the sale of HRA non-current assets	**(1,036)**	(899)	
Interest payable and similar charges	**5,784**	6,030	6
Interest and investment income	**(351)**	(361)	
Change in fair value of investment properties	**(52)**	1,152	
Capital grants and contributions receivable	**(386)**	(193)	
SURPLUS FOR THE YEAR ON HRA SERVICES	**(59,596)**	(13,586)	

MOVEMENT ON THE HRA STATEMENT	2016/17 £000	2015/16 £000	Note
(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	**(59,596)**	(13,586)	
Adjustments between accounting basis and funding basis under statute	**60,643**	13,189	1
Net (increase)/decrease before transfers to reserves	**1,047**	(397)	
Transfer to/(from) earmarked reserves	**(494)**	(156)	
Decrease/ (Increase) in the Housing Revenue Account Balance	**553**	(553)	
Housing Revenue Account Surplus brought forward	**(1,553)**	(1,000)	
Housing Revenue Account Surplus carried forward	**(1,000)**	(1,553)	

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants.

Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement. Statutory disclosures comply with the Housing Revenue Account (Accounting Practices) Directions 2016.

The Council utilises an Arms-Length Management Organisation "Stockport Homes Ltd" to manage the housing stock on its behalf.

1. Adjustments between Accounting Basis and Funding Basis Under Statute

	2016/17 £000	2015/16 £000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
Difference between amortisation of premiums and discounts determined in accordance with Accounting Standards and those determined in accordance with statute	**0**	(3)
Gain/(loss) on sale of HRA assets	**1,036**	899
Change in fair value of investment assets	**52**	(1,152)
Depreciation on non-current assets	**(10,893)**	(7,282)
Revaluation gains/losses on HRA assets	**54,682**	4,579
Capital grants and contributions	**386**	193
Net charges made for retirement benefits in accordance with IAS 19	**(21)**	(44)
	45,242	(2,810)
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
Transfer to/(from) Major Repairs Reserve	**10,893**	8,252
Voluntary MRP for debt repayment	**4,170**	3,100
Capital Expenditure funded from the HRA	**338**	4,647
	15,401	15,999
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	**60,643**	13,189

2. Housing Stock Numbers and Valuation

	Numbers at 31 March 2017	Numbers at 31 March 2016
Houses	**4,824**	4,868
Flats	**5,945**	5,954
Bungalows	**518**	518
Total Housing Stock	**11,287**	11,340

	Valuation at 31 March 2017 £000	Valuation at 1 April 2016 £000
Operational assets:		
Housing Stock Valuation	**303,835**	263,263
Land Valuation	**78,537**	59,649
	382,372	322,912
Other land and buildings	**183**	186
Other plant and equipment	**8,625**	8,901
Leasehold improvements	**80**	160
Investment assets	**7,400**	7,348
Assets under construction	**1,957**	127
Council dwellings held for sale	**692**	515
	401,309	340,149

Valuation of operational property is net of depreciation. Housing stock and land valuations are included together as Council Dwellings on the Balance Sheet. The method of valuation is set out in the accounting policies and in Note 11 to the Core Statements.

3. Vacant Possession Value

The vacant possession value as at 31 March 2017 was £1,085.1m (£915.408m as at 1 April 2016). The vacant possession value is an opinion of the best sale price that could have been obtained for the property on the date of the valuation. The balance sheet valuation contains an adjustment to reflect the fact that council dwellings have sitting tenants enjoying sub-market rents and rights including right to buy. The adjustment factor measures the difference between market and sub-market rents at a regional level and is set out in the “Stock Valuation for Resource Accounting – Guidance for valuers 2016”, which replaced the guidance issued in 2010. For 2016/17 the percentage applicable for the North West was 40% compared to 35% for 2015/16. This has given rise to an increase in value due to this factor alone of £48.8m.

4. Capital Expenditure and Financing

Capital expenditure in the year amounted to £12.575m on council dwellings including spend in assets under construction. This was financed as follows:

	2016/17 £000	2015/16 £000
Borrowing	**1,462**	0
Grants and contributions	**386**	193
Revenue Contribution to Capital Outlay	**338**	4,647
Major Repairs Reserve	**10,389**	8,252
Capital Receipts	**0**	37
	12,575	13,129

5. Capital Receipts

	Receipts 2016/17 £000	Receipts 2015/16 £000
Disposal of dwellings under Right to Buy	**3,251**	3,134
Disposal of shared ownership properties	**59**	672
Other disposals	**3**	15
Deductions from capital receipts	**(79)**	(74)
Net capital receipts before pooling	**3,234**	3,747
Due to Housing Pool	**(1,856)**	(1,810)
	1,378	1,937

6. Interest payable and similar charges

	2016/17 £000	2015/16 £000
Interest charge under self-financing regime	**5,155**	5,315
Interest on prudential borrowing	**629**	715
	5,784	6,030

7. Depreciation

The HRA is charged an amount for depreciation of assets.

	2016/17 £000	2015/16 £000
Operational assets		
Council Dwellings	**10,389**	6,757
Other land and buildings	**0**	27
Plant and equipment (solar panels)	**424**	418
Plant and equipment (leasehold improvements)	**80**	80
	10,893	7,282

8. Rent Arrears

As at 31 March 2017 rent arrears (excluding amounts collectable on behalf of other agencies) amounted to £2.031m (£2.116m at 31 March 2016). The aggregate balance sheet provision in respect of all uncollectable debts amounted to £1.382m (£1.391m at 31 March 2016).

The reduction in provision of £0.009m has been netted off the debts written-off in the year of £0.217m to arrive at the bad and doubtful debt charge of £0.208m.

9. IAS 19 Employee Benefits

The Housing Revenue Account recognises, within Net Cost of Services, a share of the full IAS 19 costs borne by the Council for defined benefit pension schemes. These costs, comprising current service costs, have been allocated via corporate recharges. To ensure that the costs have no impact on the net deficit or on the level of rents, the charges are reversed out of the Housing Revenue Account via an appropriation from the Statement of Movement on the HRA balance.

10. Revaluation Gain of non-current assets

The revaluation gain on non-current assets calculated under proper practices is £54.682m (2015/16 revaluation gain of £4.579m), all of which relates to council dwellings (including land). Of this gain, £48.8m relates to the increase in social housing adjustment factor (see Note 3). The remaining credit has arisen due to an increase in the HM Land Registry indices of 4.98% over 2015/16 offset by investment in council dwellings which has not resulted in a £ for £ increase in value. These gains offset previous impairments charged to the HRA Income and Expenditure Account.

11. Water Charges Collection

Since 2009/10 the Council has been responsible for collecting water charges from HRA tenants on behalf of United Utilities and Tenants' agreements were amended accordingly. The income and expenditure are included in charges for services and facilities and rents, rates, taxes and other charges respectively. They include commission due from United Utilities to cover the costs of collection.

The surplus relating to the collection of water charges of £0.172m is held within overall HRA balance

	2016/17 £000	2015/16 £000
Income		
Other	**(4,296)**	(4,236)
Water	**(4,524)**	(4,471)
Charges for services & facilities	**(8,820)**	(8,707)
Expenditure		
Other	**844**	846
Water	**4,524**	4,471
Rents, rates, taxes & other charges	**5,368**	5,317
Water charges surplus	**0**	0
Water surplus brought forward	**(172)**	(172)
Water surplus carried forward	**(172)**	(172)

Collection Fund Account

	2016/17 COUNCIL TAX £000	2016/17 NDR £000	2016/17 TOTAL £000	2015/16 TOTAL £000	Note
Council Tax	**(154,010)**		**(154,010)**	(147,141)	*1*
Non-Domestic Rates		**(98,702)**	**(98,702)**	(95,949)	*2*
Grant from Central Government	**(4)**		**(4)**	(4)	
Total Income	**(154,014)**	**(98,702)**	**(252,716)**	(243,094)	
EXPENDITURE					
Precepts and Demands:					
Stockport Metropolitan Borough Council	**131,461**	**46,826**	**178,287**	169,389	
Greater Manchester Fire and Rescue Authority	**5,331**	**956**	**6,287**	6,064	
Greater Manchester Police and Crime Commissioner	**14,267**		**14,267**	13,631	
Non-Domestic Rates:					
Payment to national pool		**47,782**	**47,782**	45,258	
Cost of collection		**438**	**438**	432	
Provisions:					
Provision for doubtful debts	**1,816**	**1,493**	**3,309**	9,479	*3*
Provision for appeals		**1,368**	**1,368**	1,703	*3*
Total Expenditure	**152,875**	**98,863**	**251,738**	245,956	
In year (surplus)/deficit	**(1,139)**	**161**	**(978)**	2,862	
CONTRIBUTIONS					
Previous years deficit recovery:					
Stockport Metropolitan Borough Council	**(238)**	**(1,072)**	**(1,310)**	0	
Greater Manchester Fire and Rescue Authority	**(10)**	**(22)**	**(32)**	0	
Greater Manchester Police and Crime Commissioner	**(28)**		**(28)**	0	
Central Government		**(1,094)**	**(1,094)**	0	
Previous years surplus distribution:					
Stockport Metropolitan Borough Council	**0**	**0**	**0**	2,784	
Greater Manchester Fire and Rescue Authority	**0**	**0**	**0**	112	
Greater Manchester Police and Crime Commissioner	**0**		**0**	291	
Central Government		**0**	**0**	136	
In year contributions	**(276)**	**(2,188)**	**(2,464)**	3,323	

Collection Fund Balance

	2016/17 COUNCIL TAX £000	2016/17 NDR £000	2016/17 TOTAL £000	2015/16 TOTAL £000	Note
Balance brought forward at 1 April	**276**	**2,188**	**2,464**	(3,721)	
Previous year forecast surplus/deficit distributed/(recovered) in year	**(276)**	**(2,188)**	**(2,464)**	3,323	
Revised balance brought forward from previous year	**(0)**	**(0)**	**(0)**	(398)	
In year (surplus)/deficit	**(1,139)**	**161**	**(978)**	2,862	
Balance carried forward at 31 March	**(1,139)**	**161**	**(978)**	**2,464**	
Allocated to:					
Stockport Metropolitan Borough Council	**(994)**	**79**	**(915)**	1,312	
Greater Manchester Fire and Rescue Authority	**(39)**	**2**	**(37)**	26	
Greater Manchester Police and Crime Commissioner	**(106)**		**(106)**	32	
Central Government		**80**	**80**	1,094	
	(1,139)	**161**	**(978)**	**2,464**	

Notes to the Collection Fund Account

As a Billing Authority, the Council has a statutory obligation to maintain a separate Collection Fund account from its General Fund account. The purpose of the Collection Fund account is to isolate the income and expenditure relating to Council Tax and Non Domestic Rates (NDR). The administrative costs associated with the collection process are charged to the Council's General Fund account in the financial year they are incurred.

The Collection Fund Statement shows the transactions of the Billing Authority in relation to the collection from taxpayers of Council Tax and from businesses of NDR for the financial year. The statement also shows the distribution of these income streams to the relevant precepting authorities and Central Government during the financial year. For Stockport, the Council Tax precepting authorities are the Greater Manchester Police and Crime Commissioner (GMPCC) and the Greater Manchester Fire and Rescue Authority (GMFRA). For NDR the precepting authority is GMFRA with 50% of the NDR income collected paid to Central Government.

1. Council Tax

Council Tax income derives from charges raised against residential dwellings within the Borough based on their valuation banding (A to H). Council Tax charges are calculated by estimating the total amount of Council Tax income required by the Council and the precepting authorities for the forthcoming financial year. This is divided by the Council Tax Taxbase (i.e. the number of Band D equivalent dwellings) to calculate the Council Tax charge for a Band D dwelling. The Council Tax charge for each of the other Bands is calculated as a proportion of the Band D equivalent charge.

The Council Tax Taxbase for 2016/17 was 92,079 (90,863 in 2015/16). The Council Tax Taxbase for 2016/17 was calculated as follows:

Band	Valuation*	Dwellings on the Valuation List	Adjusted Chargeable Dwellings**	Relevant Proportion	Band D Equivalent Dwellings
A	Up to £40,000	30,880	25,540	06/09	17,023
B	£40,001 to £52,000	27,466	24,083	07/09	18,731
C	£52,001 to £68,000	27,790	25,056	08/09	22,272
D	£68,001 to £88,000	19,010	17,400	09/09	17,399
E	£88,001 to £120,000	12,549	11,691	11/09	14,289
F	£120,001 to £160,000	6,094	5,719	13/09	8,261
G	£160,001 to £320,000	3,295	3,103	15/09	5,171
H	Over £320,000	186	143	18/09	285
					103,431
Allowance for Local Council Tax Support Scheme and Discounts					(11,552)
Forecast of Additional Properties During the Year					200
Council Tax Taxbase for Budget Setting Purposes					**92,079**
Council Tax Taxbase Adjusted for Collection Rate 98.5%* **					**90,698**

*"Valuation" represents the open market value at 1 April 1991, as assessed by the Inland Revenue.
**"Adjusted chargeable dwellings" gives the effective number of dwellings in each band after allowing for disabled relief, appeals against bandings, single persons discounts etc.
***In setting its budget the Council applies an assumed collection rate of 98.5% to its Council Tax Taxbase

The Council Tax shares payable to the Council and the precepting authorities' were estimated as part of the 2016/17 budget setting process. These sums have been paid in 2016/17 and charged to the Collection Fund account in year. Surpluses and deficits relating to Council Tax are apportioned to the Council and precepting authorities in the following financial year. For example, the surplus declared in 2016/17 will not be realised by the Council and precepting authorities until 2018/19.

2. Non-Domestic Rates (NDR)

Local Authorities and Fire and Rescue Authorities are funded (in part) through the local retention of NDR. The main aim of the NDR retention scheme is to give Local Authorities a greater incentive to grow their local economies and increase their locally raised NDR income. This does however, increase the financial risk due to non-collection and the volatility of the NDR Taxbase. The Council's NDR collection rates are monitored throughout the year to mitigate the impact of any financial risks.

When the retention scheme was introduced, Central Government set baselines for each Local Authority and a top-up and tariff system to ensure all authorities received at least their baseline amount each year. As Stockport is able to collect NDR income above its baseline, the Council is required to pay a tariff to Central Government each financial year. The total amount of tariffs collected nationally are used by Central Government to fund the Top-up grants to those Authorities who cannot achieve their baseline funding levels.

In 2016/17 the Council operated under the 50% NDR retention scheme with 49% of NDR income retained by the Council and 1% by GMFRA. The remainder of the NDR income collected was paid to Central Government.

The Council's NDR Taxbase is based on the rateable value of individual business properties within the Borough as assessed by the Valuation Office Agency (VOA). The total rateable value at 31 March 2017 for the Stockport area was £237.451m (£237.269m at 31 March 2016). The rateable value of each property, as assessed by the VOA, is multiplied by the Uniform Business Rate determined annually by Central Government to determine the collectable NDR income. For 2016/17 this was 49.7p in the pound (49.3p in 2015/16) and relief of 1.3p in the pound was given to small business properties (1.3p in 2015/16).

The NDR income shares payable to the Council, GMFRA and Central Government were estimated as part of the 2016/17 budget setting process. These sums have been paid in 2016/17 and charged to the Collection Fund account in year. Surpluses and deficits relating to NDR are apportioned to the Council, GMFRA and Central Government in the following financial year. For example, the deficit declared in 2016/17 will not be required to be repaid by the Council, GMFRA and Central Government until 2018/19.

3. Movement on Bad Debt and Appeals Provisions

The Collection Fund account provides for bad debts on Council Tax arrears as shown below:

	2016/17 COUNCIL TAX £000		2015/16 COUNCIL TAX £000	
Provision for Doubtful Debts				
Balance brought forward		**(4,893)**		(5,340)
Write offs in year	**2,075**		4,439	
New contribution to provision in year	**(1,816)**		(3,992)	
Net decrease in provision in year		**259**		447
Balance carried forward		**(4,634)**		(4,893)
The Council's Share of the Provision for Doubtful Debts				
Balance brought forward		**(4,258)**		(4,644)
Write offs in year	**1,798**		3,860	
New contribution to provision in year	**(1,585)**		(3,474)	
Net decrease in provision in year		**213**		386
Balance carried forward		**(4,045)**		(4,258)

The Collection Fund account provides for bad debts on NDR arrears as shown below:

	2016/17 NDR £000		2015/16 NDR £000	
Provision for Doubtful Debts				
Balance brought forward		**(6,504)**		(4,105)
Write offs in year	**2,943**		3,088	
New contribution to provision in year	**(1,493)**		(5,487)	
Net (increase)/decrease in provision in year		**1,450**		(2,399)
Balance carried forward		**(5,054)**		(6,504)
The Council's Share of the Provision for Doubtful Debts				
Balance brought forward		**(3,186)**		(2,011)
Write offs in year	**1,441**		1,513	
New contribution to provision in year	**(732)**		(2,688)	
Net (increase)/decrease in provision in year		**709**		(1,175)
Balance carried forward		**(2,477)**		(3,186)

An aspect of the financial risk associated with the NDR retention scheme is the volatility of the NDR Taxbase as a result of outstanding rateable value appeals by businesses. To mitigate this risk, the Council monitors outstanding rating appeals lodged in the appeals system managed by the VOA and assesses the risk of these appeals being successful in future financial years. At the end of each financial year these appeals are valued in order to quantify the level of provision required to fund any backdated impact on the Council's NDR income if appeals are successful.

The total provision for appeals in the Collection Fund at 31 March 2017 is £7.045m (£5.677m at 31 March 2016).

	2016/17 NDR £000		2015/16 NDR £000	
Provision for NNDR Appeals				
Balance brought forward		**(5,677)**		(3,974)
Use of provision in year for settled appeals	**1,429**		0	
New contribution to provision in year	**(2,797)**		(1,703)	
Net increase in provision in year		**(1,368)**		(1,703)
Balance carried forward		**(7,045)**		(5,677)
The Council's Share of the Provision for Appeals				
Balance brought forward		**(2,781)**		(1,947)
Use of provision in year for settled appeals	**700**		0	
New contribution to provision in year	**(1,371)**		(834)	
Net increase in provision in year		**(671)**		(834)
Balance carried forward		**(3,452)**		(2,781)

4. Greater Manchester 100% NDR Retention Pilot

Central Government is developing the mechanisms to deliver the full retention of NDR income by Local Authorities by 2020. As announced in the 2017 Local Government Finance Settlement, Greater Manchester will be one of the regions piloting the full retention of NDR from 1 April 2017. The purpose of this Pilot is to develop and trial approaches to manage risk and reward and to finance from additional NDR income new responsibilities and/or existing funding streams including those that support economic growth. It is hoped that the new retention scheme will provide stable funding streams and incentivise local economic growth.

Being part of the Greater Manchester Pilot provides the Council and Greater Manchester region with potential financial benefits with the guarantee that Authorities will not be worse off as a result of the Pilot. The 'No Detriment' agreement will guarantee that the resources available to the Council under the existing 50% retention scheme will be the same under the 100% Pilot. Furthermore being part of the Pilot will enable the Council and Greater Manchester region to be influential in the policy decisions being made as the approach to 100% Business Rates Retention by 2020 progresses.

As a result of the Pilot the Council will not receive the Revenue Support Grant or Public Health Grant from Government in 2017/18. Instead the Council will retain 100% of its NDR income 99% Council, 1% Greater Manchester Fire and Rescue Authority (rather than pay 50% of the NDR income to Government) to support the funding of Council Services.

THE GROUP ACCOUNTS

Background

The Accounting Code of Practice requires that where a Council has material financial interests and a significant level of control over one or more entities, it should prepare Group Accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

The Group Accounts comprise the following key financial statements (with appropriate disclosures):

- Group Comprehensive Income and Expenditure Statement;
- Group Movement in Reserves Statement;
- Group Balance Sheet; and
- Group Cash Flow Statement

Please refer to the explanation of statements on page 27 for further description of the purpose of each statement.

The Stockport Council Group

The Council has relationships with a number of companies over which it has varying degrees of control and influence. In line with the Code, the Council continues to review its relationship with other entities, particularly in respect of the definition of control and accounting for joint arrangements. The bodies considered to be part of the Stockport Council Group are shown below.

Bodies Consolidated
Two bodies, in addition to Stockport MBC, have been included in the Group Accounts; Stockport Homes Ltd and Solutions SK Ltd. These are wholly owned subsidiaries of the Council and have been accounted for on an acquisition basis and subsequently consolidated on a full line by line basis, writing out inter-group transactions.

Stockport Homes Ltd was formed to take over the responsibility for managing and maintaining the Council's dwellings and has been a wholly owned subsidiary of Stockport Council since 1 October 2005. It is an ALMO (arms-length management organisation) of the Council and is a company limited by guarantee. The liability of the Council is limited to £1.

The board of directors of Stockport Homes Ltd consists of eleven voluntary members including customers, independent and stakeholder members. In addition, the Stockport Homes Member Committee, a cross party Council body, monitors and oversees the Company's work and is responsible for appointing board directors.

Stockport Homes Ltd principal source of income is a management fee, paid by Stockport Council, for managing and maintaining the Council's housing stock. It is also paid a fee to operate the Homelessness Service.

During 2016/17, Stockport Homes Ltd established two subsidiary companies, Three Sixty SHG Ltd and Viaduct Partnership Ltd. Three Sixty SHG Ltd is primarily a construction company, established to deliver core elements of the HRA capital programme. Viaduct Partnership Ltd is a development company for new builds for rental purposes. Both companies are wholly owned by Stockport Homes Ltd and the results reflect the group position.

During 2016/17, the management fee and other charges made to the Council by the Stockport Homes group amounted to £35.377m (£35.462m in 2015/16). Outstanding balances owed by the Council to the Stockport Homes group at the year-end amounted to £1.325m (£2.300m 31 March 2016).

During 2016/17, the Council charged the Stockport Homes group £2.611m (£2.855m in 2015/16) for the provision of support services and other items. Outstanding balances owed by the Stockport Homes group to the Council at the year-end amounted to £30.326m (£16.263m at 31 March 2016) this was made up of £0.258m (£0.207m at 31 March 2016) of trade payables and loans of £30.068m (£16.056m at 31 March 2016).

Solutions SK Ltd was formed to take over the responsibility for providing highways maintenance, property and building maintenance, catering, and refuse collection services. The company became a wholly owned subsidiary of Stockport Council from 1 November 2006. The Board consists of five directors, three of which are independent non-executive Directors and two are executive Directors of the company. To support the Council's business objectives, a Contributor Committee has been established consisting of seven Members drawn from all the Party Groups. The Contributor Committee appoints all directors.

Solutions SK Ltd has a wholly owned subsidiary company; Waste Solutions SK Ltd. This company collects waste and products for recycling in the Greater Manchester Area.

The Solutions SK Group's principal source of income is from fees and charges for services provided to Stockport Council and Stockport Homes Ltd.

During 2016/17, the management fee and other charges made to the Council by Solutions SK Ltd amounted to £29.176m (£30.305m during 2015/16). Outstanding balances owed by the Council to Solutions SK Ltd at the year-end amounted to £2.002m (£1.505m at 31 March 2016).

During 2016/17, the Council charged Solutions SK Ltd £0.853m (£0.819m during 2015/16) for the provision of support services. Outstanding balances owed by Solutions SK Ltd to the Council at the year-end amounted to £11.745m (£8.345m at 31 March 2016) this was made up of £0.229m (£0.256m at 31 March 2016) of trade payables and loans of £11.516m (£8.089m at 31 March 2016).

Bodies Not Consolidated

Stockport Exchange Phase 2 Ltd
Stockport Exchange Phase 2 Ltd was established by Muse Developments Ltd as a special purpose vehicle (SPV) for the Council's hotel and office development. As part of the arrangement, there was a put/call option that would be exercised if MUSE failed to find a buyer for either the hotel or offices, or both. The option was exercised on 24 October 2016 and the Council purchased the share capital in the SPV for £1. The Council has appointed two of its Officers as directors to the company.

On 16 December 2016 the assets of the Company were surrendered and the carrying value for the hotel and office assets, £18.957m, was transferred to the Council's balance sheet in return for extinguishing the loan in the SPV balance sheet. In the latest audited accounts, period ending 31 December 2016, the company recorded a loss of £0.006m for the financial period and net current liabilities of £0.006m. There are minimal transactions remaining in the SPV.

Although, the SPV is a wholly owned company of the Council, based on qualitative and quantitative assessments, the interest in the company is not considered material for consolidation into the Group Accounts. Information is material if omitting it or misstating it could influence the decision or view that users of accounts make, on the basis of financial information about a specific reporting entity.

Once all transactions are complete, the SPV will become a dormant company and ultimately be wound up.

Stockport Hotel Management Company Ltd
On 19 September 2016, the Council incorporated Stockport Hotel Management Company Ltd as the trading company for the Hotel appointing two Council Officers as Directors. This is a wholly owned company of the Council and the Council has provided £0.100m of share capital. Interstate Ltd has been appointed to operate the Hotel under the Holiday Inn Express franchise and it opened for business on 19 December 2016.

As a wholly owned company, the Council must consider consolidating Stockport Hotel Management Company Ltd within its group accounts. The cashflow projections for the Company show a turnover ranging from £1.717m to £2.297m in the first five years. Based on qualitative and quantitative assessments, it has been judged that the interest in the entity is not material to the Council and therefore not consolidated into the Council's Group Accounts for 2016/17.
The Company is yet to produce its first set of accounts but operating results for the first three months show a breakeven position.

Stockport Sports Trust
Stockport Sports Trust was established as a company to provide leisure and recreational facilities for the Stockport area. It is a company limited by guarantee, a non-profit distributing organisation with charitable status, which commenced trading on 1 April 2002. Stockport Sports Trust is an independent organisation from the Council but works in partnership with the Council to develop mutual strategic aims

and objectives. It has therefore been treated in these accounts as a separate organisation.

In the latest available audited accounts, the company recorded a profit of £0.104m at 31 March 2016 after IAS 19 charges (31 March 2015 profit of £0.188m after IAS 19 charges). The company had net assets at 31 March 2016 of £2.584m (£2.422m at 31 March 2015) before pension scheme liabilities, and net assets of £1.887m (net assets of £0.774m at 31 March 2015) after pension scheme liabilities.

Further details are provided in Note 33 to the Core Financial Statements – Transactions with Related Parties

Other entities
No other entities are considered to be part of the Stockport Council Group for consolidation purposes

Group Comprehensive Income and Expenditure Statement

	2016/17 Gross Exp-enditure £000	2016/17 Gross Income £000	2016/17 Net Exp-enditure £000	Restated 2015/16 Gross Exp-enditure £000	Restated 2015/16 Gross Income £000	Restated 2015/16 Net Exp-enditure £000	Note
Adult Social Care	**125,942**	**(55,516)**	**70,426**	119,536	(51,761)	67,775	
Children & Family Services	**32,553**	**(4,869)**	**27,684**	34,772	(7,048)	27,724	
Communities & Housing	**46,404**	**(9,861)**	**36,543**	48,379	(9,124)	39,255	
Economy & Regeneration	**8,086**	**(3,257)**	**4,829**	11,441	(5,863)	5,578	
Education	**6,014**	**(2,760)**	**3,254**	5,718	(2,673)	3,045	
Health	**18,814**	**(18,093)**	**721**	14,987	(14,856)	131	
Reform & Governance	**49,135**	**(8,658)**	**40,477**	49,044	(9,253)	39,791	
Non Cash Limits	**120,876**	**(76,461)**	**44,415**	129,739	(81,502)	48,237	
Dedicated Schools Grant	**226,226**	**(199,551)**	**26,675**	225,672	(201,596)	24,076	
Housing Revenue Account	**39,946**	**(54,788)**	**(14,842)**	35,784	(55,227)	(19,443)	
Housing Revenue Account - Social Housing Adjustment Factor	**(48,841)**		**(48,841)**				
Results of subsidiaries	**11,220**	**(15,466)**	**(4,246)**	18,488	(21,589)	(3,101)	8
Cost Of Services	**636,375**	**(449,280)**	**187,095**	693,560	(460,492)	233,068	7
Other Operating Expenditure	**2,631**		**2,631**	927	0	927	
Financing and Investment Income and Expenditure	**88,327**	**(48,948)**	**39,379**	81,795	(39,858)	41,937	
Taxation and Non-Specific Grant Income	**0**	**(297,070)**	**(297,070)**	0	(267,929)	(267,929)	
(Surplus) or Deficit on Provision of Services	**727,333**	**(795,298)**	**(67,965)**	776,282	(768,279)	8,003	7
Tax expenses of subsidiaries	**199**		**199**	197	0	197	
Group (Surplus)/Deficit	**727,532**	**(795,298)**	**(67,766)**	776,479	(768,279)	8,200	
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			**(49,249)**			(12,713)	
Re-measurement of the net defined benefit liability			**23,309**			(96,128)	
Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) of deficit on revaluation of Available for Sale Financial Assets			**(3,900)**			1,200	
Other Comprehensive Income and Expenditure			**(29,840)**			(107,641)	
Total Comprehensive Income and Expenditure			**(97,606)**			(99,441)	

Group Movement in Reserves Statement

	Total Council Reserves £000	Group Income and Expenditure Account £000	Total Group Reserves £000
Balance at 31 March 2015	(484,647)	17,853	(466,794)
Movement in reserves during 2015/16:			
Total Comprehensive Income and Expenditure	(85,344)	(14,097)	(99,441)
Adjustments between accounting basis & funding basis under regulations (Note 2 on page 39)	0	0	0
Increase in 2015/16	(85,344)	(14,097)	(99,441)
Balance at 31 March 2016 carried forward	**(569,991)**	**3,756**	**(566,235)**
Movement in reserves during 2016/17:			
Total Comprehensive Income and Expenditure	**(94,206)**	**(3,400)**	**(97,606)**
Adjustments between accounting basis & funding basis under regulations (Note 2 on page 39)	0	0	0
Increase in 2016/17	**(94,206)**	**(3,400)**	**(97,606)**
Balance at 31 March 2017 carried forward	**(664,197)**	**356**	**(663,841)**

Usable Reserves	(117,571)	0	(117,571)
Unusable Reserves	(546,626)	356	(546,270)
Total Group Reserves	**(664,197)**	**356**	**(663,841)**

The Total Council Reserves are as set out in the single entity Movement in Reserves Statement on page 30 and the supporting notes to the Single Entity Core Statements.

Group Balance Sheet

	31 March 2017 £000	31 March 2016 £000	Note
Property, Plant & Equipment			
- Council dwellings	**401,937**	341,710	
- Other land and buildings	**463,853**	420,216	
- Vehicles, plant, furniture and equipment	**22,256**	23,217	
- Infrastructure	**179,745**	168,176	
- Community assets	**1,729**	1,741	
- Surplus assets not held for sale	**5,035**	6,041	
- Assets under construction	**137,360**	82,689	
Property, Plant & Equipment	**1,211,915**	1,043,790	5
Heritage Assets	**12,826**	10,542	
Investment Property	**195,491**	88,625	
Intangible Assets	**475**	728	
Long Term Investments	**43,800**	39,800	
Long Term Debtors	**13,055**	18,107	
Long Term Finance lease Debtors	**13,700**	13,700	
Long Term Assets	**1,491,262**	1,215,292	
Assets Held for Sale (short term)	**1,080**	1,603	
Inventories	**4,340**	2,597	
Cash and Cash Equivalents	**39,961**	34,393	
Short Term Investments	**0**	17,558	
Short Term Debtors	**73,202**	66,290	2
Current Assets	**118,583**	122,441	
Short Term Creditors	**(80,711)**	(69,547)	3
Short Term Provisions	**(4,357)**	(5,845)	4
Short Term Borrowing	**(112,364)**	(53,820)	
Current Liabilities	**(197,432)**	(129,212)	
Long Term Creditors	**(13,458)**	(14,610)	
Long Term Provisions	**(5,235)**	(5,672)	4
Long Term Borrowing	**(376,552)**	(311,046)	
Other Long Term Liabilities - Net pensions liability	**(330,068)**	(291,502)	6
Other Long Term Liabilities - Finance leases	**(13,700)**	(13,700)	
Revenue Grants Receipts in Advance	**(4,072)**	(833)	
Capital Grants Receipts in Advance	**(5,487)**	(4,923)	
Long Term Liabilities	**(748,572)**	(642,286)	
Net Assets	**663,841**	566,235	
Usable reserves	**(117,571)**	(118,241)	
Unusable Reserves	**(546,270)**	(447,994)	
Total Reserves	**(663,841)**	(566,235)	

Group Cash Flow Statement

	31 March 2017 £000	31 March 2016 £000	Note
Net (surplus) or deficit on the provision of services	**(67,965)**	8,003	
Adjustments to net surplus or deficit on the provision of services for noncash movements			
Depreciation	**(42,158)**	(35,675)	
Impairment and revaluation	**42,230**	(9,969)	
Amortisations	**(253)**	(478)	
Increase/(Decrease) in Impairment for provision of bad debts	**836**	(744)	
Decrease/(Increase) in creditors	**(10,650)**	2,101	
Increase/(Decrease) in debtors	**6,339**	125	
Increase/(Decrease) in inventories	**1,743**	725	
Pension liability	**(15,257)**	(21,225)	
Carrying amount of non-current assets sold	**(4,996)**	(24,046)	
Movement in value of investment properties	**(25,938)**	(3,510)	
Movement in provisions	**1,925**	(1,602)	
	(46,179)	(94,298)	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
Proceeds from the Sale of property, plant and equipment, investment property and intangible assets	**4,002**	4,113	
Revenue expenditure funded from capital under statute	**(6,019)**	(10,489)	
Capital grants	**79,813**	55,788	
Net cash flows from Operating Activities*	**(36,348)**	(36,883)	
Investing Activities	**155,022**	58,775	9
Financing Activities	**(124,242)**	(43,428)	10
Net increase in cash and cash equivalents	**(5,568)**	(21,536)	
Cash and cash equivalents at the beginning of the reporting period	**34,393**	12,857	
Cash and cash equivalents at the end of the reporting period	**39,961**	34,393	

Cash and cash equivalents of group entities at 31 March 2017 and 31 March 2016 relate to cash and bank balances.

*The following items are included within operating activities:

	31 March 2017 £000	31 March 2016 £000
Interest Received	**(778)**	(1,471)
Interest Paid	**15,207**	14,740
Finance lease interest paid	**1,119**	1,100
Dividends Received	**(4,006)**	(3,245)
Finance lease interest received	**(1,358)**	(1,331)
Taxation paid	**196**	197

Notes to the Group Accounts

Where figures in the group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

The Statement of Accounts was authorised for issue on 19 July 2017 by the Borough Treasurer. This is the date up to which events after the balance sheet date have been considered and included where relevant.

1. Accounting Policies

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council, Stockport Homes Ltd and Solutions SK Ltd.

The financial statements in the Group Accounts are prepared in accordance with the policies set out in Note 39 to the accounts, Accounting Policies (on page 112) with the following additions and exceptions:

Retirement Benefits

The employees of Stockport Homes Ltd and Solutions SK Ltd are members of the Greater Manchester Pension Fund. Accounting policies are consistent with the Council's. In addition, there are no transactions between the Group Comprehensive Income and Expenditure Statement and the Pensions Reserve in relation to movements in the net pensions asset or liability of Stockport Homes Ltd and Solutions SK Ltd, such that the amounts debited and credited to the Account are reflected in the Group Comprehensive Income and Expenditure Statement.

2. Short Term Debtors including Payments in Advance

These include all debts falling due within 12 months of the balance sheet date:

	Balance at 31 March 2017 £000	Balance at 31 March 2016 £000
Central Government	**14,106**	12,783
Other Local Authorities	**23,658**	21,468
NHS Bodies	**1,504**	650
Public Corporations and other	**28,832**	26,468
Council Tax	**12,402**	13,195
Social Services Clients	**5,702**	5,166
Housing Rents	**1,174**	1,565
Car & Other loans	**163**	170
	87,541	81,465
Bad Debt Provision	**(14,339)**	(15,175)
	73,202	66,290

3. Short Term Creditors including Receipts in Advance

	Balance at 31 March 2017 £000	Balance at 31 March 2016 £000
Central Government	**(11,590)**	(8,332)
Other Local Authorities	**(3,962)**	(3,252)
NHS Bodies	**(2,953)**	(1,828)
Public Corporations and other	**(57,499)**	(51,476)
Employees Accumulated Absences	**(4,707)**	(4,659)
	(80,711)	(69,547)

4. Provisions

	Balance at 31 March 2016 £000	Increases in the year £000	Decreases in the year £000	**Balance at 31 March 2017 £000**
Insurance Fund - Long term	(4,630)		585	**(4,045)**
Insurance Fund - Short term	(1,129)		382	**(747)**
	(5,759)		967	**(4,792)**
NDR Appeals Provision -Long term	(1,042)	(148)		**(1,190)**
NDR Appeals Provision -Short term	(1,739)	(523)		**(2,262)**
	(2,781)	(671)		**(3,452)**
Planning Appeals - Short Term	(23)			**(23)**
Onerous contracts provisions - Short term	(2,100)		2,100	**0**
Employee Related - Short term	(854)	(246)	200	**(900)**
Dilapidation provision - Short term		(425)		**(425)**
Long Term Provisions	(5,672)	(148)	585	**(5,235)**
Short Term Provisions	(5,845)	(1,194)	2,682	**(4,357)**
	(11,517)	**(1,342)**	**3,267**	**(9,592)**
Long Term Provisions	(6,205)	(185)	718	(5,672)
Short Term Provisions	(3,710)	(2,709)	574	(5,845)
	(9,915)	(2,894)	1,292	(11,517)

<u>Onerous contracts</u>
This Solutions SK Ltd provision relating to historical, commercial contracts has now been exited.

<u>Employee related provision</u>
This is a Solutions SK Ltd provision and comprises several individual provisions for various employment issues, none of which are individually material in nature or size.

<u>Dilapidation provision</u>
This is a Stockport Homes Ltd provision in relation to the planned move from the current property to new offices and will be settled during 2017/18.

5. Property, Plant and Equipment

Movements in 2016/17:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**
Cost or Valuation								
At 1 April 2016	350,849	468,164	43,985	263,808	2,005	13,520	82,689	**1,225,020**
Additions	12,679	8,972	5,609	17,033	0		72,078	**116,371**
Donations		18,452						**18,452**
Revaluation increases/ decreases to Revaluation Reserve	5,876	9,505						**15,381**
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	47,769	(1,536)						**46,233**
Impairment losses to Surplus or Deficit on the Provision of Services		(7,534)						**(7,534)**
Derecognition - Disposals	(1,755)	(1,953)	(62)					**(3,770)**
Reclassifications & Transfers	(1,455)	3,695	91	3,671	0	(2,486)	(17,407)	**(13,891)**
Other Movements *		(59)	0	(4,402)				**(4,461)**
At 31 March 2017	**413,963**	**497,706**	**49,623**	**280,110**	**2,005**	**11,034**	**137,360**	**1,391,801**
Accumulated Depreciation and Impairment								
At 1 April 2016	(9,139)	(47,948)	(20,768)	(95,632)	(264)	(7,479)	0	**(181,230)**
Depreciation Charge	(10,929)	(15,329)	(6,655)	(9,135)	(12)	(6)		**(42,066)**
Depreciation written out to Revaluation Reserve	1,054	32,645						**33,699**
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	6,913	(4,524)						**2,389**
Impairment losses to Surplus or Deficit on the Provision of Services		1,142						**1,142**
Derecognition - Disposals	75	102	56					**233**
Reclassifications & Transfers						1,486		**1,486**
Other Movements *		59		4,402				**4,461**
At 31 March 2017	**(12,026)**	**(33,853)**	**(27,367)**	**(100,365)**	**(276)**	**(5,999)**	**0**	**(179,886)**
Net Book Value								
At 31 March 2017	**401,937**	**463,853**	**22,256**	**179,745**	**1,729**	**5,035**	**137,360**	**1,211,915**
At 1 April 2016	341,710	420,216	23,217	168,176	1,741	6,041	82,689	1,043,790

Movements in 2015/16:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**
Cost or Valuation								
At 1 April 2015	332,433	454,091	45,603	248,883	1,761	13,329	45,442	1,141,542
Additions	14,960	20,469	3,585	11,422	235		55,073	105,744
Revaluation increases/ decreases to Revaluation Reserve	(36)	6,188				1,087		7,239
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	(1,733)	720						(1,013)
Impairment losses to Surplus or Deficit on the Provision of Services		(28)						(28)
Derecognition - Disposals	(1,854)	(22,054)						(23,908)
Reclassifications & Transfers	6,682	8,778	6	3,503	9	(896)	(17,826)	256
Reclassified to/from Held for Sale	397	0						397
Other Movements *			(5,209)					(5,209)
At 31 March 2016	350,849	468,164	43,985	263,808	2,005	13,520	82,689	1,225,020
Accumulated Depreciation and Impairment								
At 1 April 2015	(7,497)	(29,180)	(21,431)	(86,882)	(251)	(2,600)	0	**(147,841)**
Depreciation Charge	(7,235)	(15,037)	(4,546)	(8,750)	(13)	(2)		**(35,583)**
Depreciation written out to Revaluation Reserve		5,251				285		**5,536**
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	6,313	(4,940)				0		**1,373**
Impairment losses to Surplus or Deficit on the Provision of Services		(5,085)				(5,216)		**(10,301)**
Derecognition - Disposals	55	983						**1,038**
Reclassifications & Transfers	(114)	60				54		**0**
Reclassified to/from Held for Sale	(661)	0						**(661)**
Other Movements *			5,209					**5,209**
At 31 March 2016	(9,139)	(47,948)	(20,768)	(95,632)	(264)	(7,479)	0	(181,230)
Net Book Value								
At 31 March 2016	341,710	420,216	23,217	168,176	1,741	6,041	82,689	1,043,790
At 1 April 2015	324,936	424,911	24,172	162,001	1,510	10,729	45,442	993,701

*Fully depreciated and decommissioned assets which have been de-recognised.

6. Pensions

The Group participates in three pension schemes, the Greater Manchester Pension Fund, the Teachers' Pension Scheme and the NHS Pensions scheme.

The group is part of a pooled arrangement where individual bodies have admitted body status within the Stockport MBC pool for purposes of the actuarial valuation. However each entity accounts individually for their net defined benefit cost (and the resultant asset or liability).

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

	GMPF (SMBC) £000	GMPF (Stockport Homes) £000	GMPF (Solutions SK) £000	Teachers' Discretionary Benefit £000	**31 March 2017 Total £000**	31 March 2016 Total £000
Estimated Employers' Assets	861,945	60,570	85,615	0	**1,008,130**	840,498
Present Value of Scheme Liabilities	(1,149,162)	(77,159)	(90,919)	(20,958)	**(1,338,198)**	(1,132,000)
Net Pension (Liability)/Asset	(287,217)	(16,589)	(5,304)	(20,958)	**(330,068)**	(291,502)

7. Group Expenditure and Funding Subjective Analysis

	Total Group 2016/17 £000	Total Group 2015/16 £000
Expenditure		
Employee Benefit Expenses	**282,211**	280,523
Other service expenses	**308,708**	321,837
Capital charges including depreciation and impairment	**6,192**	52,161
Financing and investment expenditure including interest	**88,327**	82,744
Levies	**39,264**	38,090
Payments to Housing Capital Receipts Pool	**1,856**	1,810
Losses/(gains) on disposal of assets	**775**	(883)
Taxation expense	**199**	197
	727,532	776,479
Income		
Fees, charges and other service income	**(138,082)**	(138,279)
Financing and investment income including interest	**(48,948)**	(39,857)
Income from council tax and non domestic rates	**(180,247)**	(166,009)
Government grants and contributions (including donations)	**(428,021)**	(424,134)
	(795,298)	(768,279)
	(67,766)	8,200

8. Results of Subsidiaries

The results of subsidiaries within Net Cost of Services comprises:

	2016/17 Expenditure £000	**2016/17 Income £000**	**2016/17 Net £000**	2015/16 Expenditure £000	2015/16 Income £000	2015/16 Net £000
Operating result of Solutions SK	**34,113**	**(34,175)**	**(62)**	34,576	(34,796)	(220)
Operating result of Stockport Homes	**36,340**	**(40,524)**	**(4,184)**	38,071	(40,952)	(2,881)
Consolidation adjustments	**(59,233)**	**59,233**	**0**	(54,159)	54,159	0
	11,220	**(15,466)**	**(4,246)**	18,488	(21,589)	(3,101)

Consolidation adjustments relate to revenue expenditure charged between the group companies which reduces overall expenditure and income for the group accounts.

9. Note to the Cash Flow Statement- Investing Activities

	31 March 2017 £000	31 March 2016 £000
Purchase of property, plant and equipment, investment property and intangible assets	**216,732**	110,299
Purchase of short-term and long-term investments	**22,600**	45,500
Other capital payments for investing activities	**19,748**	15,717
Other payment for investing activities	**71**	145
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(4,002)**	(4,113)
Capital grants	**(59,961)**	(57,098)
Proceeds from short-term and long-term investments	**(40,000)**	(50,000)
Other receipts from investing activities	**(166)**	(1,675)
	155,022	58,775

10. Note to the Cash Flow Statement- Financing Activities

	31 March 2017 £000	31 March 2016 £000
Cash receipts of short- and long-term borrowing	**(537,590)**	(170,860)
Other receipts from financing activities	**(2,182)**	(845)
Repayments of short- and long-term borrowing	**415,530**	128,277
	(124,242)	(43,428)

11. Prior Period Restatement

Expenditure on services and income relating to or derived from those services is classified in the Group Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the Council's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP). This note shows how the net expenditure and income for 2015/16 has been restated.

Net Expenditure	**As previously reported in the CIES 2015/16 £000**	**Adjustments between SERCOP classifications and internal reporting classifications £000**	**As restated 2015/16 £000**
SERCOP Service line			
Central Services to the Public	3,317	(3,317)	0
Cultural and Related Services	17,842	(17,842)	0
Environmental and Regulatory Services	36,715	(36,715)	0
Planning Services	6,001	(6,001)	0
Education and Children's services	65,460	(65,460)	0
Highways and transport services	38,278	(38,278)	0
Other Housing Services	(20,988)	20,988	0
Adult Social Care	76,500	(76,500)	0
Public Health	147	(147)	0
Corporate and Democratic Core	3,195	(3,195)	0
Non Distributed Costs	5,651	(5,651)	0
Portfolio/Reporting Heading			
Adult Social Care		67,775	67,775
Children & Family Services		27,724	27,724
Communities & Housing		39,255	39,255
Economy & Regeneration		5,578	5,578
Education		3,045	3,045
Health		131	131
Reform & Governance		39,791	39,791
Non Cash Limits		48,237	48,237
Dedicated Schools Grant		24,076	24,076
Housing Revenue Account		(19,443)	(19,443)
Results of Subsidiaries		(3,101)	(3,101)
Cost Of Services	**232,118**	**950**	**233,068**
Other Operating Expenditure	927	0	927
Financing and Investment Income and Expenditure	42,887	(950)	41,937
Taxation and Non-Specific Grant Income	(267,929)	0	(267,929)
Deficit on Provision of Services	**8,003**	**0**	**8,003**

Gross Expenditure	**As previously reported in the CIES 2015/16** **£000**	**Adjustments between SERCOP classifications and internal reporting classifications** **£000**	**As restated 2015/16** **£000**
SERCOP Service line			
Central Services to the Public	9,035	(9,035)	
Cultural and Related Services	20,080	(20,080)	
Environmental and Regulatory Services	43,120	(43,120)	
Planning Services	12,469	(12,469)	
Education and Children's services	277,297	(277,297)	
Highways and transport services	48,222	(48,222)	
Other Housing Services	128,280	(128,280)	
Adult Social Care	130,201	(130,201)	
Public Health	14,894	(14,894)	
Corporate and Democratic Core	3,277	(3,277)	
Non Distributed Costs	5,735	(5,735)	
Portfolio/Reporting Heading			
Adult Social Care		119,536	119,536
Children & Family Services		34,772	34,772
Communities & Housing		48,379	48,379
Economy & Regeneration		11,441	11,441
Education		5,718	5,718
Health		14,987	14,987
Reform & Governance		49,044	49,044
Non Cash Limits		129,739	129,739
Dedicated Schools Grant		225,672	225,672
Housing Revenue Account		35,784	35,784
Results of Subsidiaries		18,488	18,488
Cost Of Services	**692,610**	**950**	**693,560**
Other Operating Expenditure	927	0	927
Financing and Investment Income and Expenditure	82,745	(950)	81,795
Taxation and Non-Specific Grant Income	0	0	0
Gross Expenditure on Provision of Services	**776,282**	**0**	**776,282**

Gross Income	As previously reported in the CIES 2015/16 £000	Adjustments between SERCOP classifications and internal reporting classifications £000	As restated 2015/16 £000
SERCOP Service line			
Central Services to the Public	(5,718)	5,718	0
Cultural and Related Services	(2,238)	2,238	0
Environmental and Regulatory Services	(6,405)	6,405	0
Planning Services	(6,468)	6,468	0
Education and Children's services	(211,837)	211,837	0
Highways and transport services	(9,944)	9,944	0
Other Housing Services	(149,268)	149,268	0
Adult Social Care	(53,701)	53,701	0
Public Health	(14,747)	14,747	0
Corporate and Democratic Core	(82)	82	0
Non Distributed Costs	(84)	84	0
Portfolio/Reporting Heading			
Adult Social Care		(51,761)	(51,761)
Children & Family Services		(7,048)	(7,048)
Communities & Housing		(9,124)	(9,124)
Economy & Regeneration		(5,863)	(5,863)
Education		(2,673)	(2,673)
Health		(14,856)	(14,856)
Reform & Governance		(9,253)	(9,253)
Non Cash Limits		(81,502)	(81,502)
Dedicated Schools Grant		(201,596)	(201,596)
Housing Revenue Account		(55,227)	(55,227)
Results of Subsidiaries		(21,589)	(21,589)
Cost Of Services	**(460,492)**	**0**	**(460,492)**
Other Operating Expenditure	0	0	0
Financing and Investment Income and Expenditure	(39,858)	0	(39,858)
Taxation and Non-Specific Grant Income	(267,929)	0	(267,929)
Gross Income on Provision of Services	**(768,279)**	**0**	**(768,279)**

PART 2 - OTHER ACCOUNTS

This section summarises the accounts of various funds and other bodies which the Council administers on behalf of their trustees or otherwise. They are not part of the assets of the Council, and are therefore not included within the Balance Sheet.

Trust Funds

The Council is responsible for the administration of a number of trust funds on behalf of their trustees. This statement sets out the income and expenditure in relation to those trusts. These funds do not represent assets of the Council and are not therefore included within the Comprehensive Income and Expenditure Statement.

	Balance at 31 March 2016 £	Increases in year £	Reductions in year £	**Balance at 31 March 2017 £**
Hollingpriest Educational Foundation	(1,229)	(29)	0	**(1,258)**
Woodbank Memorial Fund	(2,655)	(9)	9	**(2,655)**
Brookfield Park Shiers Family Trust	(282,182)	(6,396)	0	**(288,578)**
	(286,066)	(6,434)	9	**(292,491)**

Notes

Hollingpriest Educational Foundation

The Fund was established for the provision of academic, social and physical training for young people in Stockport under the age of 25 years.

Woodbank Memorial Fund

The income from the invested funds is to be used for the benefit of the park and its services. The annual interest it to be utilised by Parks Services in connection with Woodbank Park.

Brookfield Park Shiers Family Trust

The Charity was established for the residents of Cheadle and Gatley for health, education and social services purposes as the Council, as Trustees, in its discretion sees fit. The current policy is to maintain the value of the original bequest in real terms. At its meeting on 9 June 2015, the Trustees resolved to reserve £25,000, which is to be used to address the effects of loneliness amongst elderly residents and the consequential effect on their health. A total of £12,873 has been allocated and the drawdown for the payments will be made during 2017/18.

Greater Manchester Residuary Body

On 1 April 1989, under the provisions of section 67 of the Local Government Act 1985, this Council assumed financial responsibility for the affairs of the Greater Manchester Residuary Body (GMRB). This body was appointed to wind up the affairs of the former Greater Manchester Council (GMC).

As the GMRB was wound up on 31 October 1989 the funds held are now minimal, a balance of £0.036m is held as an earmarked reserve of the Council.

Glossary of Accounting Terms

Accounting Period
The period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

Accrual
An amount included in the accounts to cover income or expenditure attributable to an accounting period but for which payment has not been received or made by the end of the accounting period. This is based on the concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

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.

Amortise
To write off a balance gradually and systematically over a specified period of time. Examples of balances which are amortised include Government Grants Deferred and Premiums and Discounts arising from early repayment of loans.

Asset
Something of value which is measurable in monetary terms.

Billing Authority
An authority responsible for the collection of the Council Tax and Non-Domestic Rates.

Borrowings
Capital expenditure may be fully or partly financed by Supported Borrowing which is financially assisted by the Government, or by Unsupported Borrowing which receives no Government financial assistance.

Capital Expenditure
Expenditure on the acquisition of a non-current asset or expenditure which adds to, and not merely maintains, the value of an existing non-current asset. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own non-current assets.

Capital Receipt
The proceeds from the sale of a non-current asset, or the repayment of an advance.

Cash and Non-Cash Limits
Cash limit items are items which are under the direct accountable responsibility of a specified officer, as opposed to non-cash limit items (e.g. insurance, levies and financing costs) which are general council in nature and managed on a corporate basis.

Collection Fund
A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates.

Community Assets
Assets that the Council intends to hold in perpetuity, have no determinable finite useful life and in addition may have restrictions on their disposal. Examples of community assets are playing fields and parks.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

Constructive obligation
An obligation that derives from a Council's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the Council has indicated to other parties that it will accept certain responsibilities and
- as a result, the Council has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent asset
A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability
A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Alternatively, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of that obligation cannot be measured with sufficient reliability.

Council Tax
A banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1 April 1991. The level of tax is set annually by each local authority for the properties in its area.

Creditors
Amounts owed by the Council for work done, goods received or services rendered to the Council during the accounting period, but for which payment has not been made by the balance sheet date.

Current Assets
Assets which will be consumed or cease to have value within the next accounting period, e.g. stock and debtors.
Current Liabilities
Amounts which will become payable or could be called in within the next accounting period, e.g. creditors and cash overdrawn.

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

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

- termination of employees' services 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
Amounts due to the Council which relate to the accounting period and have not been received by the balance sheet date.

Defined Benefit Scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation
The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers.

Employees Accumulated Absences
Employees Accumulated Absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full, for example, annual leave, flexitime and time in lieu.
Exceptional Items

Material items which arise from events or transactions that fall within the ordinary activities of the Council and which by virtue of their size or incidence need to be disclosed separately to give a fair presentation of the accounts.

Expenditure
Costs incurred by the Council for goods received, services rendered or other value consumed during the accounting period, irrespective of whether or not any movement of cash has taken place.

Events after the Balance Sheet Date
Events after the Balance Sheet date, are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Extraordinary Items
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Financial Instrument
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term ‘financial instrument’ covers both financial assets and financial liabilities and can be straightforward financial assets and liabilities, such as trade receivables and trade payables, or very complex ones, such as derivatives.

Finance Lease
A lease that transfers the risks and rewards of ownership of a non-current asset to the lessee. Such a transfer may be presumed to occur if at the inception of the lease, the present value of the total of lease payments, amount to all the fair value of the leased asset.

General Fund
The main revenue account of the Council, which brings together all income and expenditure other than that recorded in the HRA and the Collection Fund.

Housing Revenue Account
A statutory account which local authorities have to maintain if they provide public housing, and which includes all income and expenditure relating to the administration and maintenance of council dwellings and related properties.

Impairment
A reduction in the value of a non-current asset below its value brought forward in the Balance Sheet.

Income
Amounts due to the Council in respect of services performed, taxes levied or grants receivable during the accounting period, irrespective of whether or not any movement of cash has taken place.

Infrastructure Assets
Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Investments
Items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts). A long term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.
Investments that do not meet the above criteria should be classified as current assets.

Investment Properties
Interests in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arm's length.

Liabilities
Amounts due to individuals or organisations which will have to be paid at some time in the future.

Leasing
A method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright.

LOBO ("Lender Option Borrower Option")
A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every 2 to 5 years), the lender has the ability to alter the interest rate. Should the lender exercise this option, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

Materiality
The concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a reader.

Minimum Revenue Provision (MRP)
A revenue charge in respect of the repayment of an element of the accumulated capital expenditure funded by borrowing, in accordance with MRP regulations.
Net Assets
Total Assets less total liabilities. This is the amount by which the total assets of the Council exceed its total liabilities,and equals the total Reserves of the Council.

Net Book Value
The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Defined Benefit Liability (asset)
The present value of the defined benefit obligation less the fair value of the plan assets (adjusted for the asset ceiling).

Net Interest Income (expense) – Pensions
The change during the period in the net defined benefit liability (asset) that arises from the passage of time. This includes allowance for interest on the current service cost.

Non-Current Assets
Tangible assets which have value to the Council for more than one year, e.g. land, buildings, equipment.

Non-Domestic Rates (NDR)
A tax levied on business properties, and sometimes known as Business Rates. Previously a NDR poundage was set annually by the government and rates, based on properties' rateable value, were collected by billing authorities and paid into a national pool. The proceeds were then redistributed by central government as a grant to local authorities in proportion to adult population. From 1 April 2013 new arrangements came into effect and NDR now follows a similar process to Council Tax with the Council retaining a proportion of business rates for use in the direct funding of its services.

Observable and unobservable inputs for fair value measurement
- Observable inputs are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability;
- Unobservable inputs are inputs for which market data is not available and that are developed using the best information available to the Council about the assumptions that market participants would use when pricing the asset or liability.

Operating Lease
A lease where the risks and rewards of ownership of a non-current asset remain with the lessor. Such a lease will be for a fixed period which is significantly less than the useful economic life of the asset.

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

Precept
A levy by one authority which is collected on its behalf by another, e.g. Stockport Metropolitan Borough Council collects Council Tax on behalf of the Greater Manchester Police and Crime Commissioner (GMPCC) and the Greater Manchester Fire and Rescue Authority.

Premiums and Discounts
Premiums and discounts arise on the early repayment and restructuring of debt.
The repayment sum will be higher than the principal amount borrowed if interest rates are presently lower than the loan rate (premium). The repayment sum will be lower than the principal amount if the current interest rates are higher than the loan rate (discount).
If Premiums and Discounts arise from debt re-scheduling they may be amortised over the lifetime of replacement loans where applicable.

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

Prior Year Adjustments
Material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method
An accrued benefits valuation method in which the scheme liabilities make allowance 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
Amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur but where there is uncertainty as to the amounts involved or the dates on which they will arise.

Prudence
The concept that income should only be anticipated to the extent that it can be realised with reasonable certainty, whilst full and proper allowance should be made for all known and foreseeable losses and liabilities.

Public Works Loan Board
A Government agency which provides borrowing facilities to local authorities for the financing of capital expenditure.

Reserves
Amounts set aside in the accounts to meet expenditure which the Council may decide to incur in future periods, but not allocated to specific liabilities which are certain or very likely to occur.
Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances, and usually arise as unplanned surpluses of income over expenditure.

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 Contribution to Capital Outlay (RCCO)
Capital expenditure funded otherwise than from borrowings, grants, contributions or receipts.

Revenue Expenditure
Expenditure incurred on the day-to-day running of the Council, as opposed to items which will last for more than one year.

Revenue Expenditure Funded from Capital Under Statute
Expenditure which may properly be spread over more than one year but which does not result in, or remain matched with, tangible assets. An example of a revenue expenditure funded from capital under statute is a grant of a capital nature to a voluntary organisation.

Revenue Support Grant
A central government grant paid to each local authority to help to finance its general expenditure. The distribution of the grant between authorities is intended to allow the provision of similar standards of service throughout the country for a similar Council Tax levy.

Scheme Liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

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

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

Transferred Debt
Debt which was created on 1 April 1986 on the dissolution of the former Greater Manchester Council and apportioned over the ten district councils of Greater Manchester, repayable annually on an annuity basis over the 36 years to 31 March 2022.

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.