STOCKPORT METROPOLITAN BOROUGH COUNCIL
STATEMENT OF ACCOUNTS AUDITED

2018/19

CONTENTS

PART 1

STOCKPORT METROPOLITAN BOROUGH COUNCIL STATEMENT OF ACCOUNTS

BOROUGH TREASURER'S NARRATIVE REPORT

I am pleased to present the Council's 2018/19 Statement of Accounts.

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. The Statement of Accounts play 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. It aims to ensure the readers of the Statement of Accounts can:

- Understand the overarching financial position of the Council and the 2018/19 financial 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.

Whilst providing this assurance, the timely preparation is also important to allow the Council to report its financial position for the financial year and then move its focus to meeting the financial challenge ahead. This is only possible through the hard work and dedication of colleagues within the Finance Service and the Council as a whole.

During the year the Finance Service has supported the Council to develop its Medium Term Financial Plan (MTFP) Strategy to address the significant financial challenge it faces. By doing this the Council has developed a framework in which it can think differently about the way services are delivered. The importance of this strategy is it allows the Council to avoid expenditure cuts to services which in the short term deliver savings, but longer term result in additional costs for the Council and adversely impact Stockport's residents. However increasing costs as a result of increasing demand for services particularly in relation to those services provided to our most vulnerable residents and inflationary costs continue to add to this financial challenge. Whilst demands upon the Council are rising, particularly in its largest expenditure areas, Adult Social Care and also Children's Social Care, the future direction of Local Government funding at a national level is increasingly uncertain. The delay to Brexit, the Government's Adult Social Care Green Paper, 2019 Spending Review and consultations on Fairer Funding and Business Rates retention are adding to this volatility and uncertainty. The Council has and continues to lobby Government for a sustainable funding solution to address these challenges.

It is pleasing to report that despite this volatility and uncertainty, the Council continues to meet its financial challenge. Using the MTFP Strategy the Council has identified £6.744m of savings in 2019/20 through transformation, efficiencies and income generation. This process has been supported by the financial management provided by the Finance Service during the year which has enabled the Council to identify and deliver the service transformation needed based on a robust understanding of its financial position and future financial challenge. Over the medium term period the continuation of this strong financial management foundation will be increasingly important, enabling the Council to have confidence in its financial resilience whilst the required service transformation takes place. This will ensure that the Council has and continues to be able to deliver essential services to Stockport residents.

During the year the Finance Service has refreshed the Council's Capital Strategy in response to CIPFA's revised Prudential Code. The strategy was approved alongside the Council's 2019/20 budget and provides a robust framework for the Council's capital investment plans over the medium to long term period. The Council's Capital Programme illustrates the scale of the planned capital investment to help to regenerate the economy, create jobs and develop strong communities. Capital schemes relating to the A6 Manchester Airport Relief Road, Stockport Exchange Phase 3 and Redrock are examples of this investment taking place. The 2019/20 three year Capital Programme continues on this basis with a planned capital investment of £280.719m. The Finance Service will support the Council to manage this investment and ensure the Council's ambition for Stockport is achieved.

Whilst the Finance Service supports the transformation of services across the Council, the need to transform itself is also recognised. The Finance Service vision is to be a service which is innovative, providing excellent financial leadership, and enabling colleagues across the organisation to effectively manage the finances of the Council. As a vital support service, continuous improvement is important to ensure the service is fit for the future and meets the expectations of its customers both internal and external to the Council. On this basis the service has commenced a Digital Finance project with the focus being to transform the financial landscape; the ways in which money flows into, around and out of the Council. This is not only looking at how digital solutions can be used to support the work of the Finance Service, but also challenges business process across the Council and how these digital solutions can be embedded into and transform these processes to not only make them more efficient and cost effective, but also ensure the Council can respond to residents expectations of how they want to financially interact with the Council. By delivering this continuous improvement, the Council will have the assurance about its financial resilience and sustainability to make informed decisions about how it continues to transform the way it delivers services to Stockport residents to address the financial challenge ahead. The robust financial position presented in these statements demonstrates this.

The following Narrative Report provides information about Stockport. It highlights the key issues affecting the Council and its Statement of Accounts and includes a summary of the Council's financial position as at 31 March 2019.

Michael Cullen
Borough Treasurer

INTRODUCTION TO STOCKPORT

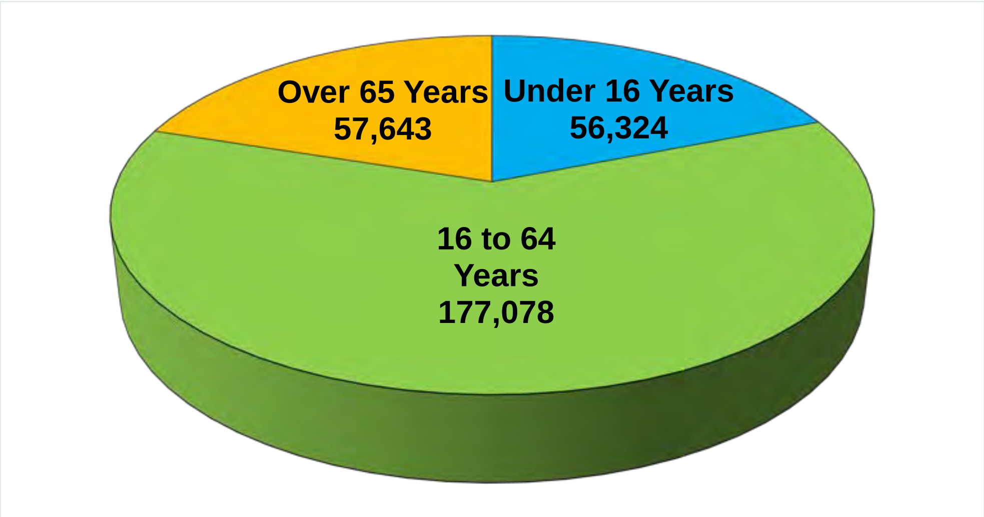
Stockport Council is one of ten local authorities in the Greater Manchester region. It is situated in between the Peak District, the Cheshire Plain and one of the UK's fastest growing cities, Manchester. Stockport is a Borough of independent shops, great schools, thriving businesses and strong communities making it a place where people want to live, work and spend their leisure time.

Similar to many other local authorities across the country however, the Council faces significant financial challenges whilst operating in an environment which is increasingly uncertain and volatile. Despite this the Council recognises the need to transform itself and ensure it is a sustainable organisation fit for the future. The Council's approach has been twofold, developing a medium term strategy to review the services it provides to residents and how it provides these services to ensure they are delivered in the most efficient and cost effective way, and through its growth and reform strategy investing in projects which support the economic growth and regeneration of our Town and Local Centres. In doing this 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 2017 mid-year population estimates report Stockport's total population as 291,045. The age profile of the population is shown below:



The working age population (age 16 to 64 years) as a proportion of the total population, is slightly lower than the regional and national averages, whilst those under 15 and over 65 represent a higher proportion of the population than regional and national averages. The population is expected to increase over the medium term with a high proportion of this increase coming from those residents aged over 65 years. The population aged over 85 years is also forecast to increase, with resulting increases in demand for health and social care services expected.

Local Economy

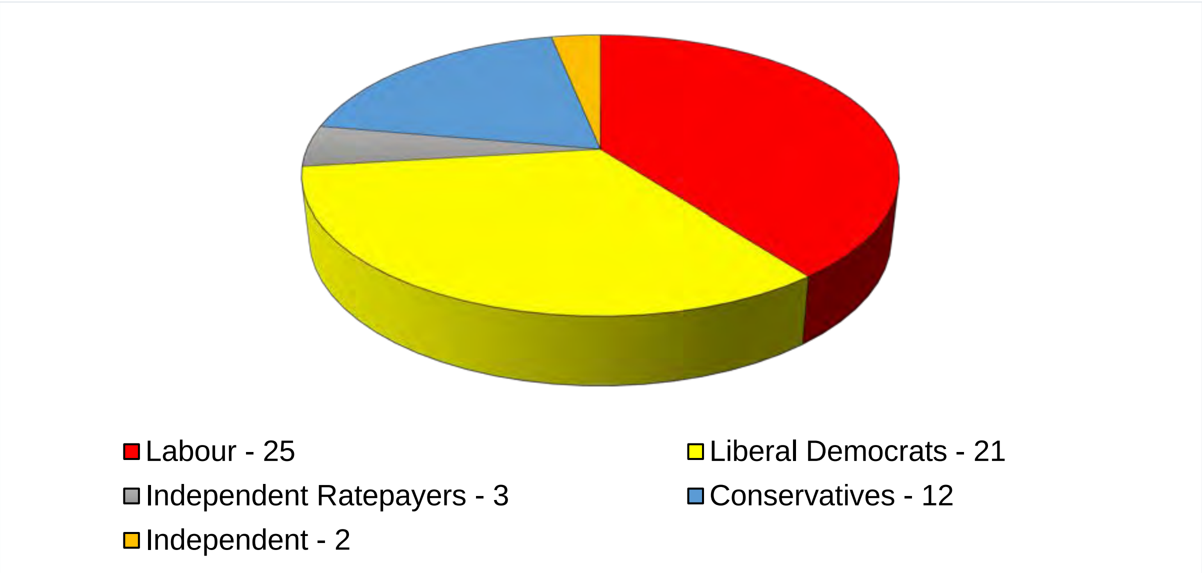
Historically, Stockport has experienced low levels of unemployment relative to regional and national averages. This reinforces the strength of the Borough's economy to deliver employment for its residents. Employment levels are expected to increase steadily up to 2026, reflecting similar trends across Greater Manchester, the North West and the UK.

Stockport's knowledge driven economy, combined with its high quality of life, is reflected in the range of occupations held by its resident population. A high proportion of residents are employed in management and professional occupations, which make up around a third of the total number in employment. A higher proportion of residents tend to be employed in skilled or highly skilled occupations in comparison to the North West and UK. In addition a high proportion of residents are self-employed when compared to regional and national averages.

The strength of Stockport's economy is supported by its strategic location, range of business premises, prosperous residential areas and excellent connectivity all of which contributes to a thriving and diverse economy, including many high growth business start-ups and headquarters of both national and international firms. The Borough is occupied by nearly 12,000 businesses and has the third largest workforce in Greater Manchester, with 128,000 people employed. This strength is further illustrated by Stockport's employment rate 77.7% and economic activity rate 81.6%, both of which exceed regional and national averages.

Political Structure

The Borough of Stockport is made up of twenty one wards with three Councilors representing each ward. During 2018/19 the political make-up of the Council was:

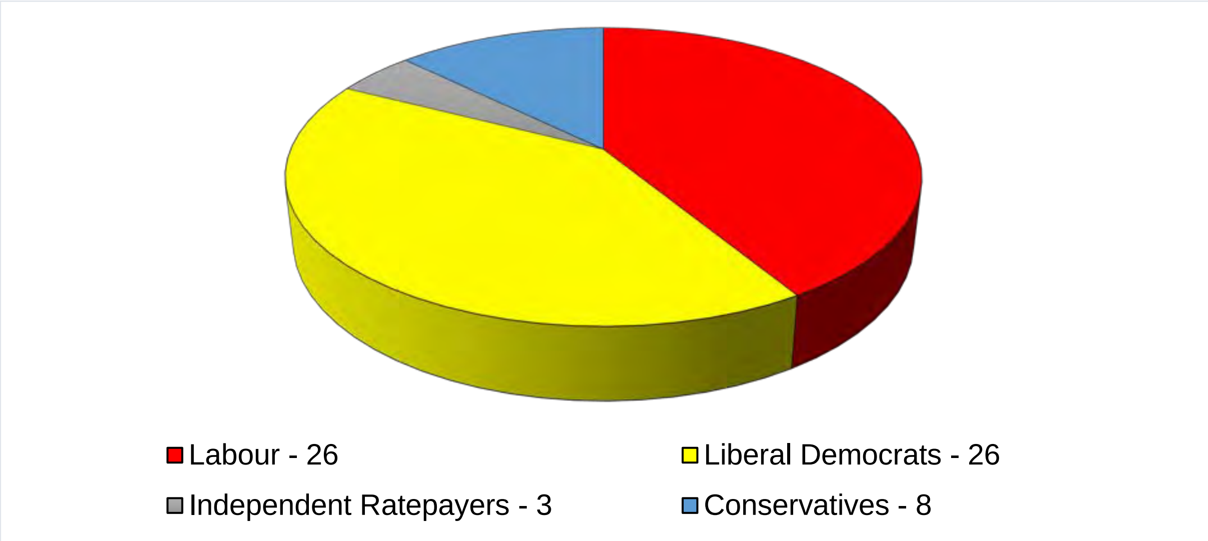


The Cabinet is the main decision making body of the Council and is responsible for the strategic management of Council Services. The Cabinet consists of the Cabinet Leader and seven Cabinet Member Councillors, each of whom holds a Cabinet Member Portfolio.

The Cabinet Member Portfolios and their Cabinet Members during 2018/19 were:

- Policy, Finance and Devolution – Councillor Alex Ganotis (Council Leader)
- Adult Social Care – Councillor Wendy Wild (Deputy Leader)
- Children's and Family Services – Councillor Colin Foster
- Communities and Housing – Councillor Shelia Bailey
- Economy and Regeneration – Councillor Kate Butler
- Education – Councillor Dean Fitzpatrick
- Health – Councillor Tom McGee
- Reform and Governance – Councillor Elise Wilson

A local election was held on 2 May 2019 where 21 Council seats were up for election. This has changed the political make-up of the Council as at 21 May 2019 as shown below:

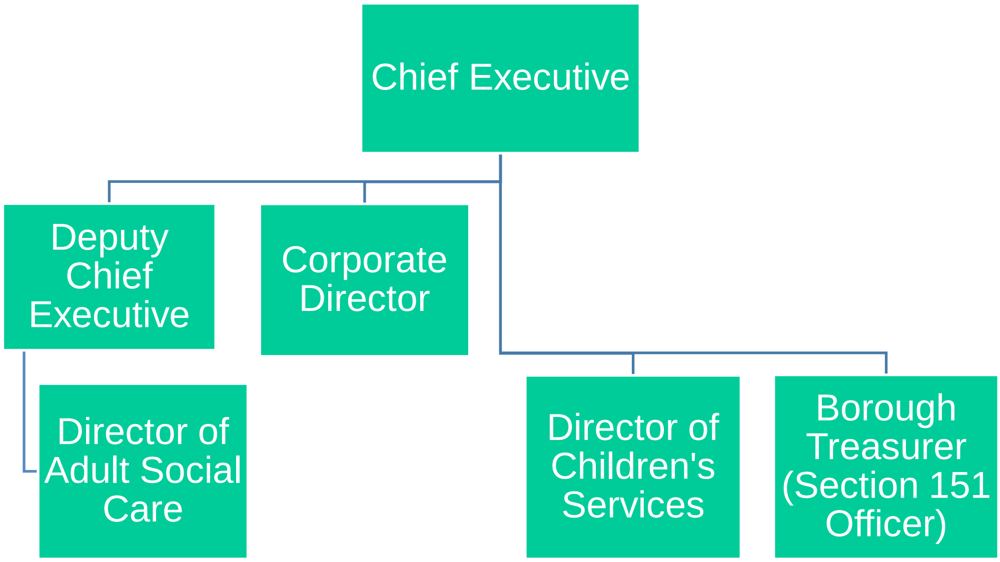


Corporate Leadership Team Structure

The Council's Corporate Leadership Team (CLT) supports the work of the Councillors. During the year the CLT was headed by the Council's Chief Executive, two Corporate Directors, the Borough Treasurer, Director of Adult Social Care and Director of Children's Services. 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 the Council's strategies;
- Identifying and planning resources for the Council;
- Delivering Council plans; and
- Reviewing the Council's effectiveness in delivering excellent services to the residents of Stockport.

During the year CLT was structured as follows:



Council Employees

At the start of April 2018 the Council employed 2,395 full time equivalents (FTEs) excluding school based employees. By March 2019 this had fallen slightly to 2,391 FTEs. The longer term trend shows a significant reduction in the Council's workforce from 2,978 FTEs in 2012.

The Council recognises the importance of its employees in building an organisation fit for the future. Responding to the financial challenges faced by the Council will require a transformed organisation and different ways of working. The Council's aim is to build solid foundations which enable it to achieve its ambitions with the support of a bold, resilient and talented workforce, integrated and designed to focus on outcomes with the right skills, shared values and commitment to Stockport residents. This ensures the Council has officers in the right place with the right skills and the right tools to do their jobs, whilst prioritising limited resources efficiently in order to retain and attract talent.

Council Values

The Council's values and behaviours were launched in September 2018. These values run through everything the Council and its Officers do regardless of the challenges faced; 'the Stockport Way of doing things'.

The Council's values and behaviours are:

Stockport

- We are ambassadors for Stockport and the Council;
- We do what we say, taking responsibility for our actions; and
- We involve and listen to people when designing our services.

Team

- We work together to achieve shared goals;
- We are committed and positive, working to the best of our ability; and
- We feel empowered to give and receive feedback.

Ambition

- We encourage new ideas to make better use of our resources;
- We have courage and confidence to challenge how we do things; and
- We are prepared to take risks and learn from our mistakes.

Respect

- We support each other and celebrate success;
- We care about diversity and everybody's wellbeing; and
- We work with people, being open and honest.

Council Plan

The Council Plan sets out the priorities for the Council and what the future focus will be to prepare for and respond to the challenges ahead and ensure that the Council continues to focus on ensuring communities can achieve the outcomes outlined within the Council's longer term partnership vision. This longer term vision is outlined within Stockport's Borough Plan and the Council Plan continues to be aligned with this and the following five shared partnership outcomes:

- 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.

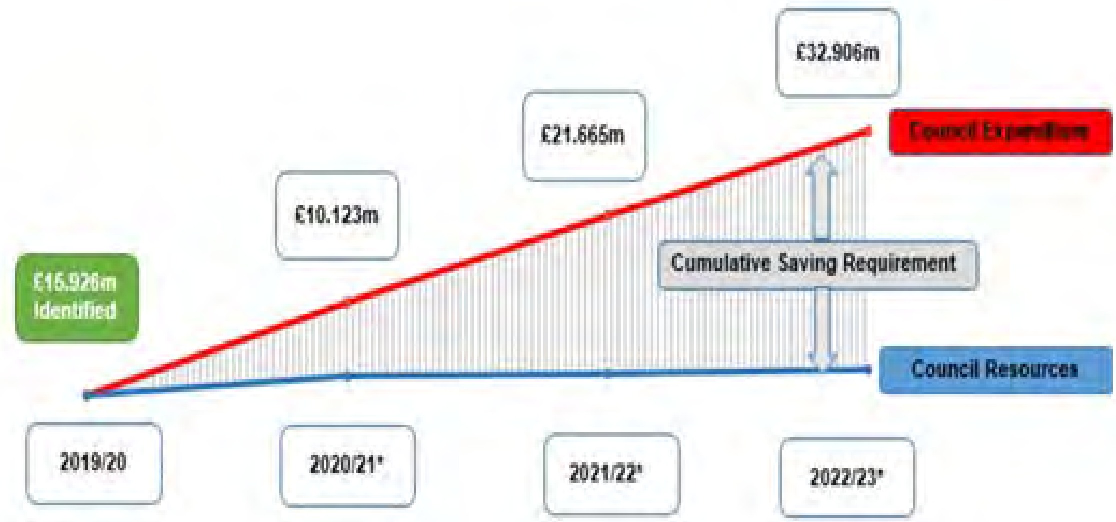
The Council Plan sets out the framework for delivering these outcomes and also incorporates the key principles identified by Cabinet, underpinned by an inclusive vision for growth and reform. The Greater Manchester Strategy priorities continue to be integrated into the Plan. The strategic narrative for the Council Plan builds upon these but also incorporates the MTFP strategy and its five key themes.

These are central to the Council Plan and its organisational delivery. In particular, the Council Plan identifies a number of more focussed and specific priorities, including supporting the development of the social care market, improving greater community collaboration, and a continuing focus on inclusive growth.

During 2019/20, the Council with its Partners will be refreshing its priorities, developing a Boroughwide plan which builds upon the progress and renewed collective aspirations for Stockport. This will involve reviewing the Council Plan in 2019/20, ensuring this is aligned to the refreshed Partnership priorities as well as reflecting the changes the Council is undertaking to reshape the way it works with citizens and how it delivers services that are effective and sustainable.

Medium Term Financial Landscape and Financial Challenge

The financial challenges the Council will have to meet over the medium term period 2020/2021 to 2022/23 remain significant. The Council has identified a saving requirement of £10.123m in 2020/21 rising to £32.906m in 2022/23. The chart below illustrates the scale of the financial challenge facing the Council over the next five years and reflects the expected increase in cost of providing essential services as a result of increases in demand, pay inflation and price inflation.



The Council continues to operate in a volatile and uncertain environment with the Government's future direction for local authority funding yet to be confirmed. The outcome of the Government's 2019 Spending Review and consultations on Fairer Funding Formulas and Business Rates Retention which will determine the distribution of national funding to each Authority is unlikely to be confirmed until autumn 2019. In addition whilst welcomed, one-off Government funding announcements, particularly in relation to Adults and Children's social care, provide no certainty on which to base the Council's medium term financial planning. Despite this volatility and uncertainty the Council remains committed to developing its MTFP Strategy to address the financial challenge ahead. The Strategy focuses on the five themes of the MTFP Strategy to frame the choices the Council will need to make over the medium term period.

The decisions that need to be made about what services the Council delivers and how these services are delivered in the future will not be easy. However to address the financial challenge the Council must balance its ambitions for Stockport against the immediate financial and demand pressures. It is important that the MTFP Strategy continues to link to the priorities set out in the Council Plan to ensure the Council is delivering the desired outcomes for residents. However, local decisions must be made in the context of the Council's financial position and future challenges which are set out in the MTFP. By using each of the five themes as a lens with which to view services, the Council can ensure these decisions give consideration to the future shape and sustainability of the Council and the essential services it provides to Stockport's residents.

The Council remains committed to the ongoing transformational change needed to service delivery models to ensure the Council is able to move to a self-sustainable funding model. The Council will focus on the 2019/20 savings requirement through reducing costs whilst focusing on the priorities set out in the Council Plan and delivering the desired outcomes for residents. In line with this the Council will bring forward a programme of work including service reforms, new ways of working and targeted investment in key priorities.

Financial Resilience

Following high profile financial failings at other local authorities across the country, the need for the Council to continue to demonstrate its financial resilience to Members and Stockport residents is increasingly important. There are a number of ways the Council demonstrates this:

- **MTFP Summer Review and Updates** – regular reviews of the key assumptions and forecasts that underpin the Council's MTFP to ensure they remain robust and based on the most up to date information throughout the year;
- **Reserves Policy** – annual update of the Council's Reserves Policy to ensure earmarked reserves are aligned to the Council's corporate and strategic objectives over the medium term period;
- **Budget Risk Assessment** – annual assessment of the adequacy of the Council's General Fund Balance to mitigate the impact of risks;
- **Scrutiny Committee and Audit Committee** - regular Member scrutiny of the Council's Financial Management throughout the year; and

- **Internal and External Audit** – independent audits of the Council's financial management throughout the year. In 2019/20 this will include an internal audit of the Council's financial governance and financial resilience.

CIPFA have also begun to highlight the need for a robust understanding of local authority financial resilience. The Council welcomes the increased attention being given in this area to ensure early warning systems to mitigate the risk of financial failings are in place and allow corrective action to be taken locally and in a timely manner. It is important that these systems are in place to support Authorities to meet their financial challenges in an increasingly volatile and uncertain environment. The Council will work with other local authorities and CIPFA to develop these system and ensure they integrate with the Council's existing processes.

Capital Strategy

During the year the Council has developed its Capital Strategy in response to the publication of a revised Prudential Code by CIPFA in December 2017. Through a formalisation of other plans, strategies and policies that the Council already has in place, the Capital Strategy provides a robust governance framework for the Council's capital investment decisions. It provides a high level overview of how the Council's capital investment decisions contribute towards the provision of services. It sets out the long term context in which capital expenditure and investment decisions are made, ensuring consideration of both risk and reward, and impact on the achievement of the Council's priorities. The Council recognises that the management of its capital resources is fundamental to achieving the priorities set out in the Council Plan and realising local and regional ambitions. In doing this, the Capital Strategy provides a framework for optimising and managing the Council's capital resources and understanding the implication of capital investment decisions on the future sustainability of the Council.

The adoption of the Capital Strategy was approved by the Council on 21 February 2019 and focuses on:

- **Capital Expenditure** – provides an overview of governance processes for approval and monitoring of capital expenditure, provides a long-term view of the Council's capital expenditure plans and an overview of its asset management planning, and provides detail of any restrictions to borrowing or funding linked to these plans.
- **Debt, Borrowing and Treasury Management** – provides projections of the capital financing requirement (i.e. unfunded capital expenditure requiring external borrowing) and provides details of the required provision for repayment of debt over the life of the underlying asset (minimum revenue provision).
- **Commercial Activity** – provides detail of the Council's approach to commercial investment activities, including ensuring effective due diligence and risk appetite and the requirements for independent and expert advice.
- **Knowledge and Skills** – provides detail of the knowledge and skills required both internally by Officers and externally by external advisors.
- **Affordability and Risk** – ensures the Chief Finance Officer reports explicitly on the deliverability, affordability and risk associated with the Capital Strategy.

Greater Manchester Devolution and Partnership Working

The Greater Manchester Devolution agreement with Government has provided the opportunity to better integrate policies and decision-making at a local level. This has led to innovation and new models of local service delivery, as well as better co-ordination of interventions to drive productivity growth. Most importantly, as highlighted by the Greater Manchester Combined Authority, outcomes for residents across the city region have been improved. The Greater Manchester Strategy has provided the vision and aims for the region, agreed between the public sector, businesses and the voluntary, community and social enterprise Sector, and implemented through local and national Government working in partnership. This integration is vital for not only improving services, but driving productivity and prosperity across Greater Manchester.

Greater Manchester Devolution is continuing to shape a new way of working across the region on the important issues facing Greater Manchester. The past twelve months have seen further emphasis on investment and inclusive economic growth, for example through the establishment of the first Greater Manchester Mayoral Development Corporation in Stockport, and joining up public services, such as through the ongoing developments across the Greater Manchester Health and Social Care Partnership. Stockport is well placed to shape and benefit from these opportunities and in particular will lead two strategic Greater Manchester priorities though identified Greater Manchester Leaders and Chief Executives Portfolios:

- The Leader of the Council was the Greater Manchester Portfolio lead on Green City Region priority during the year; and
- The Council's Chief Executive was the Chief Executive lead on the Ageing Well priority during the year.

More broadly, the Council and local partners will need to continue to work closely on how we contribute and engage in ongoing devolution developments. In January 2019, the vision for the Future of Greater Manchester was set through the Greater Manchester Spatial Framework, a new Transport Delivery Plan, a Housing Vision and Infrastructure Framework. The Greater Manchester Combined Authority with the support of the each of the Greater Manchester Authorities are developing the next steps for this agenda through:

- The Greater Manchester Local Industrial Strategy, being developed between the city region and Government departments;
- A White Paper on Unified Public Services, which has been developed collaboratively with the Greater Manchester Authorities, other public services and the Voluntary, Community and Social Enterprise Sector. This provides the vision for Greater Manchester model on place based integration; and
- A Prospectus for Health & Social Care, which sets out the proposed next steps for developing the unique devolved health and care model in Greater Manchester.

Locally the Council continues to work on both the Stockport Local Plan and the Greater Manchester Spatial Framework including the coordination of house building and improving transport infrastructure across the region. Other examples of partnership working and integration include North West Adoption Agency, working with health colleagues to support the integration of health and social care services across

Stockport and continuing work with other Public Services within Stockport and Greater Manchester to identify and assess new ways of working which will support the sharing of services across organisations in the future.

2018/19 FINANCIAL PERFORMANCE OF THE COUNCIL

2018/19 Revenue Budget and Capital Programme

On the 22 February 2018, the Council approved the 2018/19 Revenue Budget and Capital Programme.

The revenue budget was set at £237.942m, with £165.254m being Cash Limit budgets and £72.688m for Non Cash Limit budgets. The Council approved the Council Tax Resolution with a 4.99% increase on Council Tax (including 2% Adult Social Care Precept) for 2018/19. The three-year Capital Programme was approved on 22 February 2018, with £154.777m in resources being allocated to capital schemes in 2018/19.

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 Cabinet 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 Cabinet and the Corporate Resources Management and Governance Scrutiny Committee on a quarterly basis.

2018/19 Revenue Outturn Position

The Council's 2018/19 revenue outturn position is shown in the table below:

Portfolio	Original Budget £000	Revised Budget £000	Final Outturn £000	(Surplus)/ Deficit £000
Adult Social Care	67,261	69,839	70,491	652
Children and Family Services	27,655	28,359	29,550	1,191
Communities and Housing	22,416	22,748	22,766	18
Economy and Regeneration	2,562	2,780	2,776	(4)
Education	2,639	3,225	3,179	(46)
Health	15,990	16,222	16,188	(34)
Reform and Governance	26,731	28,617	28,617	
Total Cash Limits	**165,254**	**171,790**	**173,567**	**1,777**
Total Non Cash Limits	**72,688**	**66,152**	**59,140**	**(7,012)**
Dedicated Schools Grant Deficit	**0**	**0**	**1,360**	**1,360**
Total Expenditure	**237,942**	**237,942**	**234,067**	**(3,875)**
<u>Financed By</u>				
Council Tax Requirement – General	139,654	139,654	139,654	0
Adult Social Care Precept	9,510	9,510	9,510	0
Business Rates Council Share	74,850	75,378	75,378	0
Business Rates Tariff	(7,809)	(8,845)	(8,845)	0
Business Rates Section 31 Grants	10,210	9,682	9,682	0
New Homes Bonus	1,554	1,554	1,554	0
Better Care Fund Allocation	3,111	3,111	3,111	0
Use of General Fund Balances	22	3,053	3,053	0
Collection Fund balance Distribution	(1,158)	(1,158)	(1,158)	0
Use of One-Off Resources	7,998	6,003	6,003	0
Total Resources	**237,942**	**237,942**	**237,942**	**0**
Outturn	**0**	**0**	**(3,875)**	**(3,875)**

The Council has achieved a surplus of £3.875m for the financial year when comparing budgeted (planned) expenditure with actual (incurred) expenditure. Decisions on the use of this surplus will considered as part of the Council’s 2019/20 Reserves Policy.

The main variances relate to:

- **Adult Social Care** – deficit of £0.652m relates to pressures within residential and nursing care linked to increasing demand and demographic pressures. Additional costs have been incurred relating to short term placement provision and securing local community bed based services to manage demand and the flow of vulnerable adults through the health and social care system. In addition there have been pressures due to increased costs of care management linked to adults with learning disabilities.
- **Children and Family Services** – deficit of £1.191m relating to increasing costs and numbers of Looked After Children in the Borough and associated costs relating to maintenance payments, legal fees and increase in the number of

care proceedings. At 31 March 2019 the Council had 362 looked after children placed across a range of services including external residential placements, external foster care placements, internal foster care placements and staying put placements. Although the number in external residential placements is low compared with other GM authorities, the cost of such placements is considerable and places pressure on the budget. The average cost of a child in external residential care is £2,548 per week and can be significantly higher where the child has complex needs. The Council continues to look at ways of managing these costs whilst continuing to provide essential services to vulnerable children. In addition there are increasing pressures on the Children with Disabilities service linked to respite care payments. The Council is reviewing this to determine the factors that are influencing the increased costs, including the arrangements for joint funding and commissioning.

- **Non Cash Limit** – surplus of £7.012m as a result of additional dividends received from Manchester Airport Group, differences between the estimated and actual waste levy charges incurred, lower borrowing levels than expected at the start of the financial year, taking advantage of low interest rates as part of the Council's Treasury Management Strategy and unallocated corporate budgets set aside to meet expected costs.
- **Dedicated Schools Grant (DSG)** – deficit of £1.360m against the DSG due to the increasing demand for specialist schools placements and increasing costs to support some of the most vulnerable pupils in the Borough. This is an issue being faced by local authorities across the country. The Council's Cabinet approved the funding of this deficit in 2018/19, providing one-off support from the General Fund whilst further work is completed to put a recovery plan in place. A DSG review group has been established involving the Council and Schools to address the long term budget sustainability of the DSG. The group is due to meet again in early summer 2019 and all work will be closely aligned to the Children's and Education MTFP Review Group.

The Comprehensive Income and Expenditure Statement (CIES) shows a deficit on the provision of services of £5.340m. 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 between the CIES surplus and the outturn surplus. Some of the reasons for the differences include:

- Capital investments are accounted for when financed, rather than when it is consumed, for example General Fund Grants and Contributions of £49.838m were credited to the Comprehensive Income and Expenditure Statement in 2018/19;
- Charges for depreciation, revaluation losses and impairment of non-current assets and investment assets of £43.377m in 2018/19;
- Retirement benefits are charged as amounts when they become payable to the pension fund and pensioners, rather than as future benefits are earned (£28.432m for 2018/19); and
- The Minimum Revenue Provision for capital financing is a charge to the General Fund but does not appear in the CIES (£11.631m for 2018/19).

General Fund Balances

The level of General Fund Balances as at 31 March 2019 is £13.226m. This balance reflects the level of unallocated balances that would be needed to address any unexpected budget pressures in 2019/20. 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 budget in 2019/20 plus the 2018/19 outturn surplus of £3.875m which will be held in General Fund Balances prior to being allocated to earmarked reserves as set out and approved in the Council's 2019/20 Budget reports. In addition, an unallocated balance from previous year's surpluses of £0.151m is included and will be considered as part of the 2019/20 Reserves Policy.

Earmarked Reserves

Earmarked reserves represent resources that have been set aside to fund specific commitments and plans. The Council's Reserves Policy was updated during the year to ensure it remained aligned to the Council's corporate and strategic priorities. The Policy also ensures the Council's earmarked reserves are held at an appropriate level to support the Council's budget and mitigate the impact of unforeseen cost pressures. During the year there has been a net decrease to these reserves of £1.684m resulting in a balance of £66.772m at 31 March 2019.

Reserves balances of £11.729m relating to Schools and £1.340m 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.

2018/19 Capital Programme Outturn

The Council has a significant and diverse Capital Programme. The original Capital Programme for 2018/19 was £154.777m. A large number of the Council's capital schemes span a number of years. Individual capital schemes making up the Programme are reviewed regularly and the spending profiles are aligned accordingly as the schemes develop. During the year, a net total of £14.327m in additional funding for schemes was added to the Programme and £52.342m was re-phased to align with the developing schemes expenditure profiles.

The Council successfully delivered its 2018/19 Capital Programme with an outturn expenditure of £116.762m as at 31 March 2019.

As stated above, the Council has a large and varied capital programme, with significant expenditure on housing schemes, highways and regeneration projects. The most notable schemes of the 2018/19 Capital Programme include the following:

- Housing Revenue Account (HRA) £17.763m expenditure on general capital schemes and £2.379m on new build schemes;

- In addition to the HRA schemes above, £12.241m was made available in loans to Stockport Homes Ltd for the Affordable Homes programme;
- A total of £52.490m has been spent on highways projects, including £13.028m on the SEMMMS A6 to Manchester Airport Relief Road, £15.745m on the Town Centre Access Plan, and £11.669m on the Highways Investment Programme;
- Stockport Exchange Phase 3 got underway in 2018/19, with expenditure of £3.595m during the year on the site preparation for the new office building and neighbouring public realm;
- A strategic investment of £11.278m was made by way of shareholder loans to the Manchester Airport Group to support the Airport's transformation project; and,
- A total of £4.007m has been spent on the Asset Management Plan during 2018/19.

The table below sets out the 2018/19 three year Capital Programme as at 31 March 2019 by Portfolio and the resources being used to finance it.

Portfolio	**2018/19 Programme £000**	**2019/20 Programme £000**	**2020/21 Programme £000**
Adult Social Care	632	1,151	
Children and Family Services		24	
Communities and Housing	36,491	60,401	23,488
Economy and Regeneration	58,456	71,584	37,576
Education	5,317	32,501	784
Reform and Governance	15,866	25,665	7,899
Total	**116,762**	**191,326**	**69,747**
Resources			
Capital Grants	47,237	54,005	18,642
Directly Funded Borrowing	37,753	77,616	23,788
Unsupported Borrowing	15,094	36,165	12,978
Capital Receipts	1,066	6,197	
External Contributions	689	878	85
Commuted Sums	1,572	2,150	2,000
Revenue Contributions (RCCO)	2,458	2,417	
HRA Funding From MRR	10,893	11,898	12,254
Total	**116,762**	**191,326**	**69,747**

Treasury Management

The Council's 2018/19 Treasury Management Strategy and Annual Investment Strategy were approved at the Council meeting on 22 February 2018. This sets out the Council's approach to managing its:

- Investments and cash flows;
- Banking, money market and capital market transactions; and
- The effective control of the risks associated with these activities to ensure optimum performance in relation to its treasury management.

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting during the year and through officer activity detailed in the Council's Treasury Management Practices.

At the end of 2018/19 the Council's treasury position was as follows:

	Financial Year 2018/19			
	General Fund		Housing Revenue Account	
	£000	%	£000	%
Total Debt	468,651	2.87%	111,300	4.48%
Total Investments	26,725	0.90%		
Net Debt	**441,926**		**111,300**	

Borrowing Outturn Position

Borrowing is undertaken during the year to fund unfinanced capital expenditure and naturally maturing debt, and to support the Council's cash flow liquidity. Throughout 2018/19, the Council has maintained an under borrowed position. This meant that the Council's capital borrowing need, (the Capital Financing Requirement or CFR), was not fully funded by loan debt, as cash held within the Council's reserves, balances and cash flow was used instead. Using this strategy during the year was prudent as investment returns have been low and this has also minimised counterparty risk on investments placed during the year.

However, during 2018/19 the Council has taken the opportunity (when available interest rates have been favourable) to reduce the under borrowed position and to mitigate any impact of increases in future interest rates, the significant uncertainty surrounding Brexit and the perceived possibility of significant cash shortages in the market towards the end of the initial March Brexit deadline. Due to the overall financial position and the underlying need to borrow for capital purposes (the CFR), temporary borrowing was supplemented with new long-term Public Works Loan Board (PWLB) borrowing in December 2018 and February 2019 when long-term rates fell to their lowest point. Both sets of loans have been split to mature in separate years and so not expose the Council to too much refinancing risk in any one year and have reduced the Council's average interest rate and liquidity risk.

Investment Outturn Position

The Council's investment policy is governed by MHCLG investment guidance, which has been implemented in the 2018/19 Annual Investment Strategy approved by the Council.

Investment activity during the year has operated within the boundaries established by the Annual Investment Strategy, with the Council's investment priorities being Security of Capital, Liquidity and Yield. For its cash flow generated balances, the Council used notice accounts, Money Market Funds and a limited number of fixed term deposits to invest available resources during the year. The treasury management service avoided making any longer term investments (over 365 days) during 2018/19 as investment rates have remained historically low and thus not beneficial to the Council to do so.

The Council's investment balances grew in the later stages of the financial year as a result of the PWLB borrowing undertaken in December 2018 and February 2019. A number of short some term deposits were made to match off maturing short-term loans in the early part of quarter four. In addition this increased level of investments was a result of the Council maintaining a precautionary higher level of liquid resources to manage cash flow shortages towards the end of March 2019.

The table below shows the investment strategy undertaken during 2018/19:

Combined Investments	Average Balance Invested £000
Quarter 1	9,379
Quarter 2	12,358
Quarter 3	32,743
Quarter 4	50,972
Average	**26,273**

The Council's combined investments generated an average rate of return of 0.75% representing a good annual performance against benchmarks including the budgeted investment return assumption of 0.50%. Furthermore, no institutions in which investments were made had difficulty in repaying investments and interest in full during the financial year. This can be compared against an uncompounded 7 day LIBID rate of 0.51% (1 month rate of 0.54%, 3 month rate of 0.68%, 6 month rate of 0.79% and 12 month rate of 0.94%).

Collection Fund

The Council is required by legislation to maintain a separate account for the administration of Council Tax and Business Rates income and expenditure. All income collected from local taxpayers is paid into this account and then distributed to the Council's General Fund, and to the Greater Manchester Combined Authority (GMCA) for the GMCA Mayoral Police and Crime Commissioner Precept and the GMCA Mayoral General Precept (including Fire Services).The 2018/19 outturn position on the Collection Fund is a surplus of £2.830m made up of a £1.624m surplus on Council Tax and a £1.206m surplus on Business Rates.

The Council's and the Precepting Authorities' share of the surplus is shown in the table below:

	Council Tax £000	Business Rates £000	Total £000
Collection Fund Income	(174,835)	(88,832)	**(263,667)**
Collection Fund Expenditure*	173,211	87,626	**260,837**
2018/19 (Surplus)/Deficit	**(1,624)**	**(1,206)**	**(2,830)**
Allocated to:			
Stockport Metropolitan Borough Council	(1,400)	(1,194)	**(2,594)**
GMCA Mayoral General Precept (including Fire Services)	(60)	(12)	**(72)**
GMCA Mayoral Police and Crime Commissioner Precept	(164)		**(164)**
	(1,624)	**(1,206)**	**(2,830)**

*includes distribution of income to the Council and Precepting Authorities for the financial year

In line with the legislation that governs the Collection Fund accounting, the surplus of £2.594m relating to the Council will be distributed in 2019/20 and 2020/21.

Greater Manchester 100% Business Rates Retention Pilot

During the year the Council has piloted alongside the other Greater Manchester Authorities, the 100% retention of Business Rates income. As a result the total 2018/19 Pilot benefit to the Council is £4.626m of income that would have been paid to Government in previous years.

It was always the intention that the Greater Manchester Region as a whole would benefit from the 100% Business Rates Retention Pilot and on this basis it has been agreed that a minimum of 50% of the benefit would be retained by Greater Manchester Authorities and the balance retained by the GMCA. The Council will retain £2.313m of the benefit. As part of the Council's 2019/20 budget setting process an expected 2018/19 benefit of £1.803m was forecast and approved to be allocated to earmarked reserves to support known commitments and risks. The balance has been transferred to the Collection Fund Reserve and will be considered as part of the Council's 2019/20 Reserves Policy. The Greater Manchester Combined Authority (GMCA) share will be used to support the delivery of Greater Manchester priorities outlined in the GMCA 2019/20 Budget reports.

Whilst the Council will continue to Pilot the 100% retention of Business Rates in 2019/20, it is difficult to accurately budget for the expected benefit at the beginning of the financial year. Business Rates income is a complex and volatile tax, changes in rateable values and increases in appeals by businesses are difficult to predict and can have a significant impact on the actual benefit realised at the end of the financial year. The Council has taken a prudent approach to this by not budgeting for any benefit in the year it is realised. Instead any benefit realised in year is used to support the Council's budget setting process, medium term financial planning and capital investments in the following financial years.

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 surplus of £0.592m increasing the HRA balance to £1.697m as at 31 March 2019. On an accounting basis, the 2018/19 outturn position on the HRA is a surplus of £19.300m.

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;
- Totally Local Company 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. Totally Local Company 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 are not considered material therefore these accounts are not consolidated into the Council's Group Accounts.

Further details on the Group entities and the Group Accounts can be found in the Group Accounts section of the Council's Statement of Accounts.

2019/20 Revenue Budget

At the Council meeting on 21 February 2019, the 2019/20 Revenue Budget was approved. The budget was set at £240.520m, with £180.447m being Cash Limit budgets and £60.073m for Non Cash Limit budgets. The following table sets out the approved budget for 2019/20.

Portfolio	2019/20 Approved Budget £000
Adult Social Care	79,471
Children and Family Services	30,902
Communities and Housing	22,222
Economy and Regeneration	2,133
Education	3,452
Health	15,664
Reform and Governance	26,603
Total Cash Limits	**180,447**
Superannuation (auto-enrolment)	310
Price Inflation/National Living Wage	2,529
Apprenticeship Levy	400
Stockport Together Risk Contingency	2,723
Brexit Risk Contingency	543
Non Cash Limits	53,568
Total Non Cash Limits	**60,073**
Total Expenditure	**240,520**
Financed By	
Council Tax Requirement – General	144,915
Council Tax Requirement – Adult Social Care Precept	11,207
Business Rates Council Share	73,888
Business Rates Tariff	(17,103)
Business Rates Section 31 Grants	12,907
New Homes Bonus	1,791
Better Care Fund	6,333
Social Care Grant	2,192
Collection Fund Balance Distribution	1,362
Appropriation from Reserves	3,548
Appropriation to Reserves	(520)
Total Resources	**240,520**

The Council's 2019/20 Budget was approved at the Council meeting on 21 February setting a balanced budget and bridging the £15.926m funding gap identified at the start of the financial year. This included £6.744m of savings identified by using the Council's MTFP Strategy. Using this framework has enabled the Council to think differently about the way services are delivered and avoid cross cutting expenditure cuts to services which in the short term deliver savings, but longer term result in additional costs for the Council and adversely impact Stockport's residents.

For this reason the Council made a decision to raise Council Tax by 2.75% (including a 1% Adult Social Care Precept) in setting the 2019/20 budget. This decision was not taken lightly and weighed up the impact this would have on Stockport residents whilst ensuring the Council's future financial sustainability and the provision of essential services particularly to the most vulnerable residents in the Borough. The Council recognises that this increase was lower than the 3.99% assumed by Government in the calculation of the Council's 2019/20 Core Spending Power and which could have been proposed. However is was felt that an increase of 2.75% achieved a balance between minimising the impact of Council Tax increases on Stockport Residents with the need to ensure the Council's MTFP remains robust and sustainable.

Ensuring the robustness of the Council's budget and medium term financial plan will help to mitigate the financial challenges ahead. The surplus position reported in these Statement of Accounts and the level of reserves and balances held, underpinned by the Council's Reserves Policy, demonstrates the robustness of the Council's financial position over the medium term.

2019/20 Capital Programme

The three year Capital Programme 2019/20 to 2021/22 was approved at the Council meeting on 21 February 2019. Resources of £164.755m were allocated to capital schemes in 2019/20 and this now stands at £191.326m following a review and re-phasing of schemes at the 2018/19 financial year end.

The following table sets out the proposed 2019/20 to 2021/22 Capital Programme by Portfolio and included schemes that span beyond 2021/22.

Portfolio	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 Onwards £000
Adult Social Care	1,151			
Children and Family Services	24			
Communities and Housing	60,401	23,488	17,133	53,885
Economy and Regeneration	71,584	37,576	30,508	6,496
Education	32,501	784		
Reform and Governance	25,665	7,899	8,035	846
Total	**191,326**	**69,747**	**55,676**	**61,227**

Significant capital schemes included in the 2019/20 Capital Programme are:

- Communities and Housing schemes of £60.401m, including funding of £22.556m for HRA schemes relating to social housing improvement and new build schemes, and £24.498m for the delivery of affordable homes by Stockport Homes;
- Highways schemes totalling £46.999m for schemes including SEMMMS A6 to Manchester Airport Relief Road scheme, Highways Investment Programme and the Town Centre Access Plan;
- £24.585m for regeneration schemes, including the major schemes, Stockport Exchange Phase 3, Markets and Underbanks and the Redevelopment of Merseyway;
- The Education Portfolio includes £24.719m School Strategy Capital Investment to address the provision of basic need school places and ongoing priority condition and maintenance schemes across the school estate; and
- Schemes relating to the Council's Asset Management Plan and re-provision of the Dialstone Facility and re-provision of Borough Care totalling £25.665m.

2018/19 NON FINANCIAL PERFORMANCE OF THE COUNCIL

Performance

Each Cabinet Member is responsible for a Portfolio of services. At the start of the year each Member signs up to their Portfolio Agreements which sets out the detailed delivery plans of their Portfolio alongside the budget available, performance measures, policy drivers and risks. Each Portfolio Holder reports on the progress in delivering these priorities and outcomes during the year, with the reports considered in detail by the relevant Scrutiny Committees. In addition a Corporate Report is 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 Cabinet and the Corporate and Resource Management and Governance Scrutiny Committee.

Performance in 2018/19 shows an improved position across all Portfolios compared to 2017/18; 53% of measures were on or ahead of target, with a further 39% deemed to be within an acceptable range of performance, whilst 58% improved or maintained a high level of performance. There remain a small number of measures where performance is below target. These have provided the focus for more detailed analysis of service demand, economic trends and demographic pressures, alongside other factors, which have informed improvement plans.

Achievements

Notable achievements during 2018/19 include:

- Investments in Stockport Town Centre to grow our local economy, including Stockport Exchange and the Redrock development. One of the largest engineering jobs undertaken by any local authority in recent years, the A6 Manchester Airport Relief Road, was completed and formally opened in November 2018. Our bold vision continues with plans for Stockport Interchange and the Mayoral Development Corporation to re-populate and animate our Stockport Town Centre.
- Collaborating with and empowering our local communities, for example through the Digital Inclusion Alliance and the Stockport Local Fund. We are learning from communities about their experiences of living in Stockport and shaping how we work together to improve opportunities for local people, such as through our Poverty Insight community research. We will continue to build and work together to shape this approach throughout 2019/20.
- Continuing to deliver high quality services and support such as our Children's Services, introducing enhanced case management across community based health and social care teams, and successful initiatives such as our Flu Champion campaign which was one of the most successful nationally.
- Following up on the 2017 Ofsted inspection which rated all Children's Services as 'good' and Adoption as 'outstanding', a focused visit was carried out in February 2019. This found that the Council "has further strengthened services for children who need help and protection, including more robust arrangements in the MASSH (Multi-Agency Safeguarding and Support Hub)." We are continuing to integrate with partners such as the Police and NHS in new ways to ensure services are designed around people and places, rather than

organisations. During 2019/20 this will include working with partners and communities to look at how we can better transport citizens around the Borough, support those in crisis, and integrate our services for children and education, including those with special educational needs.

- During the year the Council has continued to reshape to be as effective and efficient as possible. This has included introducing our organisational values and behaviours, embedding Stockport, the Borough and its citizens, as core to everything colleagues across the organisation do. We have also seen continued investments in digital services result in increased automation and changing how teams work, ultimately ensuring we deliver improved citizen experience throughout all our work.

Corporate Risks

Each Cabinet 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. These risks are under regular review, with emerging risks identified and added in-year, along with risk descriptions and controls being updated. 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 are:

- Change Management – ability to manage and implement change effectively;
- Financial – failure to deliver the Medium Term Financial Plan (savings targets and balanced budget);
- Digital Capacity – insufficient ICT infrastructure and capacity;
- Demand Pressures – inability to influence behaviour change resulting in demand and expectations continuing to rise;
- Supplier and Partner Risk – Key suppliers and partners to significant projects and services unable to deliver on behalf of the Council;
- Information Governance – failure to protect the Council’s information assets including personal and sensitive personal data and other confidential data;
- Governance – inadequate governance arrangements;
- 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;
- Safeguarding – failure of safeguarding arrangements for children and vulnerable adults; and
- Delivering Growth – failure to deliver key strategic, regeneration and capital investment programmes.

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 EVENTS AND TRANSACTIONS

IFRS 9 Financial Instruments

From the 1 April 2018 the Council has reported on an IFRS 9 basis in relation to its accounting for financial instruments. The accounting standard identifies three new classifications for financial assets:

- Amortised Cost;
- Fair Value through Profit or Loss (FVTPL); and
- Fair Value through Other Comprehensive Income (FVOCI).

During the year the Council has completed an analysis of its financial assets to determine the classification and resulting accounting treatment. Most of the Council's financial assets are simple instruments for collecting contractual cash flows, for example payments of interest and principal, and can be classified as being held at amortised cost under IFRS 9. However the Council (alongside the other Greater Manchester District Authorities) has a 3.22% shareholding in Manchester Airport Group. In previous financial years this shareholding has been accounted for as an 'Available for Sale Financial Asset' and measured at fair value each year. The adoption of IFRS 9 means the 'available for sale financial asset' category is no longer available and the Council's shareholding needs to be classified as set out in the accounting standard.

Following consultation with its treasury management advisors and the other Greater Manchester District Authorities, the Council has decided to designate the shareholding as FVOCI on the basis that the shareholding was a strategic investment and is not held for trading. This decision cannot be reversed. As a result of this classification, changes in fair value of the shareholding will be treated as Other Comprehensive Income in the Council Comprehensive Income and Expenditure Statement and unrealised gains or losses on the valuation of the shareholding will be transferred through the Movement in Reserves Statement to the Financial Instrument Revaluation Reserve (an unusable reserve) on the Balance Sheet. Any gains or losses on the valuation will be realised on the future sale of the shareholding.

There are also new requirements under IFRS 9 to calculate impairment losses. Financial assets measured at amortised cost (including trade receivables) and lease receivables fall within the scope of the standard. Impairment is based on the principal of credit loss and the risk of default. It is calculated based on either lifetime expected credit losses or 12-month expected credit losses, using historical default experience as updated for future conditions. The Council has completed a review of its financial assets to determine the most appropriate measurement basis for calculating these losses revising previous impairment calculations where necessary.

The changes as a result of the adoption of IFRS 9 have been applied retrospectively but there is no requirement to restate prior year figures. As a result all changes and adjustments have been applied from 1 April 2018.

Merseyway Shopping Centre Valuation

The Council purchased Merseyway Shopping Centre in Stockport Town Centre in April 2016. The decision to purchase the shopping centre was to support the ongoing regeneration of the town centre and give the Council direct control over its future linked to the Council's wider regeneration plans. As at 31 March 2019 a revaluation of Merseyway Shopping Centre has resulted in a valuation of £43.040m, a reduction in value of £16.460m from the 2017/18 valuation. 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 retail sector nationally has been turbulent affecting both independent retailers and well known high street names. Retailers continue to face the challenges of short term pressures caused by economic uncertainty and structural changes as a result of the increase in e-shopping adversely impacting on in-store sales. This has led to retailers vacating town centre high streets or entering into administration and closing stores. This turbulence has been evident in Stockport Town Centre with the closure/vacation of stores including BHS and Marks and Spencer;
- In order to remain resilient to the ongoing turbulence in the retail sector, retailers are increasingly reviewing their costs including their occupation costs. Where it has been able to do so, the Council has maintained a strategy of working with retailers to ensure they remain in the town centre and keep their shops open and trading;
- Strategic asset management decisions made during the year to support the regeneration of the town centre; and
- Reduced occupational and investor demand leading to rental yields softening and investors being more cautious regarding their ability to let vacant units. As a result investors are no longer willing to pay a premium and/or accept topped up income valuations on vacant units.

The Council always intended to hold the shopping centre for a period of at least ten years whilst the benefits of other town centre regeneration such as Redrock, Stockport Underbanks, Stockport Market Place, and Stockport Interchange, as well as the shopping centre itself are realised. The Council remains committed to the refurbishment and reconfiguration of Merseyway Shopping Centre demonstrated by the inclusion of a £3.5m capital scheme investment in the Council's 2019/20 Capital Programme. The Council firmly believes it is the best placed holder of the shopping centre asset in Stockport Town Centre, in order to see out the current turbulent period for retail and ensure its regeneration compliments other regeneration schemes. As a result there is no pressure to dispose of the asset and any future disposal can be timed to maximise the value and protect the Council from short to medium term asset valuation fluctuations.

The original investment in Merseyway Shopping Centre was to ensure that the promotion and regeneration of the town centre was in line with the Council's objectives. However, the asset is being held for investment purposes with the Council benefitting from rental income it receives. As a result the asset is recognised as an investment asset on the Council's Balance Sheet.

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.

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 2019, and its income and expenditure for the year ended 31 March 2019.

Michael Cullen
Borough Treasurer
24 July 2019

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 2019, at its meeting of 24 July 2019.

Councillor Stuart Corris
Chair of Audit Committee
24 July 2019

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 to the end of the financial year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’ (i.e. reserves used to hold account balances and adjustments that the Council cannot utilise to provide services). The Statement shows the in-year movements of the Council’s reserves 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, used to support services and/or fund specific commitments and plans, 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, repay debt or elect to use as revenue Transformation spend).

The second category of reserves are unusable reserves, which are reserves 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.

Group Accounts

The Group accounts are of equal status to the single entity accounts but to achieve a meaningful presentation to the reader of the accounts, they are positioned after the single entity financial statements and notes, starting at page 167.

Comprehensive Income and Expenditure Statement

	Gross Exp-enditure £000	Gross Income £000	2018/19 Net Exp -enditure £000	Restated Gross Exp-enditure £000	Gross Income £000	Restated 2017/18 Net Exp - enditure £000	Note
Adult Social Care	**140,563**	**(58,838)**	**81,725**	134,268	(63,025)	71,243	
Children & Family Services	**42,782**	**(10,310)**	**32,472**	39,532	(7,786)	31,746	
Communities & Housing	**47,345**	**(10,952)**	**36,393**	63,115	(9,936)	53,179	
Economy & Regeneration	**6,466**	**(2,799)**	**3,667**	7,333	(2,826)	4,507	
Education	**5,646**	**(3,372)**	**2,274**	6,183	(2,894)	3,289	
Health	**19,799**	**(3,091)**	**16,708**	19,371	(2,942)	16,429	
Reform & Governance	**49,029**	**(9,496)**	**39,533**	50,912	(9,321)	41,591	
Non Cash Limits	**76,028**	**(69,970)**	**6,058**	78,597	(72,896)	5,701	
Dedicated Schools Grant	**225,954**	**(206,925)**	**19,029**	217,210	(200,863)	16,347	
Housing Revenue Account	**31,532**	**(53,868)**	**(22,336)**	27,212	(53,969)	(26,757)	
Cost Of Services	**645,144**	**(429,621)**	**215,523**	643,733	(426,458)	217,275	
Other Operating Expenditure	**45,737**		**45,737**	41,791		41,791	8
Financing and Investment Income and Expenditure	**83,344**	**(51,003)**	**32,341**	60,677	(45,426)	15,251	9
Taxation and Non-Specific Grant Income		**(288,261)**	**(288,261)**		(292,168)	(292,168)	10
(Surplus) or Deficit on Provision of Services	**774,225**	**(768,885)**	**5,340**	746,201	(764,052)	(17,851)	
Items that will not be reclassified to the (Surplus)/Deficit on the Provision of Services							
(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets			**(7,595)**			(77,320)	
Re-measurement of the net defined benefit liability			**56,047**			(27,672)	
Items that may be reclassified to the (Surplus)/Deficit on the Provision of Services							
(Surplus)/Deficit from investments in equity instruments designated at Fair Value through Other Comprehensive Income			**(800)**				
(Surplus)/Deficit on revaluation of Available for Sale Financial Assets						(8,200)	
Other Comprehensive Income and Expenditure			**47,652**			(113,192)	
Total Comprehensive Income and Expenditure			**52,992**			(131,043)	

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 2017	(95,068)	(6,380)	(7,219)	0	(8,904)	(117,571)	(546,626)	(664,197)
Movement in reserves during 2017/18:								
Total Comprehensive Income and Expenditure	6,275	(24,126)				(17,851)	(113,192)	(131,043)
Adjustments between accounting basis and funding basis under regulations (Note 2)	(8,059)	28,080	(930)	0	(196)	18,895	(18,895)	0
(Increase)/Decrease in 2017/18	(1,784)	3,954	(930)	0	(196)	1,044	(132,087)	(131,043)
Balance at 31 March 2018 carried forward	(96,852)	(2,426)	(8,149)	0	(9,100)	(116,527)	(678,713)	(795,240)
Movement in reserves during 2018/19:								
Total Comprehensive Income and Expenditure	**24,640**	**(19,300)**				**5,340**	**47,652**	**52,992**
Adjustments between accounting basis and funding basis under regulations (Note 2)	**(19,515)**	**18,689**	**(5,294)**	**0**	**(1,860)**	**(7,980)**	**7,980**	**0**
(Increase)/Decrease in 2018/19	**5,125**	**(611)**	**(5,294)**	**0**	**(1,860)**	**(2,640)**	**55,632**	**52,992**
Balance at 31 March 2019 carried forward	**(91,727)**	**(3,037)**	**(13,443)**	**0**	**(10,960)**	**(119,167)**	**(623,081)**	**(742,248)**

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 2019 £000	31 March 2018 £000	Note
Property, Plant & Equipment			
- Council dwellings	**437,591**	410,109	
- other land and buildings	**512,263**	529,856	
- vehicles, plant, furniture and equipment	**14,619**	16,396	
- infrastructure	**352,935**	195,130	
- community assets	**1,705**	1,717	
- surplus assets not held for sale	**4,973**	5,029	
- assets under construction	**48,265**	162,451	
	1,372,351	1,320,688	11
Heritage Assets	**11,352**	11,466	12
Investment Property	**186,790**	200,681	13
Intangible Assets	**0**	232	14
Long Term Investments	**52,800**	52,000	37
Long Term Debtors	**86,454**	60,824	17
Long Term Finance lease Debtors	**13,700**	13,700	35
Long Term Assets	**1,723,447**	1,659,591	
Assets Held for Sale (short term)	**556**	586	19
Inventories	**112**	96	
Cash and Cash Equivalents	**37,511**	35,522	18
Short Term Investments	**7,020**	0	15a
Short Term Debtors	**66,560**	80,275	17
Current Assets	**111,759**	116,479	
Bank Overdraft	**(7,516)**	(34,324)	18
Short Term Creditors	**(69,592)**	(82,655)	20
Short Term Provisions	**(3,971)**	(7,183)	21
Short Term Borrowing	**(119,469)**	(129,482)	15a
Current Liabilities	**(200,548)**	(253,644)	
Long Term Creditors	**(9,543)**	(12,229)	20
Long Term Provisions	**(16,021)**	(6,465)	21
Long Term Borrowing	**(465,862)**	(411,859)	15a
Other Long Term Liabilities - Net pensions liability	**(376,653)**	(275,048)	36
Other Long Term Liabilities - Finance leases	**(13,700)**	(13,700)	35
Revenue Grants Receipts in Advance	**(3,210)**	(3,206)	32
Capital Grants Receipts in Advance	**(7,421)**	(4,679)	32
Long Term Liabilities	**(892,410)**	(727,186)	
Net Assets	**742,248**	795,240	
Usable reserves	**(119,167)**	(116,527)	MIRS
Unusable Reserves	**(623,081)**	(678,713)	23
Total Reserves	**(742,248)**	(795,240)	

These financial statements were authorised for issue by the Borough Treasurer on 24 July 2019.

Michael Cullen
Borough Treasurer
24 July 2019

Cash Flow Statement

	31 March 2019 £000	31 March 2018 £000	Note
Net (surplus) or deficit on the provision of services	**5,340**	(17,851)	
Adjustments to net surplus or deficit on the provision of services for non cash movements			
Depreciation	**(39,827)**	(41,357)	
Impairment and revaluation	**16,333**	7,399	
Amortisation	**(232)**	(243)	
Increase/(Decrease) in Impairment for bad debts	**(813)**	(2,710)	
Decrease/(Increase) in creditors	**6,610**	(10,124)	
Increase/(Decrease) in debtors	**(5,651)**	12,554	
Increase/(Decrease) in inventories	**16**	(37)	
Difference between IAS 19 pension cost and pensions paid	**(45,558)**	5,455	36
Carrying amount of non-current assets sold	**(18,593)**	(8,182)	
Movement in value of investment properties	**(15,795)**	(2,204)	
Movement in provisions	**(6,344)**	(5,381)	
	(109,854)	(44,830)	
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	**8,559**	6,872	
Revenue expenditure funded from capital under statute	**(2,268)**	(1,943)	
Capital grants	**51,359**	62,591	
Net cash flows from Operating Activities*	**(46,864)**	4,839	
Investing Activities	**61,318**	67,315	24
Financing Activities	**(43,251)**	(46,944)	25
Net (increase) or decrease in cash and cash equivalents	**(28,797)**	25,210	
Cash and cash equivalents and bank overdraft at the beginning of the reporting period	**1,198**	26,408	18
Cash and cash equivalents and bank overdraft at the end of the reporting period	**29,995**	1,198	18

*The following items are included within the operating activities:

	31 March 2019 £000	31 March 2018 £000
Interest Received	**(3,366)**	(2,317)
Interest Paid	**17,239**	16,332
Finance lease interest paid	**1,155**	1,137
Dividends Received	**(5,774)**	(4,813)
Finance lease interest received	**(1,412)**	(1,385)

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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.

2018/19	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	**70,491**		**6,650**	**77,141**	**4,584**	**81,725**
Children & Family Services	**29,550**		**310**	**29,860**	**2,612**	**32,472**
Communities & Housing	**22,766**		**(80)**	**22,686**	**13,707**	**36,393**
Economy & Regeneration	**2,776**		**178**	**2,954**	**713**	**3,667**
Education	**3,179**		**(151)**	**3,028**	**(754)**	**2,274**
Health	**16,188**		**231**	**16,419**	**289**	**16,708**
Reform & Governance	**28,617**		**1,826**	**30,443**	**9,090**	**39,533**
Non Cash Limits	**59,140**		**(3,626)**	**55,514**	**(49,456)**	**6,058**
Dedicated Schools Grant*	**1,360**	**0**	**(332)**	**1,028**	**18,001**	**19,029**
Housing Revenue Account		**(592)**	**(19)**	**(611)**	**(21,725)**	**(22,336)**
Net Cost Of Services	**234,067**	**(592)**	**4,987**	**238,462**	**(22,939)**	**215,523**
Other Income and Expenditure	**(237,942)**		**(3,773)**	**(241,715)**	**241,715**	**0**
Reported surplus	**(3,875)**					
Use of 2017/18 surplus to fund 2018/19 budget	**3,053**			**3,053**	**(3,053)**	**0**
Use of general fund surplus to top up earmarked reserves	**4,714**			**4,714**	**(4,714)**	**0**
Other Operating Expenditure				**0**	**45,737**	**45,737**
Financing and Investment Income and Expenditure				**0**	**32,341**	**32,341**
Taxation and Non-Specific Grant Income				**0**	**(288,261)**	**(288,261)**
Surplus or deficit	**3,892**	**(592)**	**1,214**	**4,514**	**826**	**5,340**
Opening General Fund and HRA Balances brought forward	**(17,118)**	**(1,105)**	**(81,055)**	**(99,278)**		
Less (Surplus)/ Deficit on General Fund and HRA Balance in Year	**3,892**	**(592)**	**1,214**	**4,514**		
Closing General Fund and HRA Balances carried forward	**(13,226)**	**(1,697)**	**(79,841)**	**(94,764)**		

* Non-General Fund deficit funded from General Fund

2017/18	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	70,394		(3,526)	66,868	4,375	71,243
Children & Family Services	28,717		364	29,081	2,665	31,746
Communities & Housing	23,163		(265)	22,898	30,281	53,179
Economy & Regeneration	2,715		1,168	3,883	624	4,507
Education	3,853		31	3,884	(595)	3,289
Health	16,412		(386)	16,026	403	16,429
Reform & Governance	28,256		2,694	30,950	10,641	41,591
Non Cash Limits	54,058		2,155	56,213	(50,512)	5,701
Dedicated Schools Grant		0	1,221	1,221	15,126	16,347
Housing Revenue Account		(105)	4,059	3,954	(30,711)	(26,757)
Net Cost Of Services	227,568	(105)	7,515	234,978	(17,703)	217,275
Other Income and Expenditure	(232,282)		(7,233)	(239,515)	239,515	0
Reported surplus	(4,714)					
Use of 2016/17 surplus to fund 2017/18 budget	3,575			3,575	(3,575)	0
Use of general fund surplus to top up earmarked reserves	3,132			3,132	(3,132)	0
Other Operating Expenditure				0	41,791	41,791
Financing and Investment Income and Expenditure				0	15,251	15,251
Taxation and Non-Specific Grant Income				0	(292,168)	(292,168)
Surplus or deficit	1,993	(105)	282	2,170	(20,021)	(17,851)
Opening General Fund and HRA Balances brought forward	(19,111)	(1,000)	(81,337)	(101,448)		
Less (Surplus)/ Deficit on General Fund and HRA Balance in Year	1,993	(105)	282	2,170		
Closing General Fund and HRA Balances carried forward	(17,118)	(1,105)	(81,055)	(99,278)		

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:

2018/19 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 Adjustments Note d £000	Total Adjustments £000
Adult Social Care	452	329	3,803		4,584
Children & Family Services	13	22	2,577		2,612
Communities & Housing	(524)	13,071	1,160		13,707
Economy & Regeneration	(238)	339	612		713
Education	14		(768)		(754)
Health			289		289
Reform & Governance	2,502	1,888	4,700		9,090
Non Cash Limits	(36,397)	(13,138)	81	(2)	(49,456)
Dedicated Schools Grant	(851)	11,866	8,112	(1,126)	18,001
Housing Revenue Account	(5,675)	(16,050)			(21,725)
Net Cost Of Services	**(40,704)**	**(1,673)**	**20,566**	**(1,128)**	**(22,939)**
Other Income and Expenditure from the Funding Analysis	241,715				241,715
Use of 2017/18 surplus to fund 2018/19 budget	(3,053)				(3,053)
Use of general fund surplus to top up earmarked reserves	(4,714)				(4,714)
Other Operating Expenditure	40,886	2,646		2,205	45,737
Financing and Investment Income and Expenditure	1,209	23,184	7,948		32,341
Taxation and Non-Specific Grant Income	(235,339)	(49,159)		(3,763)	(288,261)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**0**	**(25,002)**	**28,514**	**(2,686)**	**826**

2017/18 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 Adjustments Note d £000	Total Adjustments £000
Adult Social Care		696	3,679		4,375
Children & Family Services		160	2,505		2,665
Communities & Housing	(363)	29,517	1,127		30,281
Economy & Regeneration	(392)	390	626		624
Education			(595)		(595)
Health	67		336		403
Reform & Governance	2,430	3,718	4,493		10,641
Non Cash Limits	(37,391)	(13,551)	370	60	(50,512)
Dedicated Schools Grant	(859)	7,590	7,584	811	15,126
Housing Revenue Account	(5,272)	(25,439)			(30,711)
Net Cost Of Services	(41,780)	3,081	20,125	871	(17,703)
Other Income and Expenditure from the Funding Analysis	239,515				239,515
Use of 2016/17 surplus to fund 2017/18 budget	(3,575)				(3,575)
Use of general fund surplus to top up earmarked reserves	(3,132)				(3,132)
Other Operating Expenditure	40,972	(2,102)		2,921	41,791
Financing and Investment Income and Expenditure	1,065	5,692	8,494		15,251
Taxation and Non-Specific Grant Income	(233,065)	(60,729)		1,626	(292,168)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	0	(54,058)	28,619	5,418	(20,021)

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 funding from Other Income and Expenditure to Taxation and Non-specific Grant Income 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 Business Rates 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.

2018/19	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	**(27,231)**	**3,737**				**(23,494)**
Amortisation of intangible assets	**(232)**					**(232)**
Movements in the market value of investment properties	**(15,914)**	**119**				**(15,795)**
Revenue expenditure funded from capital under statute	**(2,268)**					**(2,268)**
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 and associated capital receipts	**(11,117)**	**1,082**	**(8,558)**			**(18,593)**
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to finance capital expenditure	**49,838**	**1,520**			**(1,860)**	**49,498**
Statutory provision for the repayment of debt	**10,320**					**10,320**
Principal repayments for transferred debt	**1,311**					**1,311**
Voluntary provision for the repayment of debt	**0**	**486**				**486**
Capital expenditure financed from revenue balances	**1,524**	**150**				**1,674**
Posting of HRA resources from revenue to the Major Repairs Reserve		**11,677**		**(11,677)**		**0**
Total Adjustments for Capital Purposes	**6,231**	**18,771**	**(8,558)**	**(11,677)**	**(1,860)**	**2,907**
Pensions Adjustments						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	**(49,141)**	**(82)**				**(49,223)**
Employer's pensions contributions and direct payments to pensioners payable in the year	**20,709**					**20,709**
Total Adjustments for Pensions	**(28,432)**	**(82)**	**0**	**0**	**0**	**(28,514)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure			**1,065**			**1,065**
Use of the Major Repairs Reserve to finance capital expenditure				**11,677**		**11,677**
Cash payments in relation to deferred capital receipts			**(6)**			**(6)**
Total Adjustments to Capital Resources	**0**	**0**	**1,059**	**11,677**	**0**	**12,736**
Other differences						
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	**(2,205)**		**2,205**			**0**
Financial Instruments (transferred to (or from) the Financial Instruments Adjustment Account)	**14**					**14**
Council tax and NDR (transferred to or from Collection Fund)	**3,763**					**3,763**
Holiday pay (transferred to the Accumulated Absences Reserve)	**1,114**					**1,114**
Total Adjustments for Other Differences	**2,686**	**0**	**2,205**	**0**	**0**	**4,891**
Total Adjustments	**(19,515)**	**18,689**	**(5,294)**	**0**	**(1,860)**	**(7,980)**

2017/18	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	(41,838)	7,880				(33,958)
Amortisation of intangible assets	(243)					(243)
Movements in the market value of investment properties	(2,204)					(2,204)
Revenue expenditure funded from capital under statute	(1,943)					(1,943)
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 and associated capital receipts	(2,888)	1,577	(6,871)			(8,182)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to finance capital expenditure	61,443	1,148			(196)	62,395
Statutory provision for the repayment of debt	9,099					9,099
Principal repayments for transferred debt	1,262					1,262
Voluntary provision for the repayment of debt	84	392				476
Capital expenditure financed from revenue balances	3,122	5,952				9,074
Posting of HRA resources from revenue to the Major Repairs Reserve		11,215		(11,215)		0
Total Adjustments for Capital Purposes	25,894	28,164	(6,871)	(11,215)	(196)	35,776
Pensions Adjustments						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(48,123)	(84)				(48,207)
Employer's pensions contributions and direct payments to pensioners payable in the year	19,588					19,588
Total Adjustments for Pensions	(28,535)	(84)	0	0	0	(28,619)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure			1,628			1,628
Use of the Capital Receipts Reserve to finance prior year capital expenditure			1,393			1,393
Use of the Major Repairs Reserve to finance capital expenditure				11,215		11,215
Cash payments in relation to deferred capital receipts			(1)			(1)
Total Adjustments to Capital Resources	0	0	3,020	11,215	0	14,235
Other differences						
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(2,921)		2,921			0
Financial Instruments (transferred to (or from) the Financial Instruments Adjustment Account)	12					12
Council Tax and Business Rates (transferred to or from Collection Fund)	(1,626)					(1,626)
Holiday pay (transferred to the Accumulated Absences Reserve)	(883)					(883)
Total Adjustments for Other Differences	(5,418)	0	2,921	0	0	(2,497)
Total Adjustments	(8,059)	28,080	(930)	0	(196)	18,895

3. Expenditure and Income Subjective Analysis

	Council 2018/19 £000	**VA Schools* 2018/19 £000**	**Total 2018/19 £000**	Council 2017/18 £000	VA Schools* 2017/18 £000	Total 2017/18 £000
Expenditure						
Employee Benefit Expenses	**242,256**	**26,131**	**268,387**	241,344	25,941	267,285
Other service expenses	**351,537**	**1,494**	**353,031**	341,135	1,186	342,321
Capital charges including depreciation and impairment	**23,726**		**23,726**	34,127		34,127
Financing and investment expenditure including interest	**83,344**		**83,344**	60,677		60,677
Levies	**40,886**		**40,886**	40,972		40,972
Payments to Housing Capital Receipts Pool	**2,205**		**2,205**	2,921		2,921
Losses/(gains) on disposal of assets/ impairment of assets held for sale	**2,646**		**2,646**	(2,102)		(2,102)
	746,600	**27,625**	**774,225**	719,074	27,127	746,201
Income						
Fees, charges and other service income**	**(119,775)**	**(1,487)**	**(121,262)**	(117,237)	(1,645)	(118,882)
Financing and investment income including interest	**(51,003)**		**(51,003)**	(45,426)		(45,426)
Income from council tax and non domestic rates	**(222,767)**		**(222,767)**	(216,217)		(216,217)
Government grants and contributions (Note 32)	**(347,715)**	**(26,138)**	**(373,853)**	(358,045)	(25,482)	(383,527)
	(741,260)	**(27,625)**	**(768,885)**	(736,925)	(27,127)	(764,052)
	5,340	**0**	**5,340**	(17,851)	0	(17,851)

* Voluntary aided school employees are not the employees of the Council but of the schools' Governing Bodies. Consequently, the employee benefit expenses and other transactions of voluntary aided schools have been disclosed separately.

** Further analysis of fees, charges and other service income is shown below:

	2018/19	2017/18
	£000	£000
HRA Rent	**(42,822)**	(43,618)
Social Care Charges	**(22,734)**	(21,035)
School income (excluding grants)	**(12,145)**	(11,981)
Water recharge income (HRA)	**(4,789)**	(4,590)
Parking charges	**(4,504)**	(4,205)
Intercouncil fees for services provided	**(4,086)**	(4,772)
Rents (HRA Communal)	**(3,544)**	(3,306)
Stockport CCG - Continuing healthcare packages	**(2,656)**	(2,737)
Other income (categories < £2m)	**(23,982)**	(22,638)
	(121,262)	(118,882)

On the whole, the Council's contracts with service recipients are straightforward exchange transactions which do not involve complex performance obligations, significant variable consideration, uncertain income or deferred payments.

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 2018/19 is 3.22% of the airport's capital. The asset is held at fair value and a valuation must be carried out annually.

A firm of financial experts and valuers has 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 2018/19. 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, 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). 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 relating to academy schools is recorded in the Council's Financial Statements.

Accounting for Schools non-current assets

The Code 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 the rights and obligations the legal owner has over the asset. An analysis of the number of schools by type is shown below:

Type of School	Nursery Schools	Primary schools	Secondary Schools	Special Schools	**31 March 2019 Total**	31 March 2018 Total	On/Off balance sheet
Community	4	53	5	6	**68**	70	On
Voluntary Controlled		8			**8**	8	Off
Voluntary Aided		16	3		**19**	20	Off
Maintained Schools	4	77	8	6	**95**	98	
Academies		7	5		**12**	10	Off
Total	**4**	**84**	**13**	**6**	**107**	108	

Community Schools

All Community Schools are owned by the Council, with the associated rights and obligations in relation to these belonging to the Council. As a result 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 £337m at 31 March 2019 (£353m at 31 March 2018).

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).

There is one community school that was delivered under a Private Finance Initiative contract under the Priority School Building Programme, funded by the Secretary of State for Education in 2016/17. The Education and Skills Funding Agency entered into delivery contract directly with the contractor for 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 makes 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. Consequently the school, valued at approximately £3m, has not been included in the Balance Sheet.

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 rights and obligations associated with these assets rest with the Trustees, for example, 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, with the Council having the associated rights and obligations in connection with ownership of the assets. These are 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.

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 Code 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.

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.

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.

Group Accounts

The Council has relationships with a number of companies over which it has varying degrees of control and influence. The Code requires that where a local authority has material financial interests and a significant level of control over an entity then it should prepare group accounts. 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. Further information about the Council's Group can be found in the Notes to the Group Accounts on page 172.

Property, Plant and Equipment
The valuation of the Council's Property, Plant and Equipment (PPE) is a significant area of estimation uncertainty. If the actual values differ from the assumptions used to value PPE, there is a risk of material adjustment to the carrying value of PPE within the next financial year. A reduction in estimated valuation would result in a reduction to the Revaluation Reserve and/or a loss recorded in the Comprehensive Income and Expenditure Statement. An increase in estimation valuation would result in an increase in the Revaluation Reserve and/or gain recorded in the Comprehensive Income and Expenditure Statement. As an example, the impact of a 10% change in the valuation of the Council's operational property would be £103m. Note 11, Property, Plant and Equipment, to the accounts sets out the Council's approach to valuation of its PPE.

Investment Assets
Investment properties are categorised, based on consideration of the criteria identified in IAS 40 Investment Property, as being held solely for rental income or capital appreciation or both. The assessment of Investment Properties using these criteria is subject to interpretation to determine if there is an operational reason for holding the properties, such as regeneration.

5. Material items of Income and Expenditure

School transferring to Academy Status
Meadowbank Primary School transferred to academy status on 1 April 2018.

The resulting loss on disposal amounting to £7.880m is disclosed within the Finance and Investment Income and Expenditure note. There is no impact on the General Fund as the loss is reversed out in the Movement in Reserves Statement.

Change in Fair Value of Investment Properties
There is a loss of £16.460m 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.

2017/18:
Bredbury Green Primary School transferred to academy status on 1 September 2017.

The resulting loss on disposal amounting to £3.488m is disclosed within the Finance and Investment Income and Expenditure note. There is no impact on the General Fund as the loss is reversed out in the Movement in Reserves Statement.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue on 30 May 2019 by the Borough Treasurer. This is the date up to which events after the balance sheet date have been considered and included where relevant.

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.

	Balance at 31 March 2018 £000	Increase/ Reduction in year £000	Reclassific-ations in year £000	**Balance at 31 March 2019 £000**
Primary Schools	(8,052)	499		**(7,553)**
Secondary Schools	(676)	232		**(444)**
Special Schools	(802)	(253)		**(1,055)**
Other School Balances	(224)	(371)	355	**(240)**
School Balances under Local Management Total	**(9,754)**	**107**	**355**	**(9,292)**
DSG Total	**(1,524)**	**(598)**	**(315)**	**(2,437)**
Schools Reserves Total	**(11,278)**	**(491)**	**40**	**(11,729)**
Transformation - Invest to Save Reserve	(8,221)	(1,166)	4,561	**(4,826)**
Transformation - Double Running Reserve	(2,960)	(1,097)		**(4,057)**
Workforce Investment/Change Reserve	(5,471)		971	**(4,500)**
Airport Reserve	(1,245)		370	**(875)**
Capital Programme Investment Reserve	(5,849)	(3,344)	(1,583)	**(10,776)**
Corporate Property Reserve	(1,478)	266		**(1,212)**
Infrastructure Investment Reserve	(2,001)	175		**(1,826)**
Digital by Design Reserve	(384)	1,487	(3,505)	**(2,402)**
Health and Social Care Integration Reserve	(5,414)	(2,266)	365	**(7,315)**
Equipment Refresh Reserve	(1,446)	150		**(1,296)**
Waste Smoothing Reserve	(3,800)		(200)	**(4,000)**
Traded Services Reserve	(580)	19	29	**(532)**
Devolution Reserve	(500)			**(500)**
Community Investment Fund		71	(1,000)	**(929)**
Children's Reserve	(1,225)	(180)		**(1,405)**
Adults Reserve	(1,475)	(267)		**(1,742)**
Demand Changes Reserve	(712)	48		**(664)**
Insurance Reserve	(10,000)	1,322	820	**(7,858)**
Collection Fund Reserve	(8,040)	3,789		**(4,251)**
Legislative and Statutory Requirements Reserve	(728)	221		**(507)**
Third Party Monies Reserve	(3,431)	3,389	(365)	**(407)**
Area Committee Reserves	(610)	44		**(566)**
Revenue Grant Reserve (includes ring-fenced reserves)	(1,778)	(1)	24	**(1,755)**
Revenue Contribution to Capital Outlay	(533)	(939)	(527)	**(1,999)**
Directorate Flexibility Reserve - Place	(187)			**(187)**
Directorate Flexibility Reserve - People	(138)	3		**(135)**
Directorate Flexibility Reserve - CSS	(250)			**(250)**
General Fund Earmarked Reserves	**(68,456)**	**1,724**	**(40)**	**(66,772)**
Schools and General Fund Earmarked Reserves	**(79,734)**	**1,233**	**0**	**(78,501)**
HRA Earmarked reserves	**(1,321)**	**(19)**	**0**	**(1,340)**
All Earmarked Reserves Total	**(81,055)**	**1,214**	**0**	**(79,841)**
Comparative figures for previous year	(81,337)	282	0	(81,055)

8. Other Operating Expenditure

	2018/19 £000	2017/18 £000
Levies	**40,886**	40,972
Losses/(gains) on the disposal of non current assets	**2,646**	(2,177)
Impairment of non-current asset for sale		75
Payments to the Government Housing Capital Receipts Pool	**2,205**	2,921
	45,737	41,791

9. Financing and Investment Income and Expenditure

	2018/19 Expenditure £000	**2018/19 Income £000**	**2018/19 Net £000**	2017/18 Expenditure £000	2017/18 Income £000	2017/18 Net £000
Interest payable and similar charges	**19,073**		**19,073**	17,870		17,870
Net interest on the net defined benefit liability	**32,374**	**(24,426)**	**7,948**	30,584	(22,090)	8,494
Interest receivable and similar income		**(4,798)**	**(4,798)**		(3,702)	(3,702)
Income and expenditure in relation to investment properties and changes in their fair value	**22,485**	**(15,563)**	**6,922**	8,071	(14,495)	(6,424)
Gains/ losses on trading accounts	**537**	**(442)**	**95**	664	(326)	338
Other investment income		**(5,774)**	**(5,774)**		(4,813)	(4,813)
Loss on disposal of academies	**7,880**		**7,880**	3,488		3,488
Impairment losses of financial Instruments	**995**		**995**			
	83,344	**(51,003)**	**32,341**	60,677	(45,426)	15,251

10. Taxation and Non-Specific Grant Income

	2018/19 £000	2017/18 £000
Capital grants and contributions	**(49,160)**	(60,729)
Council tax income	**(150,563)**	(142,255)
Non domestic rates	**(72,204)**	(73,962)
Non-ringfenced government grants	**(16,334)**	(15,222)
	(288,261)	(292,168)

11. Property, Plant and Equipment

Movements in 2018/19

	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 2018	**420,774**	**563,526**	**37,460**	**305,444**	**2,005**	**11,034**	**162,451**	**1,502,694**
Additions	**17,105**	**4,563**	**593**	**32,021**			**30,686**	**84,968**
Revaluation increases/ decreases to Revaluation Reserve	**5,620**	**(14,760)**						**(9,140)**
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	**4,803**	**347**						**5,150**
Impairment losses to Surplus or Deficit on the Provision of Services		**(95)**						**(95)**
Derecognition - Disposals	**(5,187)**	**(12,974)**				**(53)**		**(18,214)**
Reclassifications & Transfers	**5,615**	**2,307**	**9**	**136,701**		**(5,958)**	**(144,872)**	**(6,198)**
At 31 March 2019	**448,730**	**542,914**	**38,062**	**474,166**	**2,005**	**5,023**	**48,265**	**1,559,165**
Accumulated Depreciation and Impairment								
At 1 April 2018	**(10,665)**	**(33,670)**	**(21,064)**	**(110,314)**	**(288)**	**(6,005)**		**(182,006)**
Depreciation Charge	**(11,232)**	**(15,123)**	**(2,379)**	**(10,917)**	**(12)**	**(6)**		**(39,669)**
Depreciation written out to Revaluation Reserve	**54**	**16,657**						**16,711**
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	**10,611**	**667**						**11,278**
Derecognition - Disposals	**93**	**818**				**3**		**914**
Reclassifications & Transfers						**5,958**		**5,958**
At 31 March 2019	**(11,139)**	**(30,651)**	**(23,443)**	**(121,231)**	**(300)**	**(50)**	**0**	**(186,814)**
Net Book Value								
At 31 March 2019	**437,591**	**512,263**	**14,619**	**352,935**	**1,705**	**4,973**	**48,265**	**1,372,351**
At 1 April 2018	410,109	529,856	16,396	195,130	1,717	5,029	162,451	1,320,688

*Assets under construction included the A6 to Manchester Airport Relief Road which became operational during 2018/19.

Movements in 2017/18

	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 2017	392,709	495,511	37,514	280,110	2,005	11,034	114,013	1,332,896
Additions	20,671	21,043	2,762	17,434			59,006	120,916
Revaluation increases/ decreases to Revaluation Reserve	1,573	66,772						68,345
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	9,046	(10,901)						(1,855)
Impairment losses to Surplus or Deficit on the Provision of Services		(7,466)						(7,466)
Derecognition - Disposals	(4,129)	(3,709)	(8)					(7,846)
Reclassifications & Transfers	904	2,276	73	7,900			(10,568)	585
Other Movements **			(2,881)					(2,881)
At 31 March 2018	420,774	563,526	37,460	305,444	2,005	11,034	162,451	1,502,694
Accumulated Depreciation and Impairment								
At 1 April 2017	(10,337)	(33,250)	(20,959)	(100,365)	(276)	(5,999)		(171,186)
Depreciation Charge	(10,700)	(17,548)	(2,988)	(9,949)	(12)	(6)		(41,203)
Depreciation written out to Revaluation Reserve	190	10,161						10,351
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	10,049	6,457						16,506
Impairment losses to Surplus or Deficit on the Provision of Services		289						289
Derecognition - Disposals	133	221	2					356
Reclassifications & Transfers								0
Other Movements **			2,881					2,881
At 31 March 2018	(10,665)	(33,670)	(21,064)	(110,314)	(288)	(6,005)	0	(182,006)
Net Book Value								
At 31 March 2018	410,109	529,856	16,396	195,130	1,717	5,029	162,451	1,320,688
At 1 April 2017	382,372	462,261	16,555	179,745	1,729	5,035	114,013	1,161,710

**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 S Hopley, MRICS, who is employed by Amey Consulting, 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". 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.

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, 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 the 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 to 70 years for components, 150 years residual value
Other Buildings	Buildings 40 years
Vehicles, Plant and Equipment	Plant 10 years Equipment / ICT 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.

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:		420	14,619	352,935	1,705		48,265	417,944
Valued at current value in:								
2018/19	437,591	442,272				4,973		884,836
2017/18		6,936						6,936
2016/17		8,960						8,960
2015/16		32,494						32,494
2014/15		21,181						21,181
	437,591	**512,263**	**14,619**	**352,935**	**1,705**	**4,973**	**48,265**	**1,372,351**

Capital Commitments

Capital works are normally planned and carried out over a number of years. At 31 March 2019 the Council had £21.495m 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.

	2018/19 **£000**	2017/18 £000
Highways - A6 to Manchester Airport Relief Road	**8,692**	4,139
Housing schemes - affordable housing and new builds	**3,743**	9,026
Other Highways Schemes	**3,568**	2,294
Improvements to schools	**1,719**	143
Repairs and improvements to other Council properties	**1,349**	1,690
Highways Town Centre Access Package	**1,267**	3,325
Regeneration and Environmental Works	**1,157**	1,158
	21,495	21,775

The Council has entered into a loan agreement with Stockport Exchange Phase 3 Ltd on 2 October 2018 to advance the company £18.02m for the construction of an office on the site of Stockport Exchange. At 31 March 2019, £3.062m had been drawn down on the loan.

Various schools are being built and upgraded under the Priority School Building Programme (PSBP). The delivery of the PSBP is being managed by the Education and Skills Funding Agency (EFSA). The EFSA has entered into delivery contracts, using its Contractor Framework, for the building contracts. There is one school which is part of Phase 1, where work has commenced on site. There are three schools in Phase 2, one of which is on site (LA local delivery with partial grant funding from ESFA) and two are in the planning phase.

12. Heritage Assets

Movements in 2018/19

	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 2018	**6,803**	**4,876**	**250**	**724**	**12,653**
Additions	**22**				**22**
Transfers	**(2)**				**(2)**
Insurance revaluations		**24**			**24**
At 31 March 2019	**6,823**	**4,900**	**250**	**724**	**12,697**
Accumulated Depreciation and Impairment					
At 1 April 2018	**(1,187)**				**(1,187)**
Depreciation Charge	**(158)**				**(158)**
At 31 March 2019	**(1,345)**	**0**	**0**	**0**	**(1,345)**
Net Book Value					
At 31 March 2019	**5,478**	**4,900**	**250**	**724**	**11,352**
At 1 April 2018	5,616	4,876	250	724	11,466

Movements in 2017/18

	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 2017	6,633	5,836	666	724	13,859
Additions	161				161
Transfers	9				9
Insurance revaluations		(960)	(416)		(1,376)
At 31 March 2018	6,803	4,876	250	724	12,653
Accumulated Depreciation and Impairment					
At 1 April 2017	(1,033)				(1,033)
Depreciation Charge	(154)				(154)
At 31 March 2018	(1,187)	0	0	0	(1,187)
Net Book Value					
At 31 March 2018	5,616	4,876	250	724	11,466
At 1 April 2017	5,600	5,836	666	724	12,826

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 £3m at 31 March 2019.

Bramall Hall, a Tudor manor house, underwent an extensive restoration in 2016/17 and 2015/16 at a cost of around £2m, mostly funded from Heritage Lottery Fund Grant. 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; and,
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 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 on 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.

The insurance valuation was amended during 2017/18 to insure only specified objects over £0.005m.

Preservation and Management
<u>Buildings, statues, memorials and monuments</u>
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. 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 Capital 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 offered 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, before they are accepted into the collection.

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:

	2018/19 £000	2017/18 £000
Income including rental income	**(15,073)**	(14,495)
Expenditure	**6,690**	5,867
Net income from investment properties	**(8,383)**	(8,628)
(Gain)/Loss on disposal of investment properties	**(490)**	
Changes in Fair Value of Investment Properties (unrealised gains/losses)	**15,795**	2,204
	6,922	(6,424)

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 S Hopley, MRICS, who is employed by the Amey Consulting, 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 2018/19.

The Council's interests in Merseyway Shopping Centre, Hotel and Redrock Leisure complex have been valued by CBRE Ltd at 31 March 2019.

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 (£43.040m), Redrock Leisure Complex (£18.450m), Aurora Stockport (£15.467m), the Stockport Exchange Office (£12.000m) and the Stockport Exchange Hotel (£10.100m).

All of the Council's directly held investment assets, valued at £174.273m, 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 £9.515m, 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 9.0% and an initial yield of 8.07%.

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 (market yields). The overall valuation is sensitive to all of these assumptions and they are interrelated. The Hotel and Redrock have 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.

Highest and Best Use of Investment Properties
In estimating the fair value of the Council'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.

It is generally considered that that equivalent market yield is the most sensitive unobservable input for the valuation of investment assets.

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.

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.

As an illustration, sensitivity data for the two largest assets, comprising 35% of level 3 assets in the investment portfolio, is as follows:

- For Merseyway Shopping Centre, increasing/decreasing the yield by 0.5% reduces/increases the value by approximately £3m;
- For Redrock, increasing/decreasing the yield by 0.25% reduces/increases the value by approximately £0.7m.

The remaining portfolio, comprising approximately 300 assets, is very diverse and sensitivity data has not been provided.

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

	Investment Assets 2018/19 £000	**Assets Under Construction 2018/19 £000**	**Total 2018/19 £000**	Investment Assets 2017/18 £000	Assets Under Construction 2017/18 £000	Total 2017/18 £000
Balance at start of year	**198,189**	**2,492**	**200,681**	162,893	32,598	195,491
Additions:						
- Purchases	**626**	**546**	**1,172**	65		65
- Other expenditure	**1,752**		**1,752**	8,953		8,953
- Transfers	**36**	**(36)**		28,482	(30,106)	(1,624)
Disposal	**(1,020)**		**(1,020)**			
Net unrealised(losses) from fair value adjustments	**(15,795)**		**(15,795)**	(2,204)		(2,204)
Balance at end of the year	**183,788**	**3,002**	**186,790**	198,189	2,492	200,681

The net losses arising on revaluation in 2018/19 include £16.460m on the revaluation of Merseyway Shopping Centre.

The changes in fair value of investment property are attributable to Level 3 assets (£16.210m loss) and Level 2 assets (£0.415m gain). All other movements relate to Level 3 assets.

Assets under construction completed during 2017/18 include the Redrock and Aurora Stockport schemes and ongoing projects at 31 March 2018 and 31 March 2019 include Markets and Underbanks and Stockport Exchange Phase 3.

14. Intangible Fixed Assets

	2018/19 £000	2017/18 £000
Balance at start of year:		
- gross carrying amount	**3,188**	3,188
- accumulated amortisation	**(2,956)**	(2,713)
Net carrying amount at start of year	**232**	475
Amortisation for the year	**(232)**	(243)
Net carrying amount at end of year	**0**	232
Comprising:		
Gross carrying amounts	**3,188**	3,188
Accumulated amortisation	**(3,188)**	(2,956)
	0	232

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.

Non exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

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, 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

The following categories of financial instruments are carried in the Balance Sheet:

	Long-Term Balance at 31 March 2019 £000	**Current Balance at 31 March 2019 £000**	Long-Term Balance at 31 March 2018 Restated * £000	Current Balance at 31 March 2018 Restated * £000
Financial liabilities at amortised cost				
Borrowing:				
PWLB: maturity loans	**344,259**	**18,372**	292,231	222
PWLB: annuity loans				3
Market loans - LOBOs	**18,094**		18,103	
Market loans - converted LOBOs	**61,183**		61,196	
Market loans - other long-term loans	**40,329**		40,329	
Other local authorities +364 days (at start)				5,032
Temporary loans		**100,986**		124,225
Salix Loans	**1,997**	**111**		
Sub Total	**465,862**	**119,469**	411,859	129,482
Bank overdraft		**7,516**		34,324
Total	**465,862**	**126,985**	411,859	163,806
Trade Payables	**1,183**	**45,825**	969	50,102
Other Payables		**4,476**		5,590
Other Long-Term Liabilities at amortised cost				
Stockport Exchange Multi Story Car park finance lease	**13,700**		13,700	
Total Liabilities	**480,745**	**177,286**	426,528	219,498
Financial assets Loans and receivables				
Investments:				
Cash & Cash Equivalents				35,522
Financial assets at amortised cost				
Investments:				
Temporary investments		**7,020**		
Cash & Cash Equivalents		**37,511**		
Total		**44,531**		35,522
Financial assets				
Historic Cost				
Long-term investments	**100**		100	
Available-for-sale				
Long-term investments - Airport			51,900	
Fair Value through Other Comprehensive Income				
Long-term investments - Airport	**52,700**			
Other Long-Term Receivables at amortised cost				
Stockport Exchange Multi Story Carpark finance lease	**13,700**		13,700	
Total	**66,500**		65,700	
Receivables at amortised cost				
Trade Receivables	**1,454**	**37,053**	1,180	50,173
Other Loans	**23,712**	**189**	9,388	2,165
Loans to subsidiary companies	**58,088**	**3,506**	48,144	2,928
Total	**83,254**	**40,748**	58,712	55,266
Total Assets	**149,754**	**85,279**	124,412	90,788

* Reviewed under IFRS 9, reclassification of certain other receivables and payables under financial instruments definition within the Code. Everything is now classed as a financial instrument except taxation balances, i.e. Council tax, NDR and VAT, and payments and receipts in advance.

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 other loans figure of £23.901m 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).

- During 2018/19 an opportunity arose for the Council, as one of the nine districts along with Manchester City Council who are shareholders in Manchester Airport Group, to support the Airport Transformation Programme through shareholder loans. The investment is fully aligned to the economic and strategic priorities for GM and will help secure future dividend growth for the Council. The Council's total Manchester Airport Strategic Investment is £11.278m and is included in the Council's capital programme, funded by prudential borrowing.

- £3.062m loan to Stockport Exchange Phase 3 Ltd.

Lenders Option Borrowers Option (LOBO) loans of £17.5m have been included in long term borrowing as market loans but have an option 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.

During 2018/19 the Council took new long-term loans of £70m from the Public Works Loan Board reflected in the figures above.

The Council has temporary loans of £100.986m as at 31 March 2019. Temporary loans comprise money market loans at fixed interest rates, mainly with other local authorities, repayable within the next financial year.

During 2018/19 the Council received Salix funding of £2.108m which is interest free. Salix Finance Ltd provides interest-free Government funding to the public sector to improve their energy efficiency. If material, the effective interest rate of these loans should be calculated so that the value of the financial assistance provided by the lender to the Council can be separated from the financing cost of the transaction. The treatment reflects the economic substance of the transaction; the authority has received a loan on advantageous terms that will allow it to incur a greater amount of expenditure than would otherwise be the case. The gain represented by this opportunity however is not material.

Reclassification and remeasurement of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code and the remeasurements of carrying amounts then required.

	New classification at 1 April 2018		
	Carrying amount brought forward at 1 April 2018 £000	**Amortised Cost £000**	**Fair Value through other comprehensive income £000**
Previous Classifications:			
Investments:			
Loans and receivables			
- cash and cash equivalents	35,522	35,522	
Available for sale financial assets	51,900		51,900
Other long term receivables	13,700	13,700	
Loans and receivables - Debtors			
- trade debtors	15,052	15,052	
- long term debtors	12,680	12,680	
- loans to subsidiary companies	51,072	51,072	
Reclassified amounts as 1 April 2018	179,926	128,026	51,900

Application of classification requirements at 1 April 2018

The following judgements were made in reclassifying financial instruments at 1 April 2018.

Designation to Fair Value through Other Comprehensive Income

The Council has a 3.22% shareholding in Manchester Airport Holdings Limited and up to 31 March 2018 the shareholding was held as an ‘Available for Sale Financial Asset’ and measured at fair value each year. Any change in fair value was posted to Other Comprehensive Income and Expenditure and accumulated gains and losses have been held in an Available for Sale Financial Instruments Reserve.

With the adoption of accounting standard IFRS 9 Financial Instruments, the ‘Available for Sale Financial Asset’ category is no longer available. The new standard requires that investments in equity are classed as Fair Value through Profit and Loss unless there is an irrevocable election to designate the asset as Fair Value through Other Comprehensive Income. The investment in Manchester Airport Holdings Limited is an equity investment and as such, the default valuation method is any gains and losses on changes in fair value would be recognised through profit and loss.

The Manchester Airport Holdings Limited shareholding is a strategic investment and not held for trading and therefore the Council has opted to designate it as Fair Value through Other Comprehensive Income. This means that there is no impact on the revenue budget and the decision to designate to fair value through other comprehensive income is irrevocable. Any gains and losses on the valuation of the shareholding will therefore be transferred to a Financial Instruments Revaluation Reserve.

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 2019				
	Financial Liabilities measured at amortised cost £000	**Financial Assets measured at amortised cost £000**	**Financial Assets Fair Value through Other Comprehensive Income £000**	**Financial Assets at Historic Cost £000**	**Total £000**
Interest expense	19,073				**19,073**
Impairment losses of financial instruments		995			**995**
Total expense in (Surplus) or Deficit on the Provision of Services	**19,073**	**995**	**0**	**0**	**20,068**
Interest income		(4,798)			**(4,798)**
Dividend income			(5,636)	(138)	**(5,774)**
Total income in (Surplus) or Deficit on the Provision of Services	**0**	**(4,798)**	**(5,636)**	**(138)**	**(10,572)**
Unrealised Gain on revaluation			(800)		**(800)**
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**(800)**	**0**	**(800)**
Net (gain)/loss for the year	**19,073**	**(3,803)**	**(6,436)**	**(138)**	**8,696**

	Balance as at 31 March 2018			
	Financial Liabilities measured at amortised cost £000	Financial Assets Loans and Receivables £000	Financial Assets Available for Sale £000	Total £000
Interest expense	17,870			17,870
Total expense in (Surplus) or Deficit on the Provision of Services	17,870	0	0	17,870
Interest income Dividend income		(3,702)	 (4,813)	(3,702) (4,813)
Total income in (Surplus) or Deficit on the Provision of Services	0	(3,702)	(4,813)	(8,515)
Unrealised Gain on revaluation			(8,200)	(8,200)
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	(8,200)	(8,200)
Net (gain)/loss for the year	17,870	(3,702)	(13,013)	1,155

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**
Fair Value through Other Comprehensive Income			
Manchester Airport as at 31 March 2019	**Level 2**	**Earnings Based**	**52,700**
Manchester Airport as at 31 March 2018	Level 2	Earnings Based	51,900

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.

The valuation technique used 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 actual results for the six-month period to 30 September 2018 for the MAG, as presented in the Interim Report in addition to any further information that is publicly available. These shares are subject to an annual valuation. In 2018/19 this has seen an increase in value of £0.800m.

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 amortised cost and long-term receivables and payables 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, PWLB prevailing market certainty rates 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 under PWLB debt redemption procedures;
- 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

	31 March 2019		31 March 2018	
Financial Liabilities:	**Carrying amount £000**	**Fair value £000**	Carrying amount restated £000	Fair value restated £000
PWLB: maturity	**362,631**	**470,665**	292,453	392,175
PWLB: annuity			3	3
Market Loans - LOBOs	**18,094**	**25,203**	18,103	24,669
Market Loans - converted LOBOs	**61,183**	**81,974**	61,196	80,034
Market Loans - other long-term loans	**40,329**	**41,536**	40,329	40,711
Other Local Authorities + 364 days			5,032	5,023
Short-term borrowing	**100,986**	**100,986**	124,225	124,225
Salix Loans	**2,108**	**2,108**		
Bank overdraft	**7,516**	**7,516**	34,324	34,324
Trade and other payables	**51,484**	**51,484**	56,661	56,661
Stockport Exchange multi storey car park finance lease	**13,700**	**13,700**	13,700	13,700
Liabilities	**658,031**	**795,172**	646,026	771,525

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 £563.390m) 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 2019 is greater 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 2019, arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £470.665m 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 Council 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.

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid.

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 2019.

The fair value assessment above has been carried out on debt and investment instruments in excess of one year only. For instruments less than one year, the fair value is invariably immaterially different from the carrying amount due to the short term nature of the instrument.

(ii) Fair value of assets carried at amortised cost

	31 March 2019		31 March 2018	
Financial Assets:	**Carrying amount £000**	**Fair Value £000**	Carrying amount restated £000	Fair Value restated £000
Cash & Cash Equivalents	**37,511**	**37,511**	35,522	35,522
Deposits with banks and building societies	**7,020**	**7,020**		
Stockport Exchange multi storey car park finance lease	**13,700**	**13,700**	13,700	13,700
Trade receivables	**38,507**	**38,507**	51,353	51,353
Other loans	**23,901**	**67,547**	11,553	11,553
Loans to subsidiary companies	**61,594**	**61,594**	51,072	51,072
Assets	**182,233**	**225,879**	163,200	163,200

The fair value of some financial assets above is the same as the carrying amount because the Council's portfolio of financial assets includes 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 receivables are carried at cost as this is a fair approximation of their value.

Fair value of long-term receivables is significantly higher than carrying value due to the inclusion of the new airport loans in 2018/19 where the coupon rate of the loans is much higher than current market rates. This shows a significant notional future gain based on economic conditions at 31 March 2019, arising from a commitment by the airport to pay interest above current market rates.

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; and,

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 the maturity structure of its debt;
    - Its management of interest rate exposure;
    - 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 22 February 2018 and is available on the Council website. The key points within the strategy were:

- The Authorised Limit for 2018/19 was set at £815m. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was set at £795m. 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.

Risk management is carried out by the central treasury team, under policies approved by Council in the annual treasury management strategy. 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 organisation'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, Link 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;
- 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. 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 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 Council at the balance sheet date are detailed in the Treasury Management Policy Statement and Annual Investment Strategy.

The full investment strategy for 2018/19 was approved by Council on 22 February 2018 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 Council's maximum exposure to credit risk in relation to its investments in financial institutions of £44.531m 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 Council's deposits, but there was no evidence at the 31 March 2019 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 £000	**Trade Debtors £000**
Amounts as at 31 March 2019 (£000)	**44,531**	**12,122**
Historical Experience of Default	**0**	**12.50%**
Historical experience adjusted for market conditions as at 31 March 2019	**0**	**12.50%**
Estimated maximum exposure to default & uncollectability (£000s)	**0**	**1,516**
Amounts as at 31 March 2018 (£000)	35,522	15,052
Historical Experience of Default	0	10.86%
Historical experience adjusted for market conditions as at 31 March 2018	0	10.86%
Estimated maximum exposure to default & uncollectability (£000)	0	1,634

Of £37.053m current trade receivables, £12.122m relates to invoices raised for customer accounts.

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 £4.501m of the £12.122m balance is past its due date for payment (i.e. over 30 days). The past due amount can be analysed by age as follows:

	31 March 2019 **£000**	31 March 2018 £000
Less than one month	**7,621**	9,321
One to three months	**1,617**	2,309
Three to six months	**704**	954
Six months to one year	**664**	834
More than one year	**1,516**	1,634
Total	**12,122**	15,052

Amounts Arising from Expected Credit Losses

Impairments have been calculated for deposits held by the Council of £26.725m at 31 March 2019 using Historical Default Tables provide by Link Asset Services. The historic Risk of Default is based on the lowest long-term rating. There is no loss allowance under IFRS 9 where the counterparty is central government or a local authority, since the relevant statutory provisions prevent default. For these instruments the Expected Credit Loss is therefore nil. The historic default rates used in the calculation are from 2009-2018 for Fitch, Moody's and Standard and Poor. The calculation on the Council's investments showed the impairment loss to be immaterial and therefore no allowances have been made.

(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 Code. This seeks to ensure that cash is available when needed. If unexpected movements happen, the Council 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	**On 31 March 2019 £000**	On 31 March 2018 £000
Public Works Loans Board	**359,525**	289,750
Market debt - LOBOs	**17,500**	17,500
Market debt - converted LOBOs	**60,000**	60,000
Market debt - other long-term loans	**40,000**	40,000
Other Local Authorities +364 days		5,000
Temporary borrowing	**100,819**	124,119
Salix Loans	**2,108**	
Stockport Exchange Multi Story Carpark finance lease	**13,700**	13,700
Total	**593,652**	550,069
Less than 1 year	**118,986**	129,344
Between 1 and 2 years	**15,321**	18,056
Between 2 and 5 years	**28,001**	30,000
Between 5 and 10 years	**9,935**	21,261
More than 10 years	**421,409**	351,408
Total	**593,652**	550,069

In the more than 10 years category there are £17.5m of LOBOs which have an option date in the next 12 months.

(c) Refinancing and 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 22 February 2018).

	Approved minimum limits	Approved maximum limits	31 March 2019			31 March 2018		
			Fixed	Variable	Fixed	Fixed	Variable	Fixed
	%	%	£000	£000	%	£000	£000	%
Less than 1 year	0%	50%	118,967	19	20.0%	102,325	27,019	19.6%
Between 1 and 2 years	0%	50%	15,321		2.6%	18,056		3.5%
Between 2 and 5 years	0%	55%	28,001		4.7%	30,000		5.7%
Between 5 and 10 years	0%	55%	9,935		1.7%	21,261		4.1%
More than 10 years	50%	100%	421,409		71.0%	351,408		67.2%
Total			593,633	19	100.0%	523,050	27,019	100.0%

(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. 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 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2019 £000	31 March 2018 £000
Increase in interest payable on variable rate borrowings	1,183	1,466
Increase in interest receivable on variable rate investments	(263)	(148)
Impact on Surplus or Deficit on the Provision of Services	**920**	**1,318**
Share of overall impact debited to the HRA	66	66
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)	(103,618)	(85,934)

Short-term loans and investments (maturing within twelve months) has been included in the increase in interest payable and receivable, 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.

The increase in interest payable on variable rate borrowings includes LOBO loans as they include either annual or semi-annual option dates.

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 £52.7m 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 £52.7m shares are classified as an ‘equity instrument designated at fair value through other comprehensive income’, 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.

17. Short and Long Term Debtors including Payments in Advance

	Gross Balance £000	Impairment allowance £000	31 March 2019 Short Term £000	31 March 2019 Long Term £000	31 March 2019 Total £000
Financial Assets					
Trade Receivables					
Central Government	2,374		2,374		2,374
Other Local Authorities	15,586		15,586		15,586
NHS Bodies	2,984		2,984		2,984
Other Entities and Individuals:					
Social Services Clients	8,378	(912)	7,466		7,466
Housing Rents	1,833	(1,574)	259		259
Lease and rental receivables	3,833	(743)	3,090	1,454	4,544
Other Entities and Individuals	4,908	(286)	4,622		4,622
Subsidiary Undertakings	672		672		672
	40,568	(3,515)	37,053	1,454	38,507
Other Receivables - Loans					
Loans - Manchester Airport				20,429	20,429
Loans - Subsidiary Undertakings	3,506		3,506	58,088	61,594
Car and Other loans	189		189	3,283	3,472
	3,695	0	3,695	81,800	85,495
Total Receivables (Financial Assets)	44,263	(3,515)	40,748	83,254	124,002
Other Receivables (Non-Financial Assets)					
Central Government (Tax)	3,409		3,409		3,409
Housing Benefits	6,859	(4,396)	2,463		2,463
Collection Fund:					
Business Rates	6,724	(5,561)	1,163		1,163
Council Tax	12,425	(4,655)	7,770		7,770
Payments in advance:					
Lease and rental receivables	167		167	3,200	3,367
Other payments in advance	10,840		10,840		10,840
Total Receivables (Non-Financial Assets)	40,424	(14,612)	25,812	3,200	29,012
Total Receivables	84,687	(18,127)	66,560	86,454	153,014

There has been a restatement of balances at 31 March 2018 between categories to comply with the disclosures of IFRS 9.

	Gross Balance Restated £000	Impairment allowance Restated £000	31 March 2018 Short Term Restated £000	31 March 2018 Long Term £000	31 March 2018 Total £000
Financial Assets					
Trade Receivables					
Central Government	8,361		8,361		8,361
Other Local Authorities	17,830		17,830		17,830
NHS Bodies	5,087		5,087		5,087
Other Entities and Individuals:					
Social Services Clients	4,945	(680)	4,265		4,265
Housing Rents	2,159	(1,487)	672		672
Lease and rental receivables	2,621	(450)	2,171	1,180	3,351
Other Entities and Individuals	11,168	(391)	10,777		10,777
Subsidiary Undertakings	1,010		1,010		1,010
	53,181	(3,008)	50,173	1,180	51,353
Other Receivables - Loans					
Loans - Manchester Airport				9,151	9,151
Loans - Subsidiary Undertakings	2,928		2,928	48,144	51,072
Car and Other loans	2,165		2,165	237	2,402
	5,093	0	5,093	57,532	62,625
Total Receivables (Financial Assets)	58,274	(3,008)	55,266	58,712	113,978
Other Receivables (Non-Financial Assets)					
Central Government (Tax)	7,246		7,246		7,246
Housing Benefits	5,564	(4,853)	711		711
Collection Fund:					
Business Rates	7,104	(4,779)	2,325		2,325
Council Tax	12,716	(4,674)	8,042		8,042
Payments in advance:					
Lease and rental receivables	768		768	2,112	2,880
Other payments in advance	5,917		5,917		5,917
Total Receivables (Non-Financial Assets)	39,315	(14,306)	25,009	2,112	27,121
Total Receivables	97,589	(17,314)	80,275	60,824	141,099

The impairment (loss) allowance for trade and lease receivables is as follows:

	2018/19 **£000**
Balance at beginning of year	**(3,008)**
(Increase)/decrease in loss allowance recognised in Finance and Investment Income and Expenditure	**(995)**
Receivables written off during the year	**488**
Balance at end of year	**(3,515)**

The loss allowance for bad debts has been calculated based on life time expected credit losses (simplified approach) for trade and lease receivables, including HRA rental arrears.
Trade receivables have been collectively assessed according to the groupings shown in the Note, for the purposes of calculating expected credit losses. Write offs occur only when all possible debt recovery procedures have been unable to secure payment.

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 2019 £000	Balance at 31 March 2018 £000
Cash and bank balances	**17,786**	24,472
Short term investments, considered to be cash equivalents	**19,725**	11,050
	37,511	35,522
Bank Overdraft	**(7,516)**	(34,324)
	29,995	1,198

19. Assets held for Sale

	Current 31 March 2019 £000	Current 31 March 2018 £000
Balance at start of year	**586**	1,080
Transfers	**243**	273
Impairment losses	**0**	(75)
Assets sold	**(273)**	(692)
Balance at end of year	**556**	586

There are no non-current assets held for sale at 31 March 2019 (31 March 2018 – Nil).

20. Short and Long Term Creditors including Receipts in Advance

	31 March 2019 Short Term £000	31 March 2019 Long Term £000	31 March 2019 Total £000
Financial Liabilities			
Trade Payables			
Central Government	**(2,484)**		**(2,484)**
Other Local Authorities	**(9,771)**		**(9,771)**
NHS Bodies	**(2,349)**		**(2,349)**
Other Entities and Individuals	**(28,143)**		**(28,143)**
Subsidiary Undertakings	**(3,078)**		**(3,078)**
Finance Lease Payables		**(1,183)**	**(1,183)**
	(45,825)	**(1,183)**	**(47,008)**
Other Payables			
Employees Accumulated Absences	**(4,476)**		**(4,476)**
	(50,301)	**(1,183)**	**(51,484)**
Other Trade Payables (Non-Financial Liabilities)			
Central Government (Tax)	**(3,996)**		**(3,996)**
Debt administered by other Councils	**(1,392)**	**(2,967)**	**(4,359)**
Collection Fund:			
Business Rates	**(2,523)**		**(2,523)**
Council Tax	**(2,065)**		**(2,065)**
Receipts in advance:			
Lease and rental receipts in advance	**(919)**	**(5,356)**	**(6,275)**
Social Care receipts in advance	**(2,978)**		**(2,978)**
Other receipts in advance	**(5,418)**	**(37)**	**(5,455)**
	(19,291)	**(8,360)**	**(27,651)**
Total Payables	**(69,592)**	**(9,543)**	**(79,135)**

There has been a restatement of balances at 31 March 2018 between categories to comply with the disclosure requirements of IFRS 9.

	31 March 2018 Short Term Restated £000	31 March 2018 Long Term £000	31 March 2018 Total £000
Financial Liabilities			
Trade Payables			
Central Government	(2,226)		(2,226)
Other Local Authorities	(10,707)		(10,707)
NHS Bodies	(2,580)		(2,580)
Other Entities and Individuals	(31,287)		(31,287)
Subsidiary Undertakings	(3,302)		(3,302)
Finance Lease Payables		(969)	(969)
	(50,102)	(969)	(51,071)
Other Payables			
Employees Accumulated Absences	(5,590)		(5,590)
	(55,692)	(969)	(56,661)
Other Trade Payables (Non-Financial Liabilities)			
Central Government (Tax)	(3,899)		(3,899)
Debt administered by other Councils		(5,670)	(5,670)
Collection Fund:			
Business Rates	(3,717)		(3,717)
Council Tax	(1,933)		(1,933)
Receipts in advance:			
Lease and rental receipts in advance	(83)	(5,547)	(5,630)
Social Care receipts in advance	(3,192)		(3,192)
Other receipts in advance	(14,139)	(43)	(14,182)
	(26,963)	(11,260)	(38,223)
Total Payables	(82,655)	(12,229)	(94,884)

21. Provisions

	Insurance Fund £000	Business Rates Appeals £000	Planning Appeals £000	Other Provisions £000	Total £000	Comparative figures for 2017/18 £000
Long term						
Balance 31 March 2018	(3,565)	(2,900)			**(6,465)**	(5,235)
Increases in year	(1,388)	(8,168)			**(9,556)**	(1,710)
Decreases in year						480
Balance as at 31 March 2019	**(4,953)**	**(11,068)**	**0**	**0**	**(16,021)**	(6,465)
Short term						
Balance 31 March 2018	(746)	(6,414)	(23)		**(7,183)**	(3,032)
Increases in year	(395)			(499)	**(894)**	(6,086)
Decreases in year		4,083	23		**4,106**	1,935
Balance as at 31 March 2019	**(1,141)**	**(2,331)**	**0**	**(499)**	**(3,971)**	(7,183)
Total Provisions	**(6,094)**	**(13,399)**	**0**	**(499)**	**(19,992)**	(13,648)

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).

Business Rates Appeals Provision

As part of the Greater Manchester 100% Business Rates Retention Pilot, the Council is responsible for 99% (1% relates to GMCA Mayoral General (including Fire Services) of the cost as a result of successful Business Rates appeals by businesses. The Council has therefore recognised an appeals provision in its accounts for 99% of the expected cost.

The Council's appeals provision is £13.399m as at 31 March 2019 and is split across two Business Rates valuation lists; appeals relating to the 2010 Business Rates valuation list and appeals relating to the 2017 Business Rates valuation list.

- The 2010 valuation list appeals provision is calculated using the Valuation Office Agency (VOA) list of appeals as at 31 March 2019. The list has been analysed to assess the likelihood of appeals being successful and potential cost as a result.
- The 2017 valuation list appeal provision is calculated using the multiplier adjustment included in the Business Rates Multiplier. This was included in the multiplier to ensure local authorities were able to raise sufficient revenue to

cover the expected cost of successful appeals by businesses against their new rateable values following the 2017 Revaluation.

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.

Other Provisions
The Other Provisions represent amounts set aside by the Council to meet potential future liabilities which are expected to be settled within the next 12 months.

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	Capital Adjustment Account	Financial Instruments Adjustment Account	Deferred Capital Receipts Reserve	Pensions Reserve	Collection Fund Adjustment Account	Accumulated Absences Account	Available for Sale Financial Instruments Reserve	Financial Instruments Revaluation Reserve	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017 carried forward	(190,130)	(622,130)	981	(13,828)	308,175	(915)	4,707	(33,486)		(546,626)
Movement in reserves during 2017/18:										
Other Comprehensive Income and Expenditure	(77,320)				(27,672)			(8,200)		(113,192)
Movements to other reserves	9,113	(59,125)	(12)	1	28,619	1,626	883			(18,895)
Net (Increase)/ Decrease in 2017/18	(68,207)	(59,125)	(12)	1	947	1,626	883	(8,200)		(132,087)
Balance at 31 March 2018 carried forward	**(258,337)**	**(681,255)**	**969**	**(13,827)**	**309,122**	**711**	**5,590**	**(41,686)**		**(678,713)**
Movement in reserves during 2018/19:										
Changes due to IFRS 9 restatement								**41,686**	**(41,686)**	
Other Comprehensive Income and Expenditure	**(7,595)**				**56,047**				**(800)**	**47,652**
Movements to other reserves	**12,749**	**(28,398)**	**(14)**	**6**	**28,514**	**(3,763)**	**(1,114)**			**7,980**
Net (Increase)/ Decrease in 2018/19	**5,154**	**(28,398)**	**(14)**	**6**	**84,561**	**(3,763)**	**(1,114)**	**41,686**	**(42,486)**	**55,632**
Balance at 31 March 2019 carried forward	**(253,183)**	**(709,653)**	**955**	**(13,821)**	**393,683**	**(3,052)**	**4,476**	**0**	**(42,486)**	**(623,081)**

(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.

	2018/19 £000	**2018/19 £000**	2017/18 £000	2017/18 £000
Balance at beginning of the year		**(258,337)**		(190,130)
Upward revaluation of assets	**(13,854)**		(80,875)	
Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	**6,259**		3,555	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(7,595)**		(77,320)
Difference between fair value depreciation and historical cost depreciation	**6,297**		6,578	
Accumulated gains on assets sold or scrapped	**6,452**		2,535	
Amount written off to the Capital Adjustment Account		**12,749**		9,113
Balance at end of year		**(253,183)**		(258,337)

(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.

	2018/19 £000	**2018/19 £000**	2017/18 £000	2017/18 £000
Balance at beginning of the year		**(681,255)**		(622,130)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non -current assets	**39,827**		41,357	
Revaluation (gains)/losses and impairment losses on Property, Plant and Equipment	**(16,333)**		(7,399)	
Charge for impairment of assets held for sale				
Amortisation of intangible assets	**232**		243	
Revenue expenditure funded from capital under statute	**2,268**		1,943	
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	**12,141**		5,647	
	38,135		41,791	
Difference between fair value depreciation and historical cost depreciation	**(6,297)**		(6,578)	
Net written out amount of the cost of non-current assets consumed in the year		**31,838**		35,213
Capital financing applied in the year:				
Receipt of capital loans	**3,722**		1,420	
Repayment of loans	**(3,722)**		(1,420)	
Use of the Capital Receipts Reserve to finance new capital expenditure	**(1,065)**		(1,628)	
Use of the Capital Receipts Reserve to finance prior capital expenditure			(1,393)	
Use of the Major Repairs Reserve to finance new capital expenditure	**(11,677)**		(11,215)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**(40,517)**		(53,756)	
Application of grants and contributions to capital financing from the Capital Grants Unapplied Account	**(8,981)**		(8,639)	
Statutory provision for the financing of capital investment and charged against the General Fund and HRA balances	**(10,320)**		(9,099)	

Capital expenditure charged against the General Fund and HRA balances	**(1,674)**		(9,074)	
Principal repayments for transferred debt and deferred purchase scheme	**(1,311)**		(1,262)	
Voluntary revenue provision for capital financing	**(486)**		(476)	
		(76,031)		(96,542)
Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement		**15,795**		2,204
Balance at end of the year		**(709,653)**		(681,255)

(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.

	2018/19 £000	2017/18 £000
Balance at beginning of the year	**969**	981
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	**(14)**	(12)
Balance at end of the year	**955**	969

(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.

	2018/19 £000	2017/18 £000
Balance at beginning of the year	**(13,827)**	(13,828)
Transfer to the Capital Receipts Reserve upon receipt of cash	**6**	1
Balance at end of the year	**(13,821)**	(13,827)

(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.

	2018/19 £000	2017/18 £000
Balance at beginning of the year	**309,122**	308,175
Remeasurements of the net defined benefit liability/asset	**56,047**	(27,672)
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	**49,223**	48,207
Employer's pensions contributions and direct payments to pensioners payable in the year	**(20,709)**	(19,588)
Balance at end of the year	**393,683**	309,122

(f) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business 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.

	2018/19 £000	2017/18 £000
Balance at beginning of the year	**711**	(915)
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	**(3,763)**	1,626
Balance at end of the year	**(3,052)**	711

(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, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2018/19 £000	2018/19 £000	2017/18 £000	2017/18 £000
Balance at beginning of the year		**5,590**		4,707
Settlement or cancellation of accrual made at the end of the preceding year	**(5,590)**		(4,707)	
Amounts accrued at the end of the current year	**4,476**		5,590	
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		**(1,114)**		883
Balance at end of the year		**4,476**		5,590

(h) Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contained the gains made by the Council arising from increases in the value of its investments that had quoted market prices or otherwise did not have fixed or determinable payments. The reserve was transferred to the Financial Instruments Revaluation Reserve on 1 April 2018 due the re-classification of the financial asset (investment in Manchester Airport) under IFRS 9.

	2018/19 £000	2017/18 £000
Balance at beginning of the year	**(41,686)**	(33,486)
Transfer to Financial Instruments Revaluation Reserve on change of classification of financial asset	**41,686**	
(Upward)/downward revaluation of investment - Manchester Airport		(8,200)
Balance at end of the year	**0**	(41,686)

(i) Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve was created on 1 April 2018 due to the reclassification of the Available for Sale asset (investment in Manchester Airport) to an equity instrument designated at Fair Value through other Comprehensive Income. It contains gains made by the Council arising from increases in the value of this investment. 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.

	2018/19 £000	2017/18 £000
Balance at beginning of the year	**0**	
Transfer from Available for Sale Financial Instruments Reserve on change of classification of financial asset	**(41,686)**	
(Upward)/downward revaluation of investment - Manchester Airport	**(800)**	
Balance at end of the year	**(42,486)**	0

24. Note to the Cash Flow Statement – Investing Activities

	31 March 2019 £000	31 March 2018 £000
Purchase of property, plant and equipment, investment property and intangible assets	**95,330**	131,599
Purchase of short-term and long-term investments	**20,200**	
Other capital payments for investing activities	**28,848**	13,179
Other payment for investing activities	**88**	41
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(8,558)**	(6,872)
Capital grants	**(57,532)**	(68,747)
Proceeds from short-term and long-term investments	**(13,200)**	
Other receipts from investing activities	**(3,858)**	(1,885)
	61,318	67,315

25. Note to the Cash Flow Statement – Financing Activities

	31 March 2019 £000	31 March 2018 £000
Cash receipts of short and long-term borrowing	**(566,083)**	(673,000)
Repayments of short and long-term borrowing	**523,811**	622,035
	(42,272)	(50,965)
Other receipts from financing activities	**(979)**	4,021
	(43,251)	(46,944)

The reconciliation of liabilities arising from financing activities is as follows:

	Balance at 1 April 2018 £000	**Financing cash flows £000**	**Non cash changes £000**	**Balance at 31 March 2019 £000**
PWLB Loans	**(292,456)**	**(69,775)**	**(400)**	**(362,631)**
LOBOS/Converted LOBOS	**(79,299)**		**22**	**(79,277)**
Temporary loans	**(129,257)**	**28,300**	**(29)**	**(100,986)**
Market Loans - BAE	**(40,329)**			**(40,329)**
Salix Loan		**(2,108)**		**(2,108)**
	(541,341)	**(43,583)**	**(407)**	**(585,331)**
Lease liabilities	**(13,700)**			**(13,700)**
Transferred debt	**(5,670)**	**1,311**		**(4,359)**
	(560,711)	**(42,272)**	**(407)**	**(603,390)**

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.

	2018/19			2017/18		
	Turnover £000	**Total Expenditure £000**	**(Surplus) /Deficit £000**	Turnover £000	Total Expenditure £000	Deficit £000
Building Control	**(332)**	**277**	**(55)**	(285)	307	22
Stockport Market	**(110)**	**260**	**150**	(41)*	357	316
	(442)	**537**	**95**	(326)	664	338

*Market income was reduced due to a one off VAT assessment of £0.143m on market tolls dating back four years.

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.

From January 2019 Stockport Market is now managed by Markets Place Management Limited (a company not related to the Council). The above figures relate to 9 months from April 2018 to December 2018.

27. Pooled Budget Arrangements

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

The Council and Stockport Clinical Commissioning Group (CCG) work in partnership under a Section 75 Agreement to jointly commission a range of services from within a pooled fund, including the Better Care Fund (BCF). The Health and Care Integrated Commissioning Board, which oversees the arrangement, is made up of both Council and Stockport CCG representatives, with neither party having overall control. The Board is responsible for re-profiling the agreed funding put in to the pooled budget from the Council and Stockport CCG aligned to Points of Delivery and has strategic oversight of the financial position.

The Council and Stockport CCG are each responsible for the delivery of service. The Council has considered the arrangement under the relevant accounting standard and determined that it is a joint operation. As a result, the Council accounts for its share of the fund's assets, liabilities, expenditure and income. Any outturn surpluses or deficits are retained by the responsible lead for that service.

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 2018/19 and 2017/18.

The £20.014m 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.

Pooled Budget Statement

2018/19	**Prevention £000**	**Borough-wide £000**	**Community / Out of Hospital £000**	**Acute £000**	**Total £000**
Funding provided to the Pooled Budget					
Stockport Council	(20,681)	(7,617)	(72,167)		**(100,465)**
Stockport CCG	(156)	(3,900)	(28,022)	(73,056)	**(105,134)**
Total	**(20,837)**	**(11,517)**	**(100,189)**	**(73,056)**	**(205,599)**
Expenditure met from the Pooled Budget					
Stockport Council	20,526	7,386	73,147		**101,059**
Stockport CCG	140	3,911	27,598	75,440	**107,089**
Total	**20,666**	**11,297**	**100,745**	**75,440**	**208,148**
Net (surplus)/deficit arising from the pooled budget in year	**(171)**	**(220)**	**556**	**2,384**	**2,549**
Net (surplus)/deficit split by each partner:					
Stockport Council	(155)	(231)	980		**594**
Stockport CCG	(16)	11	(424)	2,384	**1,955**
Total	**(171)**	**(220)**	**556**	**2,384**	**2,549**

2017/18	Prevention £000	Borough-wide £000	Community/ Out of Hospital £000	Acute £000	Total £000
Funding provided to the Pooled Budget					
Stockport Council	(21,236)	(7,224)	(72,199)		(100,659)
Stockport CCG	(136)	(4,586)	(27,059)	(70,588)	(102,369)
Total	(21,372)	(11,810)	(99,258)	(70,588)	(203,028)
Expenditure met from the Pooled Budget					
Stockport Council	21,023	6,996	73,134		101,153
Stockport CCG	136	4,596	26,906	71,417	103,055
Total	21,159	11,592	100,040	71,417	204,208
Net (surplus) / deficit arising from the pooled budget in year	(213)	(218)	782	829	1,180
Net (surplus) / deficit split by each partner:					
Stockport Council	(213)	(228)	935		494
Stockport CCG		10	(153)	829	686
Total	(213)	(218)	782	829	1,180

28. Members' Allowances

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

	2018/19 £000	2017/18 £000
Allowances	**932**	916
Expenses	**2**	4
Total	**934**	920

29. Officer Remuneration

Senior Officer Remuneration for 2018/19 is provided in the table below.

Post Holder		Salary, Fees & Allowances £	Expenses Allowance £	Benefits in Kind £	Employers Pension Contribution £	Note
Chief Executive - P. Smith	**2018/19**	**150,227**	**0**	**0**	**27,191**	A
	2017/18	82,804	0	0	14,739	
Chief Executive	**2018/19**	**0**	**0**	**0**	**0**	B
	2017/18	7,710	0	0	0	
Deputy Chief Executive - L. Donnan	**2018/19**	**136,797**	**846**	**0**	**24,760**	C
	2017/18	157,613	846	0	25,389	
Corporate Director, Services to Place	**2018/19**	**128,935**	**0**	**0**	**23,337**	
	2017/18	127,032	101	0	22,514	
Corporate Director, Services to People	**2018/19**	**0**	**0**	**0**	**0**	D
	2017/18	134,394	433	0	23,887	
Borough Treasurer	**2018/19**	**97,719**	**0**	**12**	**17,687**	E
	2017/18	85,674	0	1,028	15,180	
Director of Adult Social Care	**2018/19**	**95,465**	**1,102**	**0**	**17,279**	F
	2017/18	7,712	92	0	1,373	
Director of Children's Services	**2018/19**	**121,727**	**963**	**0**	**22,016**	G
	2017/18	10,503	80	0	1,869	
Director of Public Health - 01 April 2018 to 31 August 2018	**2018/19**	**16,529**	**0**	**0**	**0**	
	2017/18	57,741	0	0	0	
Director of Public Health - 01 September 2018 to 31 March 2019	**2018/19**	**58,497**	**78**	**98**	**10,588**	
	2017/18	0	0	0	0	
Head of Legal, Democratic Governance - 01 April 2017 to 26 October 2017	**2018/19**	**0**	**0**	**0**	**0**	H
	2017/18	29,298	0	0	6,139	
Interim Head of Legal, Democratic Governance - 5 April 2018 to 21 October 2018	**2018/19**	**51,353**	**0**	**0**	**1,131**	I
	2017/18	0	0	0	0	
Head of Legal, Democratic Governance - 22 October 2018 to 31 March 2019	**2018/19**	**39,842**	**0**	**0**	**0**	J
	2017/18	0	0	0	0	

Note	Notes to the Senior Officer Remuneration Table
A	The Chief Executive joined the Council on 4 September 2017.
B	The Chief Executive left the Council on 16 April 2017.
C	The Deputy Chief Executive was the interim Chief Executive between 17 April 2017 and 4 September 2017, and was also the Monitoring Officer between 26 October 2017 and 5 April 2018. The Deputy Chief Executive also received payments for responsibilities discharged at Elections and are funded by 3rd Parties in 2017/18.
D	The Corporate Director, Services to People left the Council on 31 March 2018. Between 1 April 2017 and 28 February 2018 the Corporate Director, Service to People held the Statutory Role of Director of Children's Services, Director of Adult Social Care and Chief Education Officer.
E	With effect from 8 November 2018 the Borough Treasurer took the role of Strategic Lead for IT.
F	With effect from 1 March 2018 the Director of Operational Social Care was assigned the Statutory Role of Director of Adult Social Care previously assigned to the Corporate Director, Services to People.
G	With effect from 1 March 2018 the Service Director - Child Safeguarding & Prevention Services was assigned the Statutory Roles of Director of Children's Services & Chief Education Officer previously assigned to the Corporate Director, Services to People.
H	The Head of Legal and Democratic Governance was the Monitoring Officer from 1 April 2017 to 26 October 2017.
I	The Interim Head of Legal and Democratic Services took the role of Monitoring Officer from the Deputy Chief Executive of 5 April 2018 to 21 October 2018.
J	The Head of Legal and Democratic Services and the role of Monitoring Officer was appointed to on 22 October 2018.

The table below lists the Council's Senior Officers, their statutory roles and areas of responsibility as at 31 March 2019.

Officer	Statutory Role	Areas of Responsibility
Chief Executive	Head of Paid Service, Council Returning Officer	All Council activities
Deputy Chief Executive		Adult Social Care and Corporate and Support Services including: 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 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, Audit and Insurance, Revenues and Benefits, Customer Services, Advice and Information, STaR Procurement and Strategic Lead for IT.
Director of Adult Social Care	Director of Adult Social Care	Health and Well-being, Business Intelligence, Service Redesign, Market Development, Quality and Commissioning, Disability Services, Older Peoples Services, Short Term Support and Service Integration.
Director of Children's Services	Director of Children's Services & Chief Education Officer	Early Help and Prevention, Safeguarding Children, Children's Disability Partnership, Children's Social Care, Supporting Families, School Improvement, SEN and Inclusion, Participation and Education, School Services, Youth Offending, Commissioning School Places and School Effectiveness.
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.
Head of Legal and Democratic Governance	Monitoring Officer	Legal and Democratic Governance

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

Remuneration Band	**2018/19**				
	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 to £54,999	**0**	**2**	**55**	**20**	**77**
£55,000 to £59,999	**0**	**2**	**27**	**18**	**47**
£60,000 to £64,999	**0**	**2**	**28**	**18**	**48**
£65,000 to £69,999	**0**	**1**	**20**	**3**	**24**
£70,000 to £74,999	**0**	**1**	**7**	**2**	**10**
£75,000 to £79,999	**0**	**1**	**2**	**1**	**4**
£80,000 to £84,999	**0**	**2**	**0**	**3**	**5**
£85,000 to £89,999	**0**	**0**	**1**	**0**	**1**
£90,000 to £94,999	**0**	**0**	**1**	**2**	**3**
£95,000 to £99,999	**0**	**0**	**1**	**0**	**1**
£100,000 to £104,999	**0**	**0**	**1**	**0**	**1**
£105,000 to £109,999	**0**	**1**	**1**	**1**	**3**
£110,000 to £114,999	**0**	**0**	**0**	**0**	**0**
£115,000 to £119,999	**1**	**0**	**0**	**0**	**1**
£120,000 to £124,999	**0**	**0**	**0**	**0**	**0**
£125,000 to £129,999	**0**	**0**	**0**	**0**	**0**
£130,000 to £134,999	**0**	**0**	**0**	**1**	**1**
Total	**1**	**12**	**144**	**69**	**226**

Remuneration Band	2017/18				
	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 to £54,999	0	2	44	18	64
£55,000 to £59,999	0	1	27	22	50
£60,000 to £64,999	0	1	30	11	42
£65,000 to £69,999	0	0	17	6	23
£70,000 to £74,999	0	2	4	4	10
£75,000 to £79,999	0	1	4	2	7
£80,000 to £84,999	0	0	0	4	4
£85,000 to £89,999	0	0	0	0	0
£90,000 to £94,999	0	0	1	0	1
£95,000 to £99,999	0	0	2	2	4
£100,000 to £104,999	0	0	0	0	0
£105,000 to £109,999	0	0	1	1	2
£110,000 to £114,999	0	0	0	1	1
Total	0	7	130	71	208

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**		
	2018/19	**2018/19**	**2018/19**	**Redundancy 2018/19 £000**	**Capital 2018/19 £000**	**Total 2018/19 £000**
£0 to £20,000	**8**	**28**	**36**	**275**	**0**	**275**
£20,001 to £40,000	**0**	**8**	**8**	**239**	**23**	**262**
£40,001 to £60,000	**0**	**1**	**1**	**47**	**0**	**47**
£60,001 to £80,000	**0**	**4**	**4**	**118**	**153**	**271**
£80,001 to £100,000	**0**	**2**	**2**	**74**	**119**	**193**
£100,001 to £150,000	**0**	**2**	**2**	**23**	**192**	**215**
£150,001 to £200,000	**0**	**1**	**1**	**45**	**128**	**173**
£200,001 to £250,000	**0**	**1**	**1**	**50**	**176**	**226**
Total	**8**	**47**	**55**	**871**	**791**	**1,662**

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		
	2017/18	2017/18	2017/18	Redundancy 2017/18 £000	Capital 2017/18 £000	Total 2017/18 £000
£0 to £20,000	5	12	17	101	11	112
£20,001 to £40,000	0	7	7	159	37	196
£40,001 to £60,000	0	2	2	28	69	97
£60,001 to £80,000	0	1	1	29	41	70
£80,001 to £100,000	0	3	3	93	189	282
£100,001 to £150,000	0	0	0	0	0	0
£150,001 to £200,000	0	0	0	0	0	0
£200,001 to £250,000	0	0	0	0	0	0
Total	5	25	30	410	347	757

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:

	2018/19 £000	2017/18 £000
Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor	**97**	
Fees payable to KPMG LLP for the certification of grant claims and returns	**17**	
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor		126
Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns		21
Other fees payable to Grant Thornton UK LLP		10
	114	157

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 2018/19 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	**Total £000**
Final DSG for 2018/19 before academy recoupment			**216,611**
Academy and high needs figure recouped for 2018/19			**(38,200)**
Total DSG after academy and high needs recoupment for 2018/19			**178,411**
Plus: Brought Forward from 2017/18			**348**
Less: Carry-forward to 2019/20 agreed in advance			**662**
Agreed initial budgeted distribution in 2018/19	48,740	166,392	**215,132**
In year adjustments	1,574	(37,119)	**(35,545)**
Final Budgeted distribution for 2018/19	**50,314**	**129,273**	**179,587**
Less Actual central expenditure	50,887		
Less Actual ISB deployed to schools		129,273	
Plus Local Authority contribution for 2018/19	1,360		**1,360**
Carry-forward to 2019/20	**787**	**0**	**787**

32. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

	2018/19 Credited to taxation and non-specific grant income £000	**2018/19 Credited to services £000**	**2017/18 Credited to taxation and non-specific grant income** £000	**2017/18 Credited to services** £000
Capital				
Capital Grants:				
Department for Education capital programme (including DFC, Basic Need and Capital Maintenance)	**(6,644)**	**(123)**	(4,318)	(595)
Department for Transport Highways capital programme	**(24,760)**		(23,747)	
Transport for Greater Manchester A6 to Manchester Airport Relief Road	**(13,889)**		(29,126)	
Housing HRA - HCA funding	**(1,520)**		(1,148)	
Housing - Disabled Facilities Grant		**(1,877)**		(1,116)
Department of Health			(321)	
Heritage Lottery Fund			(111)	
Other government grants	**(46)**	**(45)**	(20)	
Capital Contributions:				
Developer and other highways contributions	**(1,570)**		(1,173)	
Other contributions	**(731)**	**(154)**	(765)	(151)
Total Capital Grants and Contributions	**(49,160)**	**(2,199)**	(60,729)	(1,862)
Revenue				
Dedicated Schools Grant (DSG)		**(178,615)**		(173,503)
Pupil Premium Grant		**(9,208)**		(9,209)
Local Authority Central Education Services			(954)	
Other Education and Schools Grants		**(7,075)**		(5,990)
Subsidy grants for benefits payments:				
Rent Allowances		**(40,194)**		(41,601)
Rent Rebates		**(26,255)**		(26,730)
Benefit Administration		**(1,115)**		(1,209)
Other Benefit Grants		**(711)**		(741)
Other Government Grants:				
Adult Social Care Winter Funding		**(1,283)**		
New Homes Bonus Grant	**(1,554)**		(2,749)	
Grants in lieu of Business Rates	**(10,762)**		(9,221)	
Transition Grant			(1,009)	
Improved Better Care Fund	**(3,111)**	**(3,636)**		(5,111)
Adult Social Care	**(802)**		(1,289)	
Independent Living Fund		**(951)**		(982)
Troubled Families		**(779)**		(998)

Other Grants	**(105)**	**(6,094)**		(5,009)
<u>Contributions:</u>				
Stockport CCG - Adults Social Care (Pooled)		**(25,705)**		(25,682)
Stockport CCG - Health & Social Care integration				(4,717)
Stockport NHS FT - Health & Social Care integration				(1,300)
Regional Adoption Agency LA contributions		**(3,898)**		(2,381)
Stockport CCG to Childrens Social Care		**(641)**		(551)
Total Revenue Grants & Contributions	**(16,334)**	**(306,160)**	(15,222)	(305,714)
Total Grants and Contributions	**(65,494)**	**(308,359)**	(75,951)	(307,576)

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:

	2018/19 **£000**	2017/18 £000
Revenue Grants & Contributions Receipts in Advance		
Adult and Community Learning	**(716)**	
Partners In Practice	**(552)**	(428)
Not in Education, Employment or Training (NEET)	**(368)**	(368)
Troubled Families Grant	**(357)**	(592)
Regional Improvement Alliance	**(130)**	
SME Apprenticeship	**(126)**	
Flexible Homelessness	**(111)**	
National Assessment and Accreditation System (NAAS) Grant	**(114)**	(151)
What Works Centre School Based Social Workers	**(100)**	
Mocking Bird	**(72)**	
Custom Build	**(60)**	
Schools Sports Co-ordinator	**(53)**	(53)
Regional Adoption Agency contributions	**(47)**	(307)
Music Services	**(16)**	(66)
Other grants	**(388)**	(283)
Housing Benefit		(958)
	(3,210)	(3,206)

	2018/19 £000	2017/18 £000
Capital Grants Receipts in Advance		
Ministry of Housing, Communities and Local Government	**(3,191)**	(2,431)
Department for Education	**(2,944)**	(1,512)
Department for Transport	**(1,095)**	(465)
Department of Environment, Food and Rural Affairs	**(179)**	(214)
Department of Health	**(12)**	(12)
Other government grants		(45)
	(7,421)	(4,679)

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 2018/19 is shown in Note 28.

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 £3.237m to organisations in which 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. No such disclosures have been made for 2018/19.

Other material related party transactions

Borough Care: a residential care provider for the Council.

Life Leisure: provision of leisure services for the Council.

Payments to related parties	**2018/19 £000**	2017/18 £000
Borough Care	**6,523**	5,864
Life Leisure (Stockport Sports Trust)	**1,705**	1,766

Payments from related parties	**2018/19 £000**	2017/18 £000
Borough Care	**19**	17
Life Leisure (Stockport Sports Trust)	**121**	160

Amounts due to SMBC at 31 March	**2018/19 £000**	2017/18
Borough Care		
Life Leisure (Stockport Sports Trust)	**34**	94

Amounts owed to related parties at 31 March	**2018/19 £000**	2017/18 £000
Borough Care	**194**	154
Life Leisure (Stockport Sports Trust)	**431**	327

Related Party Transactions with Other Public Bodies

NHS Bodies

The Council's Adult Social Care, Public Health and Health Policy Services form part of the pooled budget with Stockport CCG. Details can be found in Note 27, Pooled Budget arrangements.

There are a number of NHS contracts for which the Council is charged and details are set out in the table below.

	2018/19 £000	2017/18 £000
Stockport NHS Foundation Trust		
Community /Acute contract	**1,200**	1,400
Health Visitors	**4,400**	4,500
Older Peoples Service - Home based community contracts	**2,128**	2,100
Pennine Care NHS Foundation Trust		
Drug and Alcohol Service	**1,200**	1,200
Learning Disabilities Contract	**983**	981
Central Manchester University Hospitals NHS Foundation Trust		
Sexual Health Contract	**1,500**	1,500

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. From 2018/19, Greater Manchester Waste Disposal Authority transferred all its duties, obligations and statutory powers for waste disposal to GMCA.

The Comprehensive Income and Expenditure Statement, within Other Operating Expenditure, includes the following amounts charged as levies for services not directly provided by the Council.

	2018/19 £000	2017/18 £000
Greater Manchester Combined Authority		
Transport Levy	**29,290**	10,881
GMCA Waste Disposal Levy	**11,422**	
Greater Manchester Waste Disposal Authority Levy		29,918

Regional Adoption Agency

From 3 July 2017, adoption services in Stockport, Manchester, Trafford, Salford and Cheshire East local authorities are being delivered through an integrated service called Adoption Counts. This is a Regional Adoption Agency as set out in the Education and Adoption Act 2016. Stockport Council is the host of this joint service and is responsible for the finances. The budget for this service in 2018/19 was £4.1m (2017/18 £2.9m).

Environment Agency

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

- Environmental Agency - 2018/19 £0.174m (2017/18 - £0.172m)

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.

The Council prepares Group Accounts for entities where it has material financial interests and a significant level of control. The Stockport Council Group comprises Stockport Homes Ltd, Totally Local Company Ltd, Stockport Exchange Phase 2 Ltd and Stockport Hotel Management Company Ltd. More information can be found at The Group Accounts section to the Statement of Accounts.

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.

	2018/19 £000	2017/18 £000
Opening Capital Finance Requirement	**669,966**	624,154
Capital Investment		
Property, Plant & Equipment	**84,968**	120,916
Investment Assets	**2,924**	8,261
Heritage Assets	**22**	161
Revenue Expenditure funded from capital under statute	**2,268**	1,943
Loans treated as capital expenditure	**26,580**	11,236
	116,762	142,517
Sources of Finance		
Government grants received or receivable	**(47,237)**	(60,525)
Capital receipts	**(1,066)**	(1,628)
External contributions	**(2,261)**	(1,870)
Direct Revenue Contributions	**(13,351)**	(20,288)
Minimum Revenue Provision (MRP)	**(14,528)**	(12,394)
	(78,443)	(96,705)
Closing Capital Financing Requirement	**708,285**	669,966
Increase/(decrease) in Capital Financing Requirement relating to borrowing	**38,319**	45,812

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. 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**	**2018/19 Total £000**	Operating Lease £000	Finance Lease £000	2017/18 Total £000
Land & Buildings	**853**	**940**	**1,793**	925	913	1,838
Plant, equipment & vehicles	**97**		**97**	168		168
	950	**940**	**1,890**	1,093	913	2,006

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 2019 £000	31 March 2018 £000
Not later than one year	**(968)**	(940)
Later than 1 year and not later than 5 years	**(4,173)**	(4,051)
Over five years	**(40,664)**	(41,754)
Total minimum lease payments	**(45,805)**	(46,745)
Finance costs payable in future years	**32,105**	33,045
Finance lease liability	**(13,700)**	(13,700)

Outstanding obligations to make payments under the finance leases (excluding costs) at 31 March 2019 are as follows:

	31 March 2019 £000	31 March 2018 £007
Not later than one year		
Later than 1 year and not later than 5 years		
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 2019 £000	31 March 2018 £000
Not later than one year	**861**	926
Later than 1 year and not later than 5 years	**2,887**	2,950
Over five years	**21,375**	22,070
	25,123	25,946

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 2019 £000	31 March 2018 £000
Not later than one year	**1,172**	1,138
Later than 1 year and not later than 5 years	**5,051**	4,904
Over five years	**49,228**	50,547
Total minimum lease payments	**55,451**	56,589
Unearned finance income	**(41,751)**	(42,889)
Finance lease asset	**13,700**	13,700

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

	31 March 2019 £000	31 March 2018 £000
Not later than one year		
Later than 1 year and not later than 5 years		
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 2019 £000	31 March 2018 £000
Not later than one year	**(11,267)**	(11,498)
Later than 1 year and not later than 5 years	**(33,959)**	(33,082)
Over five years	**(211,953)**	(216,151)
	(257,179)	(260,731)

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 2018/19 £12.138m rents were receivable by the Council (2017/18 £11.699m).

	Property, Plant and Equipment £000	**Investment Properties £000**	**Total £000**
Cost or Valuation			
Opening balance at 1 April 2018	9,219	179,308	**188,527**
Changes due to expiry/new leases	(183)	(295)	**(478)**
	9,036	179,013	**188,049**
Additions/Transfers	6	515	**521**
Retirements		(1,020)	**(1,020)**
Revaluations		(15,525)	**(15,525)**
At 31 March 2019	**9,042**	**162,983**	**172,025**
Accumulated Depreciation/ Amortisation and Impairment			
Opening balance at 1 April 2018	(1,525)		**(1,525)**
Changes due to expiry/new leases	5		**5**
	(1,520)		**(1,520)**
Depreciation/Impairment	(118)		**(118)**
At 31 March 2019	**(1,638)**		**(1,638)**
Net book Value at 31 March 2019	**7,404**	**162,983**	**170,387**
Net book Value at 1 April 2018	7,694	179,308	187,002

36. Pension Schemes

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

<u>Pension Schemes Accounted for as Defined Contribution Schemes</u>

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 and no liability for future payments of benefits is recognised in the balance sheet.

In 2018/19, the Council paid £11.58m to the Department for Education (£11.62m in 2017/18) in respect of teachers' pension costs, which represented 16.48% of teachers' pensionable pay (16.48% in 2017/18). 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 2018/19 these amounted to £1.24m (£1.26m in 2017/18), representing 1.8% of pensionable pay (1.8% in 2017/18).

There were contributions remaining payable at the year end of £1.66m (31 March 2018 - Nil).

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 and no liability for future payments of benefits is recognised in the balance sheet.

In 2018/19, the Council paid £0.028m to the NHS Pension Scheme in respect of former NHS staff retirement benefits (£0.041m in 2017/18), which represented 14.38% of pensionable pay (14.38% in 2017/18). There were no contributions remaining payable at the year end.

Defined Benefit Pension Scheme

Other Employees

In 2018/19, the Council paid an employer's contribution of £18.7m into the Greater Manchester Pension Fund (£17.6m in 2017/18), representing 18.4% of pensionable pay (18.2% in 2017/18). In addition, the Council makes further payments in respect of added years benefits it has awarded, together with the related increases. In 2018/19 these amounted to £0.75m (£0.75m in 2017/18), representing 0.8% of pensionable pay (0.8% in 2017/18).

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 Greater Manchester Pension Fund, Guardsman Tony Downes House, and 5 Manchester Road, Droylsden, M43 6SF.

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.

The Balance Sheet holds the underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2019 and they are set out as follows:

Comprehensive Income and Expenditure Statement	**2018/19**			2017/18		
	Net (Liability)/ Assets	**Assets**	**Obligations**	Net (Liability)/ Assets	Assets	Obligations
	£000	**£000**	**£000**	£000	£000	£000
Cost of Services:						
Service cost comprising:						
- current service cost	**40,611**		**40,611**	38,729		38,729
- past service costs (including curtailments)	**664**		**664**	984		984
Financing and Investment Income and Expenditure						
- interest income on plan assets	**(24,426)**	**(24,426)**		(22,090)	(22,090)	
- interest cost on defined benefit obligation	**32,374**		**32,374**	30,584		30,584
Post-employment benefits charged to CIES	**49,223**	**(24,426)**	**73,649**	48,207	(22,090)	70,297
Other Post-employment benefits charged to the CIES:						
Re-measurement of the net defined benefit liability comprising:						
- return on Plan assets (excluding the amount included in the net interest expense)	**(42,854)**	**(42,854)**		(5,366)	(5,366)	
- actuarial gains and losses arising on changes in financial assumptions	**98,465**		**98,465**	(22,065)		(22,065)
- Other experience	**436**		**436**	(241)		(241)
Re-measurements of the net defined pensions liability	**56,047**	**(42,854)**	**98,901**	(27,672)	(5,366)	(22,306)

Movement in Reserves Statement						
Reversal of net charges made for retirement benefits in accordance with IAS 19	**(49,223)**	**24,426**	**(73,649)**	(48,207)	22,090	(70,297)
Actual amounts charged against the General Fund Balance						
for pensions in the year:						
- Employers' contributions payable to the scheme	**18,738**	**18,738**		17,599	17,599	
- Unfunded Benefits payable to pensioners	**1,971**	**1,971**		1,989	1,989	
Movement on pensions reserve	**(28,514)**	**45,135**	**(73,649)**	(28,619)	41,678	(70,297)

	Greater Manchester Pension Fund		Teachers' Discretionary Benefits		**Total**	Total
	31 March 2019 £000	31 March 2018 £000	**31 March 2019 £000**	31 March 2018 £000	**31 March 2019 £000**	31 March 2018 £000
Fair Value of plan assets	**961,912**	917,467		0	**961,912**	917,467
Present value of defined benefit obligation	**(1,318,744)**	(1,172,437)	**(19,821)**	(20,078)	**(1,338,565)**	(1,192,515)
Net liability arising from defined benefit obligation	**(356,832)**	(254,970)	**(19,821)**	(20,078)	**(376,653)**	(275,048)

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.

	Period ended 31 March 2019			Period ended 31 March 2018		
Changes in the Fair Value of Plan Assets	**Net (liability)/ Assets £000**	**Assets £000**	**Obligations £000**	Net (liability)/ Assets £000	Assets £000	Obligations £000
Fair Value of Employer Assets	**917,467**	**917,467**		861,945	861,945	
Present value of funded liabilities	**(1,161,739)**		**(1,161,739)**	(1,137,785)		(1,137,785)
Present value of unfunded liabilities	**(30,776)**		**(30,776)**	(32,335)		(32,335)
Opening position as at 31 March 2018	**(275,048)**	**917,467**	**(1,192,515)**	(308,175)	861,945	(1,170,120)
Service Costs:						
- current service cost*	**(40,611)**		**(40,611)**	(38,729)		(38,729)
- past service costs (including curtailments)	**(664)**		**(664)**	(984)		(984)
Total service cost	**(41,275)**	**0**	**(41,275)**	(39,713)	0	(39,713)
Net Interest:						
- interest income on plan assets	**24,426**	**24,426**		22,090	22,090	
- interest cost on defined benefit obligation	**(32,374)**		**(32,374)**	(30,584)		(30,584)
Total net interest	**(7,948)**	**24,426**	**(32,374)**	(8,494)	22,090	(30,584)
Total defined benefit cost recognised in Profit or (Loss)	**(49,223)**	**24,426**	**(73,649)**	(48,207)	22,090	(70,297)
Cashflows:						
- Contributions from Members		**6,393**	**(6,393)**		6,076	(6,076)
- Contributions from Employer	**1,694**	**1,694**		51,673	51,673	
- Contributions in respect of unfunded benefits	**1,971**	**1,971**		1,989	1,989	
- Benefits paid		**(30,922)**	**30,922**		(29,683)	29,683
- Unfunded benefits paid		**(1,971)**	**1,971**		(1,989)	1,989
Cashflows	**3,665**	**(22,835)**	**26,500**	53,662	28,066	25,596
Expected closing position	**(320,606)**	**919,058**	**(1,239,664)**	(302,720)	912,101	(1,214,821)
Re-measurements:						
- Changes in financial assumptions	**(98,465)**		**(98,465)**	22,065		22,065
- Other experience	**(436)**		**(436)**	241		241
- Return on assets excluding amounts included in net interest	**42,854**	**42,854**		5,366	5,366	
Total Re-measurements recognised in CIES	**(56,047)**	**42,854**	**(98,901)**	27,672	5,366	22,306
Fair Value of Employer Assets	**961,912**	**961,912**		917,467	917,467	
Present Value of Funded liabilities	**(1,308,123)**		**(1,308,123)**	(1,161,739)		(1,161,739)
Present Value of Unfunded liabilities	**(30,442)**		**(30,442)**	(30,776)		(30,776)
Closing Position as at 31 March 2019	**(376,653)**	**961,912**	**(1,338,565)**	(275,048)	917,467	(1,192,515)

*The service cost figures include an allowance for administration expenses of 0.3% of payroll.

The net pension liability for the Greater Manchester Pension Fund at 31 March 2019 includes a £10.62m liability in respect of unfunded pension payments (31 March 2018 £10.70m liability).

Employer's contributions to the Greater Manchester Pension Fund for the year ended 31 March 2020 will be approximately £18.9m.

The Council opted to make a three year advance payment of its employer pension contributions totalling £51.11m on 3 April 2017, covering employer pension contributions for 2017/18, 2018/19 and 2019/20. By paying contributions up front the Council has been able to able to secure a saving on anticipated employer contributions for the three years. Expected contributions for 2018/19 were £17.04m, but actual contributions, due to the payroll being larger than anticipated over the year, were £18.74m. The difference of £1.7m is due to GMPF at 31 March 2019 and has been allowed for in the actuary's calculations.

The advance payment of pension contribution has caused an imbalance between the pensions reserve (£393.683m) and the pensions liability (£376.653m). This is due to the three year advance payment being accounted for as a reduction in the pensions liability whereas only two year's contributions has been charged to the general fund. The difference of £17.030m represents the balance of the advance pension contribution yet to be charged in 2019/20.

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 2019**	Assumptions as at 31 March 2018
Longevity at 65 for current pensioners:		
Men	**21.5 years**	21.5 years
Women	**24.1 years**	24.1 years
Longevity at 65 for future pensioners:		
Men	**23.7 years**	23.7 years
Women	**26.2 years**	26.2 years
Financial Assumptions:		
Rate of increase in pensions	**2.5%**	2.4%
Rate of increase in salaries	**2.6%**	2.5%
Rate for discounting scheme liabilities (actual)	**2.4%**	2.7%

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 2018	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% per annum	CMI 2013 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 2019	**Approximate % increase to Defined Benefit Obligation**	**Approximate monetary amount £000**
0.5% decrease in Real Discount Rate	**10%**	**135,978**
0.5% Increase in the Salary increase rate	**1%**	**17,854**
0.5% Increase in the Pension increase rate	**9%**	**116,051**

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.

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, a one year increase in life expectancy would increase the Defined Benefit Obligation by approximately 3 - 5%.

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 2019				Period ended 31 March 2018			
	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	53,130		53,130	6%	52,352		52,352	6%
Manufacturing	55,588		55,588	6%	62,803		62,803	7%
Energy and Utilities	54,055		54,055	6%	49,729		49,729	5%
Financial Institutions	76,126		76,126	7%	75,564		75,564	8%
Health and Care	28,404		28,404	3%	23,449		23,449	2%
Information Technology	17,173		17,173	2%	14,705		14,705	2%
Other	10,540		10,540	1%	8,974		8,974	1%
Bonds (by sector):								
Corporate Bonds	35,979		35,979	4%	34,009		34,009	4%
UK Government	6,334		6,334	1%	7,950		7,950	1%
Other	24,397		24,397	3%	25,531		25,531	3%
Private Equity:		45,049	45,049	5%		30,702	30,702	3%
Real Estate:								
UK		45,688	45,688	5%		31,411	31,411	3%
Investment Funds and Unit Trusts:								
Equities	217,449		217,449	22%	248,259		248,259	27%
Bonds	119,653		119,653	12%	118,960		118,960	13%
Infrastructure		46,116	46,116	5%		23,754	23,754	3%
Other	18,745	82,971	101,716	10%	24,161	51,596	75,757	8%
Derivatives:								
Other	488		488	0%				
Cash and Cash Equivalents:								
All	24,027		24,027	2%	33,558	0	33,558	4%
Total Assets	742,088	219,824	961,912	100%	780,004	137,463	917,467	100%

37. Investments

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

	31 March 2019 £	31 March 2018 £
Manchester Airport PLC	**52,700,000**	51,900,000
Stockport Homes Ltd	**0**	0
Totally Local Company Ltd	**2**	2
Stockport Exchange Phase 2 Ltd	**1**	1
Stockport Hotel Management Company Ltd	**100,000**	100,000
	52,800,003	52,000,003

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 £3.571m was received by the Council in July 2018 relating to the Airport's 2017/18 results (£3.029m received in July 2017 relating to the 2016/17 results). An interim dividend for 2018/19 of £2.065m was received in December 2018 (£1.784m received December 2017).

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 at historic cost.

Further details of the company and its trading results are set out in the Group Accounts section of these financial statements.

Totally Local Company Ltd
Totally Local Company 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 at historic cost.

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 is a wholly owned subsidiary of the Council and was set up to undertake the Stockport Exchange Development, which completed in 2016/17.

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. A dividend payment of £0.138m was received by the Council in November 2018 relating to the company's 2017 results.

38. Accounting Standards issued but not yet adopted

The Code requires the Council to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code. The following are new standards and amendments to existing standards that have been issued with an effective date of 1 January 2019 and will be formally adopted by the 2019/20 Code.

- Amendments to IAS 40 Investment Property: Transfers of Investment Property. The amendment provides further clarity regarding transfers to and from investment property, i.e. an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. The Council already complies with this therefore there will be no impact as a result of this amendment.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration. This provides information on accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Council does not have any material revenue streams within the scope of this interpretation.
- IFRIC 23 Uncertainty over Income Tax Treatments. This clarifies how the recognition and measurement requirements of IAS 12 Income Taxes are applied where there are uncertainties in the treatment of income taxes. This interpretation will have no impact on the Council's single entity accounts and minimal impact on the group accounts.
- Amendments to IFRS 9 Financial Instruments. The amendment has been introduced to address concerns about the treatment of prepayment financial assets with negative compensation under IFRS 9 and enables entities to measure these at amortised cost. The Council does not have any such financial instruments, therefore this amendment will have no impact on the Council's accounts.

39. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. 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 2018/19 (the Code), supported by International Financial Reporting Standards (IFRS). The Council has adopted the following standards and amendments for the first time in its accounting year ended 31 March 2019:

- IFRS *9 Financial Instruments*
- IFRS 15 *Revenue from Contracts with Service Recipients*

The Council has had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9. The changes have been applied retrospectively, however there has been no restatement of prior year information. Consequently where financial instruments have been reclassified and remeasured, any adjustments have only been accounted for at 1 April 2018. A restated balance sheet for the prior year has not been produced. There have been no adjustments arising from the adoption of IFRS 15.

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
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.

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

b. 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

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.

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.

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

c. Acquisitions and Discontinued Operations

Acquired operations

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

d. 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.

e. Council Tax and Business Rates

Billing Authorities act as Agents, collecting Council Tax and Business Rates on behalf of the major preceptors and as principals, collecting Council Tax and Business Rates for themselves. Billing Authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and Business Rates.

Accounting for Council Tax and Business Rates

The Council Tax and Business Rates 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 Business Rates that must be included in the Council's General Fund for the year. 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 for the year 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 Business Rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments, and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

Accounting for Business Improvement District
A Business Improvement District (BID) scheme applies to Stockport Town Centre from 1 April 2017. The scheme is funded by a BID levy paid by Business Rates ratepayers. The Council acts as an agent for the scheme. It collects the BID levy on behalf of the scheme and pays this to the BID body, without bearing any of the risks or rewards of the scheme.

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

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

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

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

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

g. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding 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.

h. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include 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. Termination benefits 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 pension liability is analysed into the following components:

Service Costs
- 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

- 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.

i. 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.

j. 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 financial assets classified as fair value through other comprehensive income 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.

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 all 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.

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 three types:

- Fair Value through Profit or Loss (FVTPL)
- Amortised Cost
- Fair Value through other Comprehensive Income (FVOCI)

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 made by the Council, 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.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council has assets such as investments and debtors which are classified as financial assets measured at amortised cost. These were previously classified as loans and receivables at 31 March 2018.

The same accounting treatment was adopted in the prior year when the assets were classified as Loans and Receivables.

Financial Assets Measured at Fair Value through other Comprehensive Income (FVOCI)

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Investment income is credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Where an equity instrument is designated as FVOCI, changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve (unusable reserve). When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

The Council has one equity instrument designated at Fair Value through other Comprehensive Income (FVOCI). This was previously classified as an Available For Sale asset at 31 March 2018.

The Council has made an irrevocable election to designate the asset as FVOCI on the basis that it is held for non-contractual benefits, it is not held for trading but for strategic purposes. The asset was transferred to the new asset category on 1 April 2018.

The fair value is based on the principal that the equity shares have no quoted market prices and is based on an independent appraisal of the company valuation each year.

The same accounting treatment was adopted in the prior year when the asset was classified as Available for Sale, except that accumulated gains and losses as a result of the valuation of the available for sale asset, were previously held in an Available-for-Sale Financial Instruments Reserve at 31 March 2018. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

l. 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. An assessment of the Council's interests has been completed during the year to determine the relationships that exist and whether they should be included in the Council's 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.

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

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

Finance Leases

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.

Operating Leases

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. Material Items of Income and Expenditure

Where items of income and expenditure are material their nature and amount are disclosed separately either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts. Disclosure will depend on upon how significant the items are to the understanding of the reader of the accounts.

s. Overheads and Support Services

The Council operates and manages its support services within the Reform and Governance Portfolio and this is how the costs relating overheads and support services are reported to management. The costs of overheads and support services are therefore not re-apportioned across other Council Portfolios.

t. 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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- council 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 to 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 (i.e. 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.

u. 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.

v. 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.

w. 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 and 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.

x. Revenue Recognition

Revenue from the sale of goods is recognised when the Council transfers control of a goods or service to a service recipient.

Where the Council is acting as Agent of another organisation, the amounts collected on behalf of that organisation are excluded from the Council's revenue.

Revenue for Council Tax and Business Rates is recognised when the amount of revenue can be measured reliably and it is probable it will be received by the Council.

y. Schools

The Code 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.

z. 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.

40. Prior Year Adjustment

Levies have been classified within Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. This has required a restatement of the 2017/18 prior year comparatives, where levies were previously classified within the Non Cash Limits heading of Cost of Services.

Single Entity

	As previously reported			Restatement for levies	As restated		
	Gross Exp-enditure £000	Gross Income £000	Net Exp - enditure £000	Gross Exp-enditure £000	Gross Exp-enditure £000	Gross Income £000	Net Exp - enditure £000
Portfolio Heading: Non Cash Limits	119,569	(72,896)	46,673	(40,972)	78,597	(72,896)	5,701
Cost Of Services	684,705	(426,458)	258,247	(40,972)	643,733	(426,458)	217,275
Other Operating Expenditure	819		819	40,972	41,791		41,791
(Surplus) or Deficit on Provision of Services	746,201	(764,052)	(17,851)	0	746,201	(764,052)	(17,851)

Group

	As previously reported			Restatement for levies	As restated		
	Gross Exp-enditure £000	Gross Income £000	Net Exp - enditure £000	Gross Exp-enditure £000	Gross Exp-enditure £000	Gross Income £000	Net Exp - enditure £000
Portfolio Heading: Non Cash Limits	119,569	(72,896)	46,673	(40,972)	78,597	(72,896)	5,701
Cost Of Services	705,048	(448,629)	256,419	(40,972)	664,076	(448,629)	215,447
Other Operating Expenditure	803		803	40,972	41,775		41,775
(Surplus) or Deficit on Provision of Services	771,026	(792,247)	(21,221)	0	771,026	(792,247)	(21,221)

Housing Revenue Account

HRA INCOME AND EXPENDITURE STATEMENT	2018/19 £000	2017/18 £000	Note
INCOME			
Dwelling rents	**(42,822)**	(43,618)	
Other rents	**(28)**	(9)	
Charges for services and facilities	**(9,355)**	(8,903)	11
Contributions towards expenditure	**(1,663)**	(1,439)	
Total Income	**(53,868)**	(53,969)	
EXPENDITURE			
Repairs and maintenance	**14,001**	13,486	
Supervision and management	**15,439**	15,753	
Rents, rates, taxes and other charges	**5,758**	5,493	11
Impairment allowance for doubtful debts		308	
Depreciation of non-current assets	**11,677**	11,215	7
Revaluation (gains)/losses of non-current assets	**(15,414)**	(19,095)	10
Debt management costs	**71**	52	
Total expenditure	**31,532**	27,212	
Net Income of HRA Services per Council Comprehensive Income and Expenditure Statement	**(22,336)**	(26,757)	
HRA services share of Corporate and Democratic Core	**128**	128	
Net Income for HRA Services	**(22,208)**	(26,629)	
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(Gain)/ Loss on the sale of HRA non-current assets	**(1,082)**	(1,577)	
Interest payable and similar charges	**5,979**	5,554	6
Interest and investment income	**(350)**	(326)	
Change in fair value of investment properties	**(119)**		
Capital grants and contributions receivable	**(1,520)**	(1,148)	
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES	**(19,300)**	(24,126)	

MOVEMENT ON THE HRA STATEMENT	2018/19 £000	2017/18 £000	Note
(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	**(19,300)**	(24,126)	
Adjustments between accounting basis and funding basis under statute	**18,689**	28,080	1
Net (increase)/decrease before transfers to reserves	**(611)**	3,954	
Transfer to/(from) earmarked reserves	**19**	(4,059)	
Decrease/ (Increase) in the Housing Revenue Account Balance	**(592)**	(105)	
Housing Revenue Account Surplus brought forward	**(1,105)**	(1,000)	
Housing Revenue Account Surplus carried forward	**(1,697)**	(1,105)	

Notes to the Housing Revenue Account

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 presentation of impairment loss for doubtful debts in relation to financial assets has changed in 2018/19, to reflect the adoption of IFRS 9. The 2017/18 comparatives have not been restated.

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

	2018/19 £000	2017/18 £000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
Gain/(loss) on sale of HRA assets	**1,082**	1,577
Change in fair value of investment assets	**119**	
Depreciation on non-current assets	**(11,677)**	(11,215)
Revaluation gains/losses on HRA assets	**15,414**	19,095
Capital grants and contributions	**1,520**	1,148
Net charges made for retirement benefits in accordance with IAS 19	**(82)**	(84)
	6,376	10,521
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	**11,677**	11,215
Voluntary MRP for debt repayment	**486**	392
Capital Expenditure funded from the HRA	**150**	5,952
	12,313	17,559
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	**18,689**	28,080

2. Housing Stock Numbers and Valuation

	Numbers at 31 March 2019	Numbers at 31 March 2018
HOUSING STOCK		
Houses	**4,784**	4,781
Flats	**5,887**	5,888
Bungalows	**522**	521
Total Housing Stock	**11,193**	11,190

	Valuation at 31 March 2019 £000	Valuation at 1 April 2018 £000
Operational assets:		
Housing Stock Valuation	**347,845**	325,954
Land Valuation	**89,746**	84,155
	437,591	410,109
Other land and buildings	**379**	386
Other plant and equipment	**8,036**	8,330
Investment assets	**7,519**	7,400
Assets under construction	**3,007**	5,972
Council dwellings held for sale	**243**	273
	456,775	432,470

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 2019 was £1,080.9m (£1,017.2m as at 1 April 2018). 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". For 2018/19 and 2017/18 the percentage applicable for the North West was 40%.

4. Capital Expenditure and Financing

Capital expenditure in the year amounted to £20.142m on council dwellings including spend in assets under construction. This was financed as follows:

	2018/19 £000	2017/18 £000
Borrowing	**6,031**	6,917
Grants and contributions - HRA	**1,520**	1,148
Grants and contributions - General Fund	**55**	
Revenue Contribution to Capital Outlay	**150**	5,952
Major Repairs Reserve	**11,677**	11,215
Capital Receipts	**709**	773
	20,142	26,005

5. Capital Receipts

	Receipts 2018/19 £000	Receipts 2017/18 £000
Disposal of dwellings under Right to Buy	**3,749**	5,617
Disposal of shared ownership properties	**2,747**	773
Other disposals	**36**	9
Deductions from capital receipts	**(75)**	(126)
Net capital receipts before pooling	**6,457**	6,273
Due to Housing Pool	**(2,205)**	(2,921)
	4,252	3,352

6. Interest payable and similar charges

	2018/19 £000	2017/18 £000
Interest charge under self-financing regime	**4,983**	5,069
Interest on prudential borrowing	**660**	485
Impairment allowance for financial assets	**336**	
	5,979	5,554

7. Depreciation

The HRA is charged an amount for depreciation of assets.

	2018/19 £000	2017/18 £000
Operational assets		
Council dwellings	**11,232**	10,700
Other land and buildings	**7**	4
Plant and equipment (solar panels)	**438**	431
Plant and equipment (leasehold improvements)		80
	11,677	11,215

8. Rent Arrears

As at 31 March 2019 rent arrears (excluding amounts collectable on behalf of other agencies) amounted to £2.523m (£2.542m at 31 March 2018). The aggregate balance sheet allowance in respect of all uncollectable debts amounted to £1.574m (£1.487m at 31 March 2018).
The increase in allowance of £0.087m has been added to the debts written off in the year of £0.249m to arrive at the impairment loss of £0.336m.

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 £15.414m (2017/18 revaluation gain of £19.095m), all of which relates to council dwellings (including land). The gain has arisen due to an increase in the HM Land Registry indices of 6.59% over 2017/18 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.

	2018/19 £000	2017/18 £000
Income		
Other	**(4,566)**	(4,313)
Water	**(4,789)**	(4,590)
Charges for services & facilities	**(9,355)**	(8,903)
Expenditure		
Other	**969**	903
Water	**4,789**	4,590
Rents, rates, taxes & other charges	**5,758**	5,493
Water charges surplus	**0**	0
Water surplus brought forward	**(172)**	(172)
Water surplus carried forward	**(172)**	(172)

Collection Fund Statement

	2018/19 COUNCIL TAX £000	2018/19 NDR £000	2018/19 TOTAL £000	2017/18 COUNCIL TAX £000	2017/18 NDR £000	2017/18 TOTAL £000
INCOME						
Council Tax	**(174,832)**		**(174,832)**	(164,326)		(164,326)
Non-Domestic Rates		**(88,832)**	**(88,832)**		(82,560)	(82,560)
Grant from Central Government	**(3)**		**(3)**	(4)		(4)
Total Income	**(174,835)**	**(88,832)**	**(263,667)**	**(164,330)**	**(82,560)**	**(246,890)**
EXPENDITURE						
Precepts and Demands:						
Stockport Metropolitan Borough Council	**149,164**	**80,128**	**229,292**	140,897	81,093	221,990
GMCA Mayoral General (including Fire Services)*	**6,344**	**809**	**7,153**	5,551	819	6,370
GMCA Mayoral Police and Crime Commissioner**	**16,273**		**16,273**	15,027		15,027
Non-Domestic Rates:						
Payment to national pool		**0**	**0**		0	0
Cost of collection		**430**	**430**		428	428
Provisions:						
Impairment allowance for doubtful debts	**1,430**	**2,132**	**3,562**	1,279	863	2,142
Provision for appeals		**4,127**	**4,127**		2,364	2,364
Total Expenditure	**173,211**	**87,626**	**260,837**	**162,754**	**85,567**	**248,321**
In year (surplus)/deficit	**(1,624)**	**(1,206)**	**(2,830)**	**(1,576)**	**3,007**	**1,431**
CONTRIBUTIONS						
Previous years deficit recovery:						
Stockport Metropolitan Borough Council	**0**	**(2,918)**	**(2,918)**	0	(355)	**(355)**
GMCA Mayoral General (including Fire Services)*	**0**	**(27)**	**(27)**	0	(7)	**(7)**
GMCA Mayoral Police and Crime Commissioner**	**0**		**0**	0		**0**
Central Government		**282**	**282**		(364)	**(364)**
Previous years surplus distribution:						
Stockport Metropolitan Borough Council	**1,750**	**0**	**1,750**	367	0	**367**
GMCA Mayoral General (including Fire Services)	**68**	**0**	**68**	15	0	**15**
GMCA Mayoral Police and Crime Commissioner	**183**		**183**	42		**42**
In year contributions	**2,001**	**(2,663)**	**(662)**	**424**	**(726)**	**(302)**

Collection Fund Statement - Balances

	2018/19 COUNCIL TAX £000	2018/19 NDR £000	2018/19 TOTAL £000	2017/18 COUNCIL TAX £000	2017/18 NDR £000	2017/18 TOTAL £000
Balance brought forward at 1 April	**(2,291)**	**2,442**	**151**	(1,139)	161	(978)
Previous year forecast surplus/deficit distributed/(recovered) in year	**2,001**	**(2,663)**	**(662)**	424	(726)	(302)
Revised balance brought forward from previous year	**(290)**	**(221)**	**(511)**	(715)	(565)	(1,280)
In year (surplus)/deficit	**(1,624)**	**(1,206)**	**(2,830)**	(1,576)	3,007	1,431
Balance carried forward at 31 March	**(1,914)**	**(1,427)**	**(3,341)**	(2,291)	2,442	151
Allocated to:						
Stockport Metropolitan Borough Council	**(1,639)**	**(1,413)**	**(3,052)**	(1,989)	2,700	711
GMCA Mayoral General (including Fire Services)*	**(77)**	**(14)**	**(91)**	(85)	24	(61)
GMCA Mayoral Police and Crime Commissioner**	**(198)**		**(198)**	(217)		(217)
Central Government		**0**	**0**		(282)	(282)
	(1,914)	**(1,427)**	**(3,341)**	(2,291)	2,442	151

*GMCA Mayoral General(including Fire Services) this was Greater Manchester Fire and Rescue Authority in 2017/18
** GMCA Mayoral Police and Crime Commissioner this was Greater Manchester Police and Crime Commissioner in 2017/18

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 Business Rates. 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 Business Rates 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 GMCA Mayoral Police and Crime Commissioner and the GMCA Mayoral General (including Fire Services). For Business Rates, the precepting authority is the GMCA Mayoral General (including Fire Services).

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 2018/19 was 94,783 (93,997 in 2017/18). The Council Tax Taxbase for 2018/19 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	30,950	25,677	06/09	17,368
B	£40,001 to £52,000	27,507	24,216	07/09	18,997
C	£52,001 to £68,000	27,846	25,118	08/09	22,518
D	£68,001 to £88,000	19,074	17,500	09/09	17,665
E	£88,001 to £120,000	12,624	11,756	11/09	14,466
F	£120,001 to £160,000	6,165	5,780	13/09	8,492
G	£160,001 to £320,000	3,336	3,144	15/09	5,282
H	Over £320,000	189	143	18/09	300
					105,088
Allowance for Local Council Tax Support Scheme and Discounts					-10,505
Forecast of Additional Properties During the Year					200
Council Tax Taxbase for Budget Setting Purposes					**94,783**
Council Tax Taxbase Adjusted for Collection rate 98.5%					**93,361**

*"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 2018/19 budget setting process. These sums have been paid in 2018/19 and charged to the Collection Fund account in year. The surplus or deficit relating to Council Tax is apportioned to the Council and the precepting authorities.

For budget setting purposes an estimate of the outturn surplus or deficit is declared in January which allows for this amount to be budgeted for and released in the following financial year. For example, the outturn surplus or deficit declared in 2018/19 has been budgeted for and will be realised by the Council and the precepting authorities in 2019/20. The difference between the declared outturn surplus or deficit and the actual outturn surplus or deficit is not realised by the Council and the precepting authorities until 2020/21.

2. Business Rates

The main aim of the Business Rates retention scheme is to give local authorities a greater incentive to grow their local economies and increase their locally raised Business Rates income. This does however, increase the financial risk due to non-collection and the volatility of the Business Rates Taxbase. The Council's Business Rates 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 Business Rates 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 2018/19 the Council operated under the Greater Manchester 100% Business Rates Retention Pilot with 99% of Business Rates income retained by the Council and 1% by GMCA Mayoral General (including Fire Services) – the Preceptor.

The Council's Business Rates 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 2019 for the Stockport area was £226.185m (£226.184m at 31 March 2018). 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 Business Rates income. For 2018/19 this was 49.3p in the pound (47.9p in 2017/18) and relief of 1.3p in the pound was given to small business properties (1.3p in 2017/18).

The Business Rates income shares payable to the Council and the Preceptor were estimated as part of the 2018/19 budget setting process. These sums have been paid in 2018/19 and charged to the Collection Fund account in year. The surplus or deficit relating to Council Tax is apportioned to the Council and the Preceptor. For budget setting purposes an estimate of the outturn surplus or deficit is declared in January which allows for this amount to be budgeted for and released in the following financial year. For example, the outturn surplus or deficit declared in 2018/19 has been budgeted for and will be realised by the Council and the Preceptor in 2019/20. The difference between the declared outturn surplus or deficit and the actual outturn surplus or deficit is not realised by the Council and the Preceptor until 2020/21.

3. Movement on Impairment Allowance for Doubtful Debts and Appeals Provisions

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

	2018/19 COUNCIL TAX £000		2017/18 COUNCIL TAX £000	
Impairment allowance for Doubtful Debts				
Balance brought forward		**(4,696)**		(4,634)
Write offs in year	**1,372**		1,217	
New contribution to provision in year	**(1,430)**		(1,279)	
Net increase/decrease in provision in year		**(58)**		(62)
Balance carried forward		**(4,754)**		(4,696)
The Council's Share of the Impairment allowance for Doubtful Debts				
Balance brought forward		**(4,079)**		(4,045)
Write offs in year	**1,175**		1,077	
New contribution to provision in year	**(1,168)**		(1,111)	
Net increase/decrease in provision in year		**7**		(34)
Balance carried forward		**(4,072)**		(4,079)

The Collection Fund account provides for bad debts on Business Rates arrears (excluding costs) as shown below:

	2018/19 NDR £000		2017/18 NDR £000	
Impairment allowance for Doubtful Debts				
Balance brought forward		**(4,798)**		(5,054)
Write offs in year	**1,336**		1,119	
New contribution to provision in year	**(2,132)**		(863)	
Net increase/decrease in provision in year		**(796)**		256
Balance carried forward		**(5,594)**		(4,798)
The Council's Share of the Impairment allowance Provision for Doubtful Debts				
Balance brought forward		**(4,751)**		(2,477)
Additional Provision due to 100% Business Rates Retention Pilot	**0**		(2,527)	
Write offs in year	**1,323**		1,107	
New contribution to provision in year	**(2,111)**		(854)	
Net increase/decrease in provision in year		**(788)**		(2,274)
Balance carried forward		**(5,539)**		(4,751)

An aspect of the financial risk associated with the Business Rates retention scheme is the volatility of the Business Rates 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 Business Rates income if appeals are successful.

The total provision for appeals in the Collection Fund at 31 March 2019 is £13.399m (£9.409m at 31 March 2018).

	2018/19 NDR £000		2017/18 NDR £000	
Provision for NNDR Appeals				
Balance brought forward		**(9,409)**		(7,045)
Use of provision in year for settled appeals	**1,866**		1,929	
New contribution to provision in year	**(5,993)**		(4,293)	
Net increase/decrease in provision in year		**(4,127)**		(2,364)
Balance carried forward		**(13,536)**		**(9,409)**
The Council's Share of the Provision for Appeals				
Balance brought forward		**(9,314)**		(3,452)
Additional Provision due to 100% Business Rates Retention Pilot			(3,522)	
Use of provision in year for settled appeals	**1,848**		1,910	
New contribution to provision in year	**(5,933)**		(4,250)	
Net increase/decrease in provision in year		**(4,085)**		(5,862)
Balance carried forward		**(13,399)**		(9,314)

4. Greater Manchester 100% Business Rates Retention Pilot

During the year, Greater Manchester has continued as one of the regions piloting the full retention of Business Rates. 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 Business Rates retention scheme will provide stable funding streams and incentivise local economic growth. As a result of the Pilot the Council has not received the Revenue Support Grant or Public Health Grant from Government in 2018/19. Instead, the Council has retained 100% of its Business Rates income locally; 99% Council, 1% GMCA Mayoral General (including Fire Services) (rather than pay 50% of the Business Rates income to Government) to support the funding of Council Services.

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 guarantees that the resources available to the Council under the existing 50% retention scheme will be the same under the 100% Pilot.

The Council has benefited from this Pilot compared to the income it would have received under the 50% retention scheme and has been able to retain £4.626m of income that would have been paid to Government in previous years. It was always the intention that the Greater Manchester Region as a whole would benefit from the 100% Business Rates Retention Pilot and has been agreed that a minimum of 50% of the benefit would be retained by Authorities and any balance retained by the Greater Manchester Combined Authority (GMCA). As a result the Council will retain £2.313m of the benefit which will be used to support the Council’s 2019/20 investment decisions and MTFP as approved at the Budget Council meeting on 21 February 2019. The GMCA share will be used to support the delivery of Greater Manchester priorities.

The Council will remain in the 100% Pilot in 2019/20 and expects the benefit from the Pilot to continue. Formal confirmation is awaited on the continuation of the existing Pilots (including the Greater Manchester Pilot) beyond 2019/20, and whether these will be on a 100% or 75% retention basis in line with the Government’s intention to roll out 75% retention of Business Rates by all local authorities from 2020/21.

GROUP ACCOUNTS

Background

The Code 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 34 for further description of the purpose of each statement.

Group Comprehensive Income and Expenditure Statement

	Gross Exp-enditure £000	Gross Income £000	2018/19 Net Exp -enditure £000	Restated Gross Exp-enditure £000	Gross Income £000	Restated 2017/18 Net Exp-enditure £000	Note
Adult Social Care	**140,563**	**(58,838)**	**81,725**	134,268	(63,025)	71,243	
Children & Family Services	**42,782**	**(10,310)**	**32,472**	39,532	(7,786)	31,746	
Communities & Housing	**47,345**	**(10,952)**	**36,393**	63,115	(9,936)	53,179	
Economy & Regeneration	**6,466**	**(2,799)**	**3,667**	7,333	(2,826)	4,507	
Education	**5,646**	**(3,372)**	**2,274**	6,183	(2,894)	3,289	
Health	**19,799**	**(3,091)**	**16,708**	19,371	(2,942)	16,429	
Reform & Governance	**49,029**	**(9,496)**	**39,533**	50,912	(9,321)	41,591	
Non Cash Limits	**76,028**	**(69,970)**	**6,058**	78,597	(72,896)	5,701	
Dedicated Schools Grant	**225,954**	**(206,925)**	**19,029**	217,210	(200,863)	16,347	
Housing Revenue Account	**31,532**	**(53,868)**	**(22,336)**	27,212	(53,969)	(26,757)	
Results of subsidiaries	**25,436**	**(26,011)**	**(575)**	20,343	(22,171)	(1,828)	8
Cost Of Services	**670,580**	**(455,632)**	**214,948**	664,076	(448,629)	215,447	
Other Operating Expenditure	**45,523**		**45,523**	41,775		41,775	
Financing and Investment Income and Expenditure	**88,170**	**(53,791)**	**34,379**	65,175	(48,187)	16,988	
Taxation and Non-Specific Grant Income		**(291,895)**	**(291,895)**		(295,431)	(295,431)	
(Surplus) or Deficit on Provision of Services	**804,273**	**(801,318)**	**2,955**	771,026	(792,247)	(21,221)	
Tax expenses of subsidiaries	**395**		**395**	333		333	
Group (Surplus)/Deficit	**804,668**	**(801,318)**	**3,350**	771,359	(792,247)	(20,888)	7
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			**(12,209)**			(90,380)	
Re-measurement of the net defined benefit liability			**66,643**			(32,214)	
Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) or deficit from investments in equity instruments designated at Fair Value through Other Comprehensive Income			**(800)**				
(Surplus) of deficit on revaluation of Available for Sale Financial Assets						(8,200)	
Other Comprehensive Income and Expenditure			**53,634**			(130,794)	
Total Comprehensive Income and Expenditure			**56,984**			(151,682)	

Group Movement in Reserves Statement

The total Council Reserves are set out in the single entity Movement in Reserves Statement and the supporting notes to the Single Entity Core Statements.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Group Income and Expenditure Account	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017	(95,068)	(6,380)	(7,219)	0	(8,904)	(117,571)	(546,626)	(664,197)	356	(663,841)
Movement in reserves during 2017/18:										
Total Comprehensive Income and Expenditure	6,275	(24,126)				(17,851)	(113,192)	(131,043)	(20,639)	(151,682)
Adjustments between accounting basis and funding basis under regulations (Note 2)	(8,059)	28,080	(930)	0	(196)	18,895	(18,895)	0	0	0
(Increase)/Decrease in 2017/18	(1,784)	3,954	(930)	0	(196)	1,044	(132,087)	(131,043)	(20,639)	(151,682)
Balance at 31 March 2018 carried forward	(96,852)	(2,426)	(8,149)	0	(9,100)	(116,527)	(678,713)	(795,240)	(20,283)	(815,523)
Movement in reserves during 2018/19:										
Total Comprehensive Income and Expenditure	**24,640**	**(19,300)**				**5,340**	**47,652**	**52,992**	**3,992**	**56,984**
Adjustments between accounting basis and funding basis under regulations (Note 2)	**(19,515)**	**18,689**	**(5,294)**	**0**	**(1,860)**	**(7,980)**	**7,980**	**0**		**0**
(Increase)/Decrease in 2018/19	**5,125**	**(611)**	**(5,294)**	**0**	**(1,860)**	**(2,640)**	**55,632**	**52,992**	**3,992**	**56,984**
Balance at 31 March 2019 carried forward	**(91,727)**	**(3,037)**	**(13,443)**	**0**	**(10,960)**	**(119,167)**	**(623,081)**	**(742,248)**	**(16,291)**	**(758,539)**

Group Balance Sheet

	31 March 2019 £000	31 March 2018 £000	Note
Property, Plant & Equipment			
- Council dwellings	**500,464**	449,764	
- Other land and buildings	**527,232**	544,670	
- Vehicles, plant, furniture and equipment	**19,060**	22,213	
- Infrastructure	**352,935**	195,130	
- Community assets	**1,705**	1,717	
- Surplus assets not held for sale	**4,973**	5,029	
- Assets under construction	**60,909**	180,915	
Property, Plant & Equipment	**1,467,278**	1,399,438	5
Heritage Assets	**11,352**	11,466	
Investment Property	**186,875**	200,756	
Intangible Assets	**0**	232	
Long Term Investments	**52,800**	52,000	
Long Term Debtors	**28,366**	12,681	2
Long Term Finance lease Debtors	**13,700**	13,700	
Long Term Assets	**1,760,371**	1,690,273	
Assets Held for Sale (short term)	**556**	586	
Inventories	**9,820**	5,707	
Cash and Cash Equivalents	**57,772**	51,974	9
Short Term Investments	**7,020**	0	
Short Term Debtors	**66,133**	81,347	2
Current Assets	**141,301**	139,614	
Bank Overdraft	**(7,516)**	(34,324)	9
Short Term Creditors	**(76,618)**	(90,772)	3
Short Term Provisions	**(5,559)**	(8,384)	4
Short Term Borrowing	**(119,469)**	(129,482)	
Current Liabilities	**(209,162)**	(262,962)	
Long Term Creditors	**(10,085)**	(13,123)	3
Long Term Provisions	**(16,021)**	(6,465)	4
Long Term Borrowing	**(465,862)**	(411,859)	
Other Long Term Liabilities - Net pensions liability	**(413,338)**	(296,922)	6
Other Long Term Liabilities - Finance leases	**(13,700)**	(13,700)	
Revenue Grants Receipts in Advance	**(3,210)**	(3,206)	
Capital Grants Receipts in Advance	**(11,755)**	(6,127)	
Long Term Liabilities	**(933,971)**	(751,402)	
Net Assets	**758,539**	815,523	
Usable reserves	**(119,167)**	(116,527)	
Unusable Reserves	**(623,081)**	(678,713)	
Group Income and Expenditure Account	**(16,291)**	(20,283)	
Total Reserves	**(758,539)**	(815,523)	

Group Cash Flow Statement

	31 March 2019 £000	31 March 2018 £000	Note
Net (surplus) or deficit on the provision of services	**2,955**	(21,221)	
Adjustments to net surplus or deficit on the provision of services for non cash movements			
Depreciation	**(42,704)**	(43,750)	
Impairment and revaluation	**16,333**	7,399	
Amortisation	**(232)**	(243)	
Increase/(Decrease) in Impairment for bad debts	**(608)**	(2,935)	
Decrease/(Increase) in creditors	**10,540**	(14,191)	
Increase/(Decrease) in debtors	**(6,775)**	13,997	
Increase/(Decrease) in inventories	**(3,916)**	(3,579)	
Difference between IAS 19 pension cost and pensions paid	**(49,773)**	932	
Carrying amount of non-current assets sold	**(18,949)**	(8,293)	
Movement in value of investment properties	**(15,786)**	(2,204)	
Movement in provisions	**(6,731)**	(5,257)	
	(118,601)	(58,124)	
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	**9,160**	6,999	
Revenue expenditure funded from capital under statute	**(2,268)**	(1,943)	
Capital grants	**51,359**	62,591	
Net cash flows from Operating Activities*	**(57,395)**	(11,698)	
Investing Activities	**68,040**	80,953	10
Financing Activities	**(43,251)**	(46,944)	11
Net (increase) or decrease in cash and cash equivalents	**(32,606)**	22,311	
Cash and cash equivalents and bank overdraft at the beginning of the reporting period	**17,650**	39,961	
Cash and cash equivalents and bank overdraft at the end of the reporting period	**50,256**	17,650	

*The following items are included within operating activities:

	31 March 2019 £000	31 March 2018 £000
Interest Received	**(1,971)**	(1,246)
Interest Paid	**17,254**	16,347
Finance lease interest paid	**1,155**	1,137
Dividends Received	**(5,774)**	(4,813)
Finance lease interest received	**(1,412)**	(1,385)
Taxation paid	**488**	195

Notes to the Group Accounts

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 Totally Local Company 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 by the Council 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 Ltd 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 the Council, for managing and maintaining the Council's housing stock, as well as fulfil a number of other statutory responsibilities, including preventing homelessness, managing private sector renewals and disabled adaptations, and the provision of sheltered housing.

Stockport Homes Ltd has three subsidiary companies, Three Sixty SHG Ltd, Viaduct Partnerships Ltd and Foundations Stockport Ltd. Three Sixty SHG Ltd and Viaduct Partnerships Ltd were both established in 2016/17 and are limited by shares, wholly owned by Stockport Homes Ltd. Three Sixty SHG Ltd is primarily a construction company, established to deliver core elements of the HRA capital programme. Viaduct Partnerships Ltd is a development company for new builds for rental purposes.

Foundations Stockport Ltd was formed in December 2018 to deliver more social inclusion and health related initiatives for Stockport. It is a company limited by shares, with Stockport Homes Ltd and Foundations Board members being shareholders. Foundations Stockport Ltd is a charitable Community Benefit Society registered with the Financial Conduct Authority and Companies House.

During 2018/19, the management fee and other charges made to the Council by the Stockport Homes Group amounted to £42.273m (£37.886m in 2017/18). Outstanding balances owed by the Council to the Stockport Homes Group at the year end amounted to £2.139m (£2.422m 31 March 2018).

During 2018/19, the Council charged the Stockport Homes Group £2.130m (£3.178m in 2017/18) 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 £52.235m (£41.199m at 31 March 2018) this was made up of £0.353m (£0.729m at 31 March 2018) of trade payables and loans of £51.882m (£40.470m at 31 March 2018).

Totally Local Company 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 two Executive Directors, and up to four independent Non-Executive Directors.

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.

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

Totally Local Company Ltd Group's principal source of income is from fees and charges for services provided to Stockport Council and Stockport Homes Ltd.

During 2018/19, the management fee and other charges made to the Council by Totally Local Company Ltd amounted to £33.596m (£33.708m during 2017/18). Outstanding balances owed by the Council to Totally Local Company Ltd at the year end amounted to £0.964m (£0.903m at 31 March 2018).

During 2018/19, the Council charged Totally Local Company Ltd £1.168m (£0.859m during 2017/18) for the provision of support services. Outstanding balances owed by Totally Local Company Ltd to the Council at the year end amounted to £10.032m (£10.841m at 31 March 2018) this was made up of £0.319m (£0.239m at 31 March 2018) of trade payables and loans of £9.713m (£10.602m at 31 March 2018).

Bodies Not Consolidated

Stockport Exchange Phase 2 Ltd

Stockport Exchange Phase 2 Ltd is a wholly owned subsidiary of the Council and was set up to undertake the Stockport Exchange Development, which completed in 2016/17. Two officers of the Council are directors of the Company.

The company had minimal transactions during 2017/18 and 2018/19 which were not considered material for consolidation into the Group Accounts and the company is in the process of being 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 provided £0.100m of share capital. Interstate Ltd was 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. In the latest audited accounts for the year ended 31 December 2018, the company recorded a profit of £0.139m (period ended 31 December 2017 – profit of £0.141m), and net current assets of £0.241m (2017 - £0.241m). 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 2018/19.

Other entities
No other entities are considered to be part of the Stockport Council Group for consolidation purposes.

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 30 May 2019 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 Totally Local Company Ltd.

The accounting policies of the Council's consolidated subsidiary companies have been aligned with the Council's Accounting Policies set out in Note 39. Any statutory adjustments between the accounting basis and funding basis included in the Council's accounting policies do not apply to the subsidiary companies, for example in relation to retirement benefits.
The total comprehensive income and expenditure items of the group companies are accounted for within the Group Income and Expenditure Account, including the surplus/deficit on the provision of services, surplus/deficit on revaluation of property, plant and equipment and re-measurement of the defined benefit liability.

2. Short and Long Term Debtors including Payments in Advance

	Gross Balance £000	Impairment allowance £000	31 March 2019 Short Term £000	31 March 2019 Long Term £000	31 March 2019 Total £000
Financial Assets					
Trade Receivables					
Central Government	**2,739**		**2,739**		**2,739**
Other Local Authorities	**15,586**		**15,586**		**15,586**
NHS Bodies	**2,984**		**2,984**		**2,984**
Other Entities and Individuals:					
Social Services Clients	**8,378**	**(912)**	**7,466**		**7,466**
Housing Rents	**1,886**	**(1,594)**	**292**		**292**
Lease and rental receivables	**3,833**	**(743)**	**3,090**	**1,454**	**4,544**
Other Entities and Individuals	**5,563**	**(286)**	**5,277**		**5,277**
	40,969	**(3,535)**	**37,434**	**1,454**	**38,888**
Other Receivables - Loans					
Loans - Manchester Airport				**20,429**	**20,429**
Car and Other loans	**189**		**189**	**3,283**	**3,472**
	189	**0**	**189**	**23,712**	**23,901**
Total Receivables (Financial Assets)	**41,158**	**(3,535)**	**37,623**	**25,166**	**62,789**
Other Receivables (Non-Financial Assets)					
Central Government (Tax)	**4,506**		**4,506**		**4,506**
Housing Benefits	**6,859**	**(4,396)**	**2,463**		**2,463**
Collection Fund:					
Business Rates	**6,724**	**(5,561)**	**1,163**		**1,163**
Council Tax	**12,425**	**(4,655)**	**7,770**		**7,770**
Payments in advance:					
Lease and rental receivables	**167**		**167**	**3,200**	**3,367**
Other payments in advance	**12,441**		**12,441**		**12,441**
Total Receivables (Non-Financial Assets)	**43,122**	**(14,612)**	**28,510**	**3,200**	**31,710**
Total Receivables	**84,280**	**(18,147)**	**66,133**	**28,366**	**94,499**

There has been a restatement of balances at 31 March 2018 between categories to comply with the disclosures of IFRS 9.

	Gross Balance restated £000	Impairment allowance restated £000	31 March 2018 Short Term restated £000	31 March 2018 Long Term £000	31 March 2018 Total £000
Financial Assets					
Trade Receivables					
Central Government	8,361		8,361		8,361
Other Local Authorities	17,830		17,830		17,830
NHS Bodies	5,087		5,087		5,087
Other Entities and Individuals:					
Social Services Clients	4,945	(680)	4,265		4,265
Housing Rents	2,215	(1,496)	719		719
Lease and rental receivables	2,621	(450)	2,171	1,180	3,351
Other Entities and Individuals	12,178	(607)	11,571		11,571
	53,237	(3,233)	50,004	1,180	51,184
Other Receivables - Loans					
Loans - Manchester Airport				9,151	9,151
Car and Other loans	2,165		2,165	238	2,403
	2,165	0	2,165	9,389	11,554
Total Receivables (Financial Assets)	55,402	(3,233)	52,169	10,569	62,738
Other Receivables (Non-Financial Assets)					
Central Government (Tax)	9,701		9,701		9,701
Housing Benefits	5,564	(4,853)	711		711
Collection Fund:					
Business Rates	7,104	(4,779)	2,325		2,325
Council Tax	12,716	(4,674)	8,042		8,042
Payments in advance:					
Lease and rental receivables	768		768	2,112	2,880
Other payments in advance	7,631		7,631		7,631
Total Receivables (Non-Financial Assets)	43,484	(14,306)	29,178	2,112	31,290
Total Receivables	98,886	(17,539)	81,347	12,681	94,028

3. Short and Long Term Creditors including Receipts in Advance

	31 March 2019 Short Term £000	31 March 2019 Long Term £000	31 March 2019 Total £000
Financial Liabilities			
Trade Payables			
Central Government	(2,484)	(122)	(2,606)
Other Local Authorities	(9,771)		(9,771)
NHS Bodies	(2,349)		(2,349)
Other Entities and Individuals	(34,974)	(25)	(34,999)
Finance Lease payables		(1,183)	(1,183)
	(49,578)	(1,330)	(50,908)
Other Payables			
Employees Accumulated Absences	(4,476)		(4,476)
	(54,054)	(1,330)	(55,384)
Other Trade Payables (Non-Financial Liabilities)			
Central Government (Tax)	(5,637)		(5,637)
Debt administered by other Councils	(1,392)	(2,967)	(4,359)
Collection Fund:			
Business Rates	(2,523)		(2,523)
Council Tax	(2,065)		(2,065)
Receipts in advance:			
Lease and rental receipts in advance	(919)	(5,356)	(6,275)
Social Care receipts in advance	(2,978)		(2,978)
Other receipts in advance	(7,050)	(432)	(7,482)
	(22,564)	(8,755)	(31,319)
Total Payables	(76,618)	(10,085)	(86,703)

There has been a restatement of balances at 31 March 2018 between categories to comply with the disclosure requirements of IFRS 9.

	31 March 2018 Short Term restated £000	31 March 2018 Long Term £000	31 March 2018 Total £000
Financial Liabilities			
Central Government	(2,226)	(45)	(2,271)
Other Local Authorities	(10,707)		(10,707)
NHS Bodies	(2,580)		(2,580)
Other Entities and Individuals	(39,213)	(825)	(40,038)
Finance Lease payables		(969)	(969)
	(54,726)	(1,839)	(56,565)
Other Payables			
Employees Accumulated Absences	(5,590)		(5,590)
	(60,316)	(1,839)	(62,155)
Other Trade Payables (Non-Financial Liabilities)			
Central Government (Tax)	(7,392)		(7,392)
Debt administered by other Councils		(5,670)	(5,670)
Collection Fund:			
Business Rates	(3,717)		(3,717)
Council Tax	(1,933)		(1,933)
Receipts in advance			
Lease and rental receipts in advance	(83)	(5,547)	(5,630)
Social Care receipts in advance	(3,192)		(3,192)
Other receipts in advance	(14,139)	(67)	(14,206)
	(30,456)	(11,284)	(41,740)
Total Payables	(90,772)	(13,123)	(103,895)

4. Provisions

	Insurance Fund £000	Business Rates Appeals £000	Employee Related £000	Taxation Related £000	Dilapidation Provision £000	Other Provisions £000	Total £000	Comparative figures for 2017/18 £000
Long term								
Balance 31 March 2018	(3,565)	(2,900)					**(6,465)**	(5,235)
Increases in year	(1,388)	(8,168)					**(9,556)**	(1,710)
Decreases in year							**0**	480
Balance as at 31 March 2019	**(4,953)**	**(11,068)**	**0**	**0**	**0**	**0**	**(16,021)**	(6,465)
Short term								
Balance 31 March 2018	(746)	(6,414)	(747)	(278)	(176)	(23)	**(8,384)**	(4,357)
Increases in year	(395)		(217)			(1,222)	**(1,834)**	(6,401)
Decreases in year		4,083	99	278	176	23	**4,659**	2,374
Balance as at 31 March 2019	**(1,141)**	**(2,331)**	**(865)**	**0**	**0**	**(1,222)**	**(5,559)**	(8,384)
Total Provisions	**(6,094)**	**(13,399)**	**(865)**	**0**	**0**	**(1,222)**	**(21,580)**	(14,849)

Additional provisions in relation to group companies:

Employee and taxation related provisions
The employee provisions comprise several individual provisions for varied employment issues. No individual provision is material in its nature or size. The taxation provision was settled during the year.

Dilapidation provision
This was a provision in relation to a vacated office premises. The provision was settled during the year.

Other provisions
This includes a provision made during the year in relation to a probable legal settlement that is expected to be concluded within the next 12 months.

5. Property, Plant and Equipment

Movements in 2018/19:

	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 2018	462,626	579,180	51,298	305,444	2,005	11,034	180,915	**1,592,502**
Additions	17,588	5,017	999	32,021			52,169	**107,794**
Revaluation increases to Group reserve	4,614							**4,614**
Revaluation increases/ decreases to Revaluation Reserve	5,620	(14,760)						**(9,140)**
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	4,803	347						**5,150**
Impairment losses to Surplus or Deficit on the Provision of Services		(95)						**(95)**
Derecognition - Disposals	(5,591)	(12,974)				(53)		**(18,618)**
Reclassifications & Transfers	24,886	2,307	10	136,701		(5,958)	(172,175)	**(14,229)**
At 31 March 2019	**514,546**	**559,022**	**52,307**	**474,166**	**2,005**	**5,023**	**60,909**	**1,667,978**
Accumulated Depreciation and Impairment								
At 1 April 2018	(12,862)	(34,510)	(29,085)	(110,314)	(288)	(6,005)		**(193,064)**
Depreciation Charge	(12,027)	(15,422)	(4,162)	(10,917)	(12)	(6)		**(42,546)**
Depreciation written out to Revaluation Reserve	54	16,657						**16,711**
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	10,611	667						**11,278**
Derecognition - Disposals	141	818				3		**962**
Reclassifications & Transfers	1					5,958		**5,959**
At 31 March 2019	**(14,082)**	**(31,790)**	**(33,247)**	**(121,231)**	**(300)**	**(50)**	**0**	**(200,700)**
Net Book Value								
At 31 March 2019	**500,464**	**527,232**	**19,060**	**352,935**	**1,705**	**4,973**	**60,909**	**1,467,278**
At 1 April 2018	449,764	544,670	22,213	195,130	1,717	5,029	180,915	1,399,438

The group value of Property, Plant and Equipment comprises Council assets - £1,372.351m; Stockport Homes Ltd assets - £90.245m and Totally Local Company Ltd assets - £4.682m.

Movements in 2017/18:

	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 2017	413,963	497,706	49,623	280,110	2,005	11,034	137,360	1,391,801
Additions	21,664	21,043	4,526	17,434			79,259	143,926
Revaluation increases to Group reserve	13,060							13,060
Revaluation increases/ decreases to Revaluation Reserve	1,573	66,772						68,345
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	9,046	(10,901)						(1,855)
Impairment losses to Surplus or Deficit on the Provision of Services		(7,466)						(7,466)
Derecognition - Disposals	(4,240)	(3,709)	(43)					(7,992)
Reclassifications & Transfers	7,560	15,735	73	7,900			(35,704)	(4,436)
Other Movements *			(2,881)					(2,881)
At 31 March 2018	462,626	579,180	51,298	305,444	2,005	11,034	180,915	1,592,502
Accumulated Depreciation and Impairment								
At 1 April 2017	(12,026)	(33,853)	(27,367)	(100,365)	(276)	(5,999)		(179,886)
Depreciation Charge	(11,208)	(17,785)	(4,636)	(9,949)	(12)	(6)		(43,596)
Depreciation written out to Revaluation Reserve	190	10,161						10,351
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	10,049	6,457						16,506
Impairment losses to Surplus or Deficit on the Provision of Services		289						289
Derecognition - Disposals	133	221	37					391
Reclassifications & Transfers								0
Other Movements *			2,881					2,881
At 31 March 2018	(12,862)	(34,510)	(29,085)	(110,314)	(288)	(6,005)	0	(193,064)
Net Book Value								
At 31 March 2018	449,764	544,670	22,213	195,130	1,717	5,029	180,915	1,399,438
At 1 April 2017	401,937	463,853	22,256	179,745	1,729	5,035	137,360	1,211,915

The group value of Property, Plant and Equipment comprises Council assets - £1,320.688m; Stockport Homes Ltd assets - £72.731m and Totally Local Company Ltd assets - £6.019m.

6. Pensions

The Group participate in the Greater Manchester Pension Fund as 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 its net defined benefit cost (and the resultant asset or liability).

The single entity also participates in the Teachers' Pension Scheme and the NHS Pensions scheme, details of which are given in the single entity statements Note 36.

In addition, the subsidiaries participate in two separate defined contribution schemes. The pensions charge for the year ended 31 March 2019 was £0.355m (31 March 2018- £0.332m).

The underlying assets and liabilities for retirement benefits attributable to the Group participation in the Greater Manchester Pension Fund as at 31 March are as follows:

	GMPF (SMBC) £000	**GMPF (Stockport Homes) £000**	**GMPF (Totally Local Company) £000**	**Teachers' Discretionary Benefit £000**	**31 March 2019 Total £000**	31 March 2018 Total £000
Estimated Employers' Assets	**961,912**	**71,993***	**95,472***		**1,129,377**	1,070,770
Present Value of Scheme Liabilities	**(1,318,744)**	**(98,209)**	**(105,941)**	**(19,821)**	**(1,542,715)**	(1,367,692)
Net Pension (Liability)/Asset	**(356,832)**	**(26,216)**	**(10,469)**	**(19,821)**	**(413,338)**	(296,922)

The characteristics of the GMPF are set out in the single entity statements Note 36.

The main assumptions for the group companies are the same as those set out in Note 36 except for salaries, which are increased at 3.3% (31 March 2018 – 3.2%).

*The major categories of group company plan assets as a percentage of total plan assets is as follows:

	31 March 2019 %	31 March 2018 %
Equities	**69**	69
Bonds	**15**	15
Property	**8**	8
Cash	**8**	8
	100	100

The expected pension scheme contributions to the GMPF for the group for the year ending 31 March 2020 will be approximately £22.8m.

A reconciliation of the group position on the Greater Manchester pension fund is set out below:

Changes in the Fair Value of Plan Assets	Period ended 31 March 2019 Net (liability)/ Assets £000	Assets £000	Obligations £000	Period ended 31 March 2018 Net (liability)/ Assets £000	Assets £000	Obligations £000
Fair Value of Employer Assets	**1,070,770**	**1,070,770**		1,008,130	1,008,130	
Present value of funded liabilities	**(1,336,916)**		**(1,336,916)**	(1,305,863)		(1,305,863)
Present value of unfunded liabilities	**(30,776)**		**(30,776)**	(32,335)		(32,335)
Opening position	**(296,922)**	**1,070,770**	**(1,367,692)**	(330,068)	1,008,130	(1,338,198)
Service Costs:						
- current service cost	**(48,102)**		**(48,102)**	(46,270)		(46,270)
- past service costs (including curtailments)	**(690)**		**(690)**	(1,082)		(1,082)
Total service cost	**(48,792)**	**0**	**(48,792)**	(47,352)	0	(47,352)
Net Interest:						
- interest income on plan assets	**28,598**	**28,598**		25,922	25,922	
- interest cost on defined benefit obligation	**(37,185)**		**(37,185)**	(35,036)		(35,036)
Total net interest	**(8,587)**	**28,598**	**(37,185)**	(9,114)	25,922	(35,036)
Total defined benefit cost recognised in Profit or (Loss)	**(57,379)**	**28,598**	**(85,977)**	(56,466)	25,922	(82,388)
Cashflows:						
- Contributions from Members		**7,685**	**(7,685)**	(458)	6,076	(6,534)
- Contributions from Employer	**5,635**	**5,635**		55,867	55,867	
- Contributions in respect of unfunded benefits	**1,971**	**1,971**		1,989	1,989	
- Benefits paid		**(33,482)**	**33,482**		(31,239)	31,239
- Unfunded benefits paid		**(1,971)**	**1,971**		(1,989)	1,989
Cashflows	**7,606**	**(20,162)**	**27,768**	57,398	30,704	26,694
Expected closing position	**(346,695)**	**1,079,206**	**(1,425,901)**	(329,136)	1,064,756	(1,393,892)
Remeasurements:						
- Changes in financial assumptions	**(116,378)**		**(116,378)**	25,959		25,959
- Other experience	**(436)**		**(436)**	241		241
- Return on assets excluding amounts included in net interest	**50,171**	**50,171**		6,014	6,014	
Total Remeasurements recognised in CIES	**(66,643)**	**50,171**	**(116,814)**	32,214	6,014	26,200
Fair Value of Employer Assets	**1,129,377**	**1,129,377**		1,070,770	1,070,770	
Present Value of Funded liabilities	**(1,512,273)**		**(1,512,273)**	(1,336,916)		(1,336,916)
Present Value of Unfunded liabilities	**(30,442)**		**(30,442)**	(30,776)		(30,776)
Closing Position as at 31 March 2019	**(413,338)**	**1,129,377**	**(1,542,715)**	(296,922)	1,070,770	(1,367,692)

The sensitivity analysis for the group company assumptions is set out below:

Totally Local Company Ltd

Change in Assumptions at 31 March 2019	**Approximate % increase to Employer Liability**	**Approximate monetary amount £000**
0.5% decrease in Real Discount Rate	**11%**	**11,953**
0.5% Increase in the Salary increase rate	**2%**	**1,666**
0.5% Increase in the Pension increase rate	**10%**	**10,087**

Stockport Homes Ltd

Change in Assumptions at 31 March 2019	**Approximate % increase to Employer Liability**	**Approximate monetary amount £000**
0.5% decrease in Real Discount Rate	**13%**	**13,053**
0.5% Increase in the Salary increase rate	**2%**	**2,258**
0.5% Increase in the Pension increase rate	**11%**	**10,541**

7. Group Expenditure and Funding Subjective Analysis

	Total Group 2018/19 £000	Total Group 2017/18 £000
Expenditure		
Employee Benefit Expenses	**309,523**	303,999
Other service expenses	**334,441**	323,557
Capital charges including depreciation and impairment	**26,616**	36,520
Financing and investment expenditure including interest	**88,170**	65,175
Levies	**40,886**	40,972
Payments to Housing Capital Receipts Pool	**2,205**	2,921
Losses/(gains) on disposal of assets/ impairment of assets held for sale	**2,432**	(2,118)
Taxation expense	**395**	333
	804,668	771,359
Income		
Fees, charges and other service income	**(147,273)**	(141,053)
Financing and investment income including interest	**(53,791)**	(48,187)
Income from Council Tax and Business Rates	**(222,767)**	(216,217)
Government grants and contributions	**(377,487)**	(386,790)
	(801,318)	(792,247)
	3,350	(20,888)

8. Results of Subsidiaries

The results of subsidiaries within Net Cost of Services comprises:

	2018/19 Expenditure £000	**2018/19 Income £000**	**2018/19 Net £000**	2017/18 Expenditure £000	2017/18 Income £000	2017/18 Net £000
Operating result of Totally Local Company Ltd	**36,855**	**(36,130)**	**725**	36,669	(35,782)	887
Operating result of Stockport Homes Ltd	**48,685**	**(49,985)**	**(1,300)**	42,872	(45,587)	(2,715)
Consolidation adjustments	**(60,104)**	**60,104**	**0**	(59,198)	59,198	0
	25,436	**(26,011)**	**(575)**	20,343	(22,171)	(1,828)

Consolidation adjustments relate to revenue expenditure charged between the Group companies which reduces overall expenditure and income for the Group accounts.

9. Cash and Cash Equivalents

	Balance at 31 March 2019 £000	Balance at 31 March 2018 £000
Cash and bank balances	**38,047**	40,924
Short term investments, considered to be cash equivalents	**19,725**	11,050
	57,772	51,974
Bank Overdraft	**(7,516)**	(34,324)
	50,256	17,650

10. Note to the Cash Flow Statement- Investing Activities

	31 March 2019 £000	31 March 2018 £000
Purchase of property, plant and equipment, investment property and intangible assets	**116,063**	156,328
Purchase of short-term and long-term investments	**20,200**	
Other capital payments for investing activities	**16,607**	1,943
Other payment for investing activities	**88**	41
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(9,160)**	(6,999)
Capital grants	**(60,418)**	(70,195)
Proceeds from short-term and long-term investments	**(13,200)**	
Other receipts from investing activities	**(2,140)**	(165)
	68,040	80,953

11. Note to the Cash Flow Statement- Financing Activities

	31 March 2019 £000	31 March 2018 £000
Cash receipts of short- and long-term borrowing	**(566,083)**	(673,000)
Repayments of short- and long-term borrowing	**523,811**	622,035
	(42,272)	(50,965)
Other receipts from financing activities	**(979)**	4,021
	(43,251)	(46,944)

The reconciliation of liabilities arising from financing activities is set out in the Notes to the Single Entity Statements.

PART 2 - OTHER ACCOUNTS (not subject to audit)

This section summarises the accounts of various Trust Funds and other bodies which the Council administers on behalf of their trustees or otherwise. 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 or Balance Sheet.

	Balance at 31 March 2018 Restated £	Increases in year £	Reductions in year £	**Balance at 31 March 2019 £**
Hollingpriest Educational Foundation	(1,253)	(9)		**(1,262)**
Woodbank Memorial Fund	(2,655)	(18)	18	**(2,655)**
Brookfield Park Shiers Family Trust	(342,806)	(17,300)		**(360,106)**
Total	(346,714)	(17,327)	18	(364,023)

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 is 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.

The balance as at 31 March 2018 was originally reported as £294,864 and included the original value of the amount invested in the investment fund (i.e. £122,755). This has now been restated to reflect the value of the investment fund as at the balance sheet date (£170,718 at 31 March 2018).

The Trustees resolved to reserve £25,000 to be used to address the effects of loneliness amongst elderly residents and the consequential effect on their health. A total of £19,134 has been allocated to date, this is not reflected in the table above and the drawdown for the payments will be made during 2019/20.

On the 5 June 2018, Members approved a further allocation of £35,000 from the Trust to support voluntary groups for children and young people, young carers, addressing loneliness amongst children and young people, and supporting sports groups for people of all ages. There have been no allocations made to date.

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 Business Rates.

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 Business 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.

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/Business Rates)
A tax levied on business properties, and sometimes known as Business Rates. Previously a Business Rates 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 Business Rates 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 GMCA Mayoral Police and Crime Commissioner and the GMCA Mayoral General (including Fire Services).

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.

Subsidiary Undertaking
A subsidiary undertaking is an entity, including an unincorporated entity such as a partnership, which is controlled by the Council.

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.