



**MANCHESTER
CITY COUNCIL**

Annual Report Incorporating Statement of Accounts 2013/14

Manchester City Council Annual Report Incorporating Statement of Accounts 2013/14

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Content

This document contains the 2013/14 Annual Report and the 2013/14 Annual Statement of Accounts. The Annual Report precedes the Annual Accounts and provides information about the Council and Greater Manchester. It includes information on reforming public services, the Council's aims, objectives and values plus details of how the Council works and how it performed in 2013/14 in relation to value for money and performance indicators. The Annual Report summarises what the Council spent money on in 2013/14 and how that money was raised. It also includes the simplified summary accounts.

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Annual Report 2013/14

Incorporating the Summary of Accounts

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Introduction to Manchester City Council

About Manchester

The Mancunian qualities of innovation, hard work and enterprise made Manchester the first modern city and placed it at the heart of the industrial world. But during the 20th century, the decline in industry led people to leave in search of work elsewhere. Nonetheless, the originality and creative heart and soul of Manchester have inspired a successful reinvention over the past 20 years. World-class sports facilities, expanding service industries, a growing knowledge economy, world-renowned universities and one of the busiest airports in the United Kingdom have brought new money and new jobs to Manchester, cementing its role as the powerhouse of the North West region. This economic growth has been led by one of the highest rates of private sector growth over the past 15 years and the creation of over 50,000 jobs across the city. However, in spite of this renewed success and pride, Manchester is still tackling social problems left by 40-50 years of economic decline.

Driven by a thriving private sector, the city has emerged from the banking crisis, credit crunch and recession and is now strongly supporting sustained growth across the UK economy. Meanwhile Manchester's population continues to grow; with the 2011 Census recording that the city was home to over half a million people. Projections forecast an increase to over 550,000 by 2020.

There have been a number of ground-breaking developments over the past year which reflect the dynamic nature of the city and will sustain economic growth and expand opportunities for Manchester citizens:

- Completion of the first phase of the 20 acre NOMA re-development with the Co-operative Group at the northern gateway to the city centre. This saw the opening of the Co-operative's £130m landmark new head office and new Public Square at 1 Angel Square.
- The re-opening of the Town Hall Extension and Central Library as part of the transformation of St Peter's Square, which is also delivering significantly enhanced public realm and stimulating key commercial development, including No. 1 St Peter's Square, which will be home to KPMG's new Manchester Head Quarters.
- Work on the 'Citylabs' site has begun on the site of the former Royal Eye Hospital. This will provide a 100,000 square foot biomedical centre of excellence at the heart of Europe's largest clinical and academic campus and the new £61m National Graphene Institute, which will be the world's leading centre of research into Graphene.
- Manchester Airport has secured a new direct passenger route to Hong Kong starting from December 2014. Direct air routes form part of the core objectives of the Manchester China Forum, which is supporting increased commercial connectivity between Greater Manchester and China.
- In support of the city-region's skills and jobs objectives, the Greater Manchester Combined Authority has developed and commissioned a new 'Working Well' service which will provide intense support to Employment Support Allowance claimants who have left the Work Programme without moving into sustainable employment.

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- The Manchester Leaders Forum met for the first time in June 2014. The Forum brings public and private sector leaders together at the pinnacle of the Manchester partnership to discuss the city's challenges and the strategies to address them. The city is coming to the end the current Community Strategy, which runs to 2015, and the Forum's focus over the coming months will be to set new priorities for the decade ahead.

About Greater Manchester

In April 2011 the ten authorities in Greater Manchester were the first in the country to develop a statutory Combined Authority to co-ordinate economic development, regeneration and transport functions. Since then the role of the Combined Authority has grown to encompass strategies for reforming public services and supporting people into independence.

Under its first strategy, a response to the Manchester Independent Economic Review – the most robust economic analysis ever undertaken of a city, the Combined Authority established a track record of success. By prioritising projects on the basis of economic and employment benefits, it was awarded funding to better support the growth of GM businesses. As a result of this, Airport City has been designated an Enterprise Zone; MediaCityUK is a national hub for digital and creative industries; and investment in transformational initiatives such as the establishment of the National Graphene Institute and the Sharp Project, has been secured. The UK's first Low Carbon Hub will pioneer new ways to deliver a low carbon economy. The Combined Authority has also successfully worked with other cities to make the case for greater investment in the North on the basis that it will help to grow the UK economy as a whole. Investment in a 21st century transport system, including the expansion of Metrolink and support for the Northern Hub rail schemes, demonstrates determination to continually improve the transport offer and to encourage the development of further transformative proposals such as the devolution of rail franchising and the development of High Speed Rail.

Following a period of consultation a new strategy for Greater Manchester, 'Stronger Together', has been developed. It sets out a vision that by 2020, the Manchester city region will have pioneered a new model for sustainable economic growth based around a more connected, talented and greener city region, where all our residents are able to contribute to and benefit from sustained prosperity and a good quality of life. It fuses together strong plans for reforming public services with a continued drive for growth and prosperity. The key objective is to sustain progress whilst eliminating the gap between taxes raised and resources spent on public services. This will be done by delivering services differently and more efficiently and reducing the level of demand for those services, by bringing more people into higher quality work.

Greater Manchester's new governance arrangements also include a business-led Local Enterprise Partnership (LEP) aiming to support business and local authorities to develop the local private sector, tackle major barriers to growth and formulate shared strategies for the local economy to increase job creation.

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The Council's aims and objectives

The Manchester Partnership has a vision of Manchester as a world class city, as competitive as the best international cities, that stands out as enterprising, creative and industrious; a city with highly skilled and motivated people living in successful neighbourhoods whose prosperity is environmentally sustainable and where all residents are valued and secure and can meet their full potential.

This vision is set out in the Manchester Community Strategy. An updated statement regarding how partners in Manchester will work together to achieve this vision in the face of the current challenges is set out in the new Strategic Narrative for the City. This will pave the way for the new Manchester Leaders Forum to set out the priorities for the decade ahead.

The Council and other public sector partners have experienced significant reductions in funding over the past three years. Public services can no longer be delivered on the same scale and so change is unavoidable. The Council will focus on three areas – Growth, People and Place - to direct its resources towards the vision for the city and the objectives in the Greater Manchester Strategy. These objectives focus on growing the economy of the city and city region and connecting people to new economic opportunities, reforming public services to support independence, reducing long-term reliance on high cost public services and maintaining services focused on the needs of local residents and neighbourhoods.

Growth

The city has enormous potential to create jobs and economic wealth for the benefit of Manchester residents and the Greater Manchester city region. The Council will work with its partners to reduce barriers to Manchester people developing the skills they need to access jobs in the city. This will enable them to contribute to and benefit from the economic success of the city, improving their own quality of life and their family's.

People

The Greater Manchester Strategy demonstrates the critical link between economic growth and competitiveness and people-focused public service reform. Without addressing the latter the full potential for growth will not be realised. The key is not so much how the Council can reduce its level of spend, but how better outcomes from total public spend within the city can be delivered. Just reducing spend on its own will leave residents vulnerable and reduces growth prospects.

Place

Manchester is rightly proud of its diversity and of the different people that make this city great. A 'one size fits all' approach would not be fit for Manchester. The delivery of our services must be focused on the needs and characteristics of the places they are delivered in – the individual neighbourhoods of Manchester. Through the Council's elected members, as community leaders and representatives, and as an organisation, we will deliver and commission services and operate in a way that reflects the characteristics of Manchester's different neighbourhoods.

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Reforming Public Services

During the year 2013/14 the Council implemented changes to save the £80 million required by the 2013/15 Financial Settlement. The Government has now published the settlement for 2014/15 and provisional settlement for 2015/16. The Council will need to make up to £100 million of savings over 2015/16 and 2016/17. This, combined with the increased cost of the levies for Waste Disposal and Transport, has led to a 40% reduction in resources available to support directorates' net revenue budgets. The Council's public and voluntary sector partners are also facing similar challenges through funding reductions which require collaboration and strong leadership to address whilst making progress towards the vision for the city.

To address these challenges the Council with its partners has embarked upon a radical programme of public service reform to ensure that the maximum benefit is obtained from the remaining resources in the city. A series of programmes are being piloted and rigorously tested to understand their ability to reduce dependency on high-cost services and reduce public service expenditure. These have the intertwined objectives of supporting people into work and into greater independence under two main areas:

Complex Dependency

Scientific evidence identifies that brain development in a child's early years (aged 0-4) has the greatest influence over whether they will grow up to be happy and successful. A new delivery model for Early Years is being piloted which will ensure children aged 0-4 have regular interactions with health visitors and are able to access the support they and their parents need. The types of service that children can be referred to include Speech and Language Therapy or immunisations, whilst parents can access parenting classes or support to develop skills and access work.

The Council and its partners have developed a cohesive, whole family approach with "troubled" families, getting the full spectrum of public agencies, national and local, to work together in a co-ordinated way focussed on the family rather than just their particular service speciality. This has been rolled out across the city and is being tested and evaluated to ensure it has the best possible impact on reducing dependency.

Transforming justice and rehabilitation through better, more co-ordinated support for offenders at the points of arrest, sentence and release. This programme focuses on young people (the peak age of offending is 19) and women offenders, due to the whole system costs of female custody on families.

Working Well builds on the experience of Troubled Families. The programme will work with Employment Support Allowance (ESA) Work Related Activity claimants who have left the Work Programme without moving into sustainable employment. The Work Programme has achieved good results with some claimant groups but for ESA claimants the results have been poor to date. There is recognition that the complex needs of ESA claimants require a different sort of support which more effectively addresses the underlying issues that are affecting their ability to find sustained employment. The two main differences being introduced in Working Well are the intensity of support, with key workers with lower caseloads and more regular contact with clients as well as the integration and prioritisation of other public services.

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Integrated Health and Social Care

Across Greater Manchester a programme entitled “Healthier Together” has been designed to reconfigure hospital services to address the inconsistent outcomes from hospital services and their uncertain financial sustainability. Across Manchester new models of primary medical care are being developed with three key aims; increase the scope of services delivered through primary care, bring consistency as part of the system and introduce a representative provider voice to primary care. The goal for Manchester is for the population to be living longer and living better, which is the name given to the integrated health and social care programme. This is part of the growth and reform plans within health and social care being led by the Health and Wellbeing Board.

Core Services

The Council is committed to providing a high standard of core services which deliver value for money for residents. These services are a vital part of making the city an attractive place in which to live and work, supporting economic growth. This includes having a good housing offer, neighbourhoods which are clean and safe, and have high quality culture and leisure facilities.

Having a sufficient amount of quality housing for both rent and owner occupiers is essential to support the city’s economy. Whilst house building fell during the recession, the number of new homes under construction is now beginning to increase, and over the next three years the city has a target of 5,000 new homes. Now that the economy is entering a period of predicted growth, the challenge will be to attract the substantial levels of private investment required to deliver the housing growth which is required to support the projected economic and population growth in the years to come.

A new “**Clean City**” programme launched over the past year, enabled residents and communities to apply for funding to tackle environmental problems in their local areas. This provided a unique opportunity for communities to engage with and influence initiatives that can make real and lasting improvements to their neighbourhoods, tackling the issues that are most important to them.

A major development over the last year which will contribute to the city continuing to be a cultural destination of choice is the opening of the refurbished Central Library. This will provide a rich resource for residents and visitors alike, with state of the art facilities such as interactive local archives, alongside rare books and literary collections.

Sport and leisure developments include a partnership between the Council and Manchester City Football Club (MCFC), which is transforming the area around Etihad Stadium. The Manchester City Football Academy being located here opens in 2014, and will house the MCFC First Team and Youth Academy training facilities. Also, a new Beswick Leisure Centre is being built which will offer sports facilities for the whole community.

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The Council's Values

The Council fosters a culture of behaviour based on shared values, ethical principles and good conduct. These values underpin everything the Council does, including how it works with partners and serves its local communities. The Council's values are People. Pride. Place.

- **People** - Every day Council employees will go further to make a difference to the lives of Manchester people. Council employees will treat colleagues, partners and customers with the respect they deserve and believe only their best is good enough.
- **Pride** - Council employees are proud of the role they play in making Manchester a success. Council employees accept the responsibility invested in them and rise to meet the challenges they need to overcome.
- **Place** - Council employees celebrate all things Manchester and strive to make Manchester's streets, neighbourhoods and city an even greater place to live, work and visit.

Performance Against the City's Priorities

In 2012 Manchester's economy, combined with that of the four other GM South districts (Salford, Stockport, Tameside and Trafford) generated an economic output of £34.8bn - over a quarter of the region's output. This is an increase of 3.8% on the previous year, indicating a strengthening recovery following the economic downturn of 2008. Greater Manchester South outperforms the North West region and the national average in terms of GVA per head of the resident population. The GVA was £23,476 in 2012, compared to £18,438 for the North West region, and £21,674 nationally, which represents a 32% increase in GVA over the last decade. Although the GM South region is comparable to the South East in terms of GVA, there is a considerable gap to London where the figure is £37,322; however, the gap has narrowed since 2011.

Manchester is the region's major employment centre, and there continues to be significant growth in the number of people in employment, which in 2012 was 326,200, an increase of 5.4% on the previous year. 13,500 additional jobs have been created in the sectors which have contributed most to this growth, which are professional, scientific and technical. A key priority for the city is to bring in direct foreign investment to contribute to job growth, as part of the Internationalisation Strategy. During the past year, developments include the launch of the Manchester-China forum, and an announcement of a joint venture comprising Manchester Airport Holdings Limited, Beijing Construction Engineering Group, Carillion and Greater Manchester Pension Fund which plans to build an £800m business park at Airport City.

Increasing the wages of Manchester residents remains a priority for the Manchester Partnership. Manchester's median workplace wage (the wages of those who work in the

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city but may live elsewhere) of £453 is the highest of all the Core Cities, reflecting the success of the local economy. However, Manchester's median resident wage (those who live in the city) of £367 is the second lowest, and the gap between Manchester's workplace wages and resident wages remains high at £86 per week. More needs to be done to address this gap, such as improving the skill levels of Manchester residents, and ensuring Manchester has attractive neighbourhoods where high earners working in the city want to live.

Manchester city centre is one of the city's most important economic assets, enabling it to achieve the growth objectives set out within our Community Strategy narrative. The Council has continued to work with partners to drive forward major development schemes which stimulate economic growth and job creation. There have been several key areas of progress in the last year, including the opening of the Co-operative's new £130m landmark head office, which has provided a £17m boost to the regional economy. Work is also underway on the next phase of the First Street redevelopment, including Home - a new major cultural facility for Manchester, bringing together the Library Theatre and Cornerhouse Cinema - along with a 4 star hotel, retail facilities, car parking, high quality serviced residential accommodation and significant new public realm. This phase is due for completion in spring 2015.

The city's wider economic and social relationships are also dependent on the quality of the transport infrastructure. To improve national and international connectivity comprehensive plans have been initiated to enhance the region's rail network and airport capacity. Particularly relevant are the programmes to promote the delivery of High Speed rail to Piccadilly and Manchester Airport, and proposals to increase capacity and commercial activity at the Airport.

The arrival of HS2 at Piccadilly and Manchester Airport will provide a valuable boost to regional and local connectivity, and will also greatly enhance the attractiveness of these locations to investment. To ensure that these opportunities are fully exploited, the council and its partners are preparing clear and compelling growth strategies that maximise development potential.

Since 2010 the Airport has recorded an increase in total passengers from 18,605,305 to 21,075,267 in 2013/14 (up 13.28%) (Source: Manchester Airport Traffic Statistics, Manchester Airport Group).

People

The Council and its partners continue to expand on their delivery of services in a radically different way under a programme named Public Service Reform. This has changed the focus of public services from helping people, to helping people to be able to help themselves. The programmes have many shared aims, such as encouraging people to have greater aspiration, resilience and independence, and reducing demand on high-cost public services. Some of the main aims are;

- **Improving outcomes for Troubled Families** – As at February 2014 there have been 1,854 families which have received support from interventions. For families where there had been criminal offences, 73% have had no repeat offending, and

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for children who had been excluded from school, for 58% of families the number of exclusions reduced.

- **Supporting people into employment** – Since 2001, apart from an increase during the 2008-2009 downturn, the number of residents claiming an out of work benefit has steadily reduced. In 2013, there were 58,740 residents claiming these benefits, which is 16.1% of the population, and a reduction of 12.5% since the 2001 level. A new “Working Well” programme, commissioned by the Greater Manchester Combined Authority, will bring intensive support to Employment Support Allowance claimants, who have left the Work Programme without moving into employment, to enable them to find work.
- **Helping young people gain the right skills** – Supporting young people into apprenticeships is a key part of addressing youth unemployment in the city. Many more people are now starting apprenticeships, with 4,775 starting in 2012/13, compared to 1,320 in 2005/06.
- **Getting more young children (0-4s) off to the best start** – Achieving a good level of attainment in the Early Years Foundation Stage (EYFS) is vital for children so that they are ready for school, and they are also more likely to be independent and less reliant on public services in the future. The 2013 result of 47% of children achieving a good level of development is lower than the national average of 52%, but it is a key strategic ambition for the city to improve this score to ensure that children get off to a good start in life.
- **Reducing absence from school** - School absence has improved over the last few years, so that Primary absence, at 4.5% in 2012/13, is now 0.2 percentage points below the national average. Secondary absence, at 6% is just 0.2 percentage points above the national average. This is a significant improvement on the position five years ago, where there was a gap of over 3 percentage points from the national average for secondary schools.
- **Improving attainment at school** – Good school results are an essential part of ensuring residents will have the right skills to access the opportunities offered by the city’s economy. The main measure of attainment at the end of Key Stage 2 is the percentage of pupils achieving Level 4 or above in the core subjects of Reading, Writing and Maths. Over the last five years the results of Manchester pupils have improved at a faster rate than the national average, so that 75% now attain Level 4, the same as the national average. In 2008/09 there was a gap of 6 percentage points.
After a period of improvement, GCSE results, at 53.1% of pupils gaining 5 or more A*-C grades including English and Maths, have remained almost unchanged since last year. Manchester remains 6.1 percentage points below the national average, however over the last five years improvements have happened at a faster rate than nationally, so this gap has narrowed considerably from 11.2 percentage points in 2008/09.
- **Reducing re-offending by young people** – Reducing offending is an important part of achieving the city’s ambitions of improving resilience, supporting

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independence and reducing spending on high cost services. Offender management measures, such as Integrated Offender Management, are showing a positive impact, with a 10% reduction in re-offending being achieved in 2013/14.

- **Supporting people to improve their health** – The Council has a role in educating, informing and involving the community in the improvement of their health and wellbeing. Between 2010 and 2012, there were around 1,000 preventable deaths each year among people living in Manchester. Over this period, the age standardised mortality rate per 100,000 population from causes considered preventable in Manchester was nearly double that of England as a whole (340.5 compared with 187.8). The rate was higher for men (430.9 per 100,000) than for women (253.9 per 100,000). Both Manchester and England have been experiencing a downward trend over the last 10 years. In Manchester, the rate of deaths from causes considered preventable has fallen from 396.4 in the three year period 2001-03 to 340.5 in 2010-12 – a reduction of 14.1%. Over the same period, the rate across England as a whole has fallen from 248.4 to 187.8 – a reduction of 24.4%, so there is much more to be done to try to address the wide gap which continues to exist between Manchester and the England average.

Place

So that residents can make the most of the opportunities available in Manchester, it is crucial that neighbourhoods are created which are attractive to working people, and which offer a good quality of life. Focus is given to the fundamentals, such as clean streets, safe communities and an efficient waste and recycling service.

Over recent years the respondents to Manchester's residents' surveys have expressed increased satisfaction with their local area as a place to live, and overall there has been a significant improvement in respondents' satisfaction since 2000/01. In this year's survey 77% of respondents were satisfied with their local area as a place to live which is the same as the last two years.

The Council is committed to increasing the amount of waste recycled by providing services that meet the needs of residents. Following the successful implementation of prioritised recycling collections in June and July 2011, recycling increased significantly in 2012/13 but in 2013/14 dropped by 1.5 percentage points to 35.1%. This was due to changes in processing of street cleansing waste. The amount of waste produced per household remains virtually unchanged in 2013/14 from last year. However, prior to this, reductions have been significant year on year, and each household now produces much less waste - 484kg in 2013/14 – compared to 735kg in 2007/08, a reduction of 34.1%. Recycling of garden and food waste has increased from 24,659 tonnes in 2012/13 to 24,679 tonnes in 2013/14.

Whilst Manchester has made significant reductions in crime and anti-social behaviour over recent years, 2013/14 has seen an increase in a number of crime types, particularly acquisitive crime. Substantial reductions were seen in overall recorded

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crime over the last four years of between 8.5% and 10.9%, however 2013/14 saw an increase of 3.7%. A total of 47,243 victim based crimes (which includes offences of violence against the person, sexual offences, robbery, theft and criminal damage) were reported across the city in 2013/14, a 3.3% increase compared to the same period the previous year.

The total number of theft offences reported across the city in the last year rose by 4.6%. The largest increase within this broad crime category was for domestic burglaries which increased by 9.6% compared with the previous year. This emphasizes that the Council, GMP and other partners have a challenge to reduce this figure. Operations such as Operation BRAID targets key crimes such as burglary. BRAID is a triple track approach and targets the victim, offender and location.

Manchester is working towards a target of reducing carbon emissions by 41% by 2020. Despite an increase in population of 10% since 2005, the latest data from 2011 shows a 16.1% reduction in CO₂ has been achieved. To promote an environmentally sustainable culture there are an increasing number of schools participating in the international 'Eco-Schools' programme across the city, from 136 five years ago, to 147 now - which is 88% of the state schools in the city. The programme guides schools on their sustainability programme, providing a framework to help embed 'green' principles into the heart of school life.

How the Council Works

Manchester City Council is made up of 96 Councillors elected to the position by the residents of Manchester across the city's 32 wards. As elected representatives they have the authority to make a range of decisions affecting the city and the public services delivered across it. The Council employs officers to deliver services on their behalf and to carry out their decisions.

The Council appoints a Leader at its annual meeting in May, who in turn appoints eight other elected members to form an Executive. They take a range of decisions to implement the Council's strategies and policies. A wide range of decisions are defined by law as 'Non-Executive Decisions' and these are taken by all 96 Councillors meeting together in the Council meeting or by one of the Council's committees. Only the most significant decisions are taken at the Council meeting, such as agreeing the Council's budget. Council has set up a number of committees involving smaller groups of Councillors to take decisions in particular areas, such as planning permission or considering applications for a type of license.

The Council has responsibility for a wide range of functions, and takes hundreds of decisions every day. It would not be practical to bring Councillors together in a committee to take each and every decision so many of the decisions are delegated to senior officers of the Council to take on their behalf.

Decisions are taken in an open and transparent way, and key decisions and the reasons for them are recorded and made available to the public. The decisions of the Executive and the way in which Council services or other public services are delivered are also subject to scrutiny. The Council has set up six scrutiny committees to do this,

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and in these meetings Councillors hold decision makers to account and consider how public services are meeting the needs of local residents in the areas they represent.

The Council maintains a Constitution which sets out which officers or committees have responsibility for exercising the authority's different functions. The Council's Code of Corporate Governance, included in the Constitution, sets out the standards of good governance the Council will meet.

The Council's Governance Arrangements

The Council is committed to ensuring good governance of its affairs. The Council's Code of Corporate Governance ("the Code") sets out the standards it will meet to ensure it is doing the right things in the right way for the right people in an inclusive, open, honest and accountable manner.

These commitments can be summarised as follows;

The Council will:

- Clearly set out our objectives and what we're trying to achieve.
- Measure how effective our services are and take action to improve them. It will publish information showing progression towards our objectives.
- Work with other public services, such as the Police and NHS, to improve services for Manchester residents.
- Ensure we make the best use of taxpayers' money by taking prudent financial decisions and measuring the level of value for money achieved.
- Set out, in its Constitution, who can take which decisions.
- Behave in ways that reflects the Council's values and high standards of conduct.
- Ensure people in the Council making decisions have access to accurate information to help them take decisions in the best interests of Manchester people.
- Record and publish the decisions it takes and the reasons for them. Wherever possible, the most important decisions will be taken in public.
- Carry out effective scrutiny of its services to make sure they meet Manchester residents' needs.
- Be sensitive about how information about Manchester citizens is collected and recorded, and safeguard it from misuse.

Every year the Council produces an Annual Governance Statement (AGS), which explains:

- What processes are in place to make sure the commitments set out in the Code are being met.
- How the governance arrangements are reviewed, to ensure that they are as effective as they can be, and that improvements are always being made.
- What the Council has done to identify and respond effectively to any governance challenges, and what new challenges have been identified where the Council will need to focus its efforts in 2014/15.

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Some of the key processes which the Council has in place to make sure it efficiently monitors and improves its governance arrangements are as follows;

Internal and External Audit – The Council's Internal Audit Service reviews the effectiveness of our internal systems of control. Any challenges which are identified are highlighted in the AGS, and plans are put in place to make sure any required improvements to systems are made. In turn the Council's external auditors, Grant Thornton, assess the Internal Audit function to make sure it forms an effective part of the Council's control environment. The external auditor also assesses other areas, such as how effectively the Council ensures value for money in its use of resources.

Register of Significant Partnerships – Partnership working is becoming increasingly important to enable the Council to adapt and innovate, ensuring that it continues to achieve its objectives and delivers effective services for residents. The Council has a Partnership Governance Framework, which standardises the approach to managing partnerships to strengthen accountability and financial security. A Register of Significant Partnerships is produced to assess the risk partnerships' governance arrangements pose to the Council's reputation, objectives and financial position.

Performance Management Framework – The Council has a comprehensive system of performance reporting which provides accurate and timely information about service delivery. This supports decision making that is effective, and is focused around services which meet communities' needs. Where there are any barriers to good performance, managers have the information they need to intervene and address them.

Scrutiny Committees – The Council has six scrutiny committees, made up of elected members, which play a key role in ensuring that public services are delivered in the way residents want. They have a number of roles including holding the Council's Executive to account by reviewing their decisions, and investigating where Councillors have any concerns about the way services are being delivered. To promote transparency and wider engagement with Council decisions, all meeting papers and minutes are available on the Council's website.

Part of the AGS looks at what governance challenges the Council has experienced, and what has been done to strengthen processes where necessary. It also looks forward to what the main areas are where the Council will need to focus its efforts in 2014/15. This takes into account, for example, challenges from the current year where there is still further work to be done, and major reform programmes which will lead to significant governance developments.

Some of these challenges identified for 2014/15 are:

- Supporting the implementation of the Growth and Reform Plan by working with partners to help people become more resilient, develop valuable skills and access employment opportunities.
- Establishing successful partnerships to deliver reform work including health and social care programmes "Healthier Together" and "Living Longer, Living Better" at a sustainable level and at the scale and pace required.

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- Working with partners to design savings proposals for 2015/16 and 2016/17 which will make best use of resources available to public services in the city.
- Ensuring high standards of partnership governance, focusing on new ways of working and delivering services.
- Protecting information and responding to the outcomes of the Information Commissioner's Officer Audit.
- Improving ICT security, resilience and capacity to support service transformation.
- Improving internal staff communications, training and support.

The full AGS accompanies this annual report and statement of accounts.

Value for Money

The vision for Manchester is to become a world class city; to grow and sustain the economy of the city, and to translate that growth into better lives for Manchester residents. Achieving this vision, against an increasingly difficult financial and economic backdrop, means that even greater emphasis is being placed on changing the way we work to deliver better services and improve value for money. This means redesigning services to make better use of resources: in essence, 'doing more with less'.

Manchester City Council has an established track record of achieving savings through adopting more efficient ways of providing our services whilst maintaining prudent levels of reserves and maintaining low council tax increases.

Public Service Reform is at the heart of Manchester's commitment to secure the best possible outcomes from public spending. The Council has designed and rigorously tested new delivery models for public services designed to support Manchester people away from high-cost public services and towards greater independence. This will realise savings both for the Council, its local partners and the public purse more broadly.

In addition, to obtain the best outcome from each pound spent, the Council:

Analysed in detail benchmarking data showing how the Council's spend differs from other similar local authorities to inform work to target the development of savings proposals and innovative service redesigns.

Reduced the operational estate from 363,000m² at June 2010 to 312,500m² at March 2014, reducing costs and emissions. Sharing premises and capital with partners has helped this, for example there are now shared print and mail facilities with Greater Manchester Police whilst some Police and JobCentre Plus staff are based at the Town Hall complex.

Carried out more of its transactions online, rather than through more costly means such as face-to-face or on the telephone. There were 238,347 online transactions this year, an increase of 10% over last year, and 5.71m visits to the Council's website, an increase of 13% over last year.

Recorded savings in procurement of £49.96 million since the Central Procurement Hub was established in 2007/08. In addition to delivering savings the Procurement Group has focused on bringing social, economic and environmental benefits to local

Manchester City Council Annual Report Incorporating Statement of Accounts 2013/14

communities. This work included opening up procurement opportunities to small businesses through streamlining and simplifying procurement processes.

Improving the level of information we have regarding the evidence of success from the services we deliver and commission, so we can get maximum use out of the services proven to work best and safely decommission those services that are not having the necessary outcomes and are no longer needed.

Manchester City Council Annual Report Incorporating Statement of Accounts 2013/14

Summary of the Annual Accounts 2013/14

Introduction

In line with the Council's commitment to transparency and accountability to its stakeholders, we have produced a summary of the Council's Annual Statement of Accounts for 2013/14. This summary has been produced in a simpler format than the full Annual Statement of Accounts which is required to comply with proper accounting practice. The Summary Accounts attempt to provide more meaningful information and highlight key financial information relating to the Council to non-technical users.

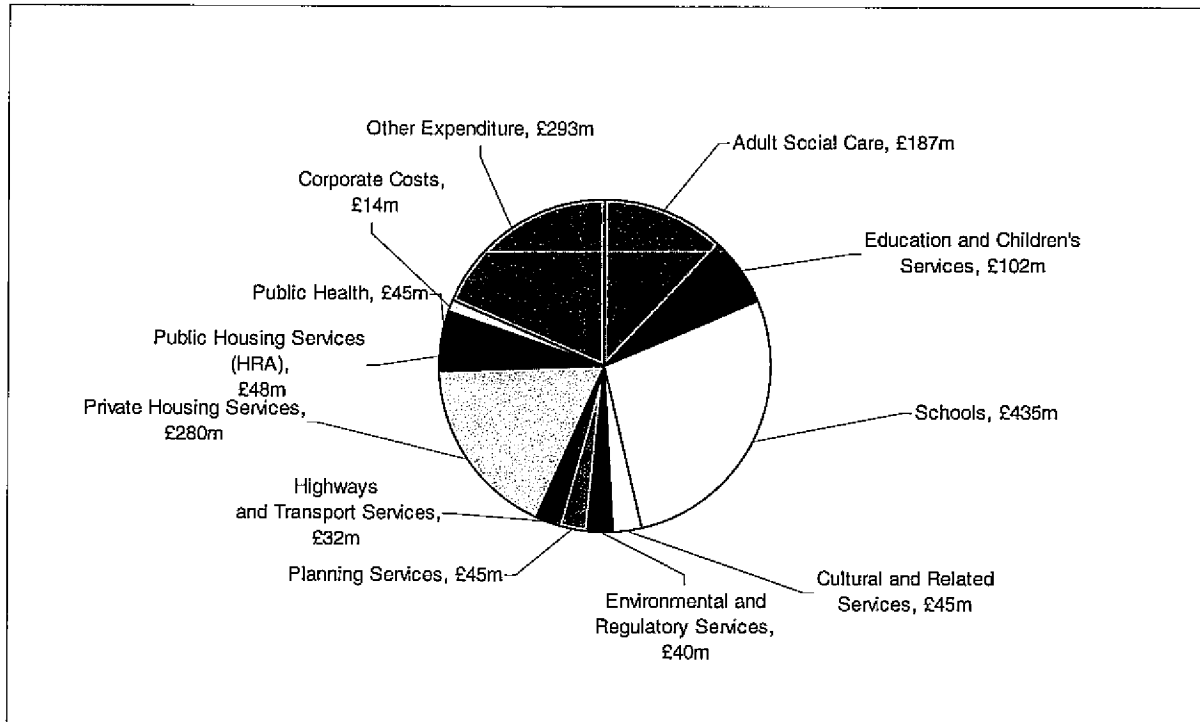
Where the money was spent in 2013/14

The Council spends money on a whole range of services to help support the people of Manchester to achieve and enjoy a better quality of life. This spending can be both revenue and capital. Revenue spending relates to the day to day running costs of the Council such as staffing, purchasing services from third parties, utilities and minor equipment. Capital funds are spent to buy assets which are to benefit Manchester and its residents over a longer period such as land and buildings.

The Council's budget runs for the financial year from 1 April to the following 31 March. We consult on our budget each year before deciding on the priorities and setting the budget in March.

Overall we spent £1,566 million (gross). The chart on the following page shows where our revenue money was spent in 2013/14 analysed across standard service divisions, which are different from how the Council is structured. The Council is required to report on these categories as prescribed by Chartered Institute of Public Finance and Accountancy (CIPFA) to ensure consistent accounting treatment and comparability with other local authorities. These figures exclude costs (such as depreciation) that do not have to be funded by council tax. However, these costs are included in the full accounts.

Manchester City Council Annual Report Incorporating Statement of Accounts 2013/14



Service Division	
Adult Social Care	This expenditure relates to adult social care services such as care for older people in their own homes or care homes, support for people with physical or learning disabilities or with mental health issues and adult education services provided to adults living in Manchester.
Education and Children's Services	This expenditure relates to children's social care services, early years services and education services (excluding schools) provided to children in Manchester.
Schools	This expenditure relates to the provision of nursery, primary, secondary and specialist education services provided to children in Manchester.
Cultural and Related Services	This expenditure is incurred on various Council services including museums, galleries, recreation and sport, parks and library services.
Environmental and Regulatory Services	This expenditure is incurred on various Council activities including environmental health, licensing, waste collection and the provision of cemeteries and crematoria.
Planning Services	This expenditure is incurred on various Council activities including planning policy, economic development and building regulations.
Highways and Transport Services	This expenditure relates to the maintenance and safety of Manchester's roads and transport networks.

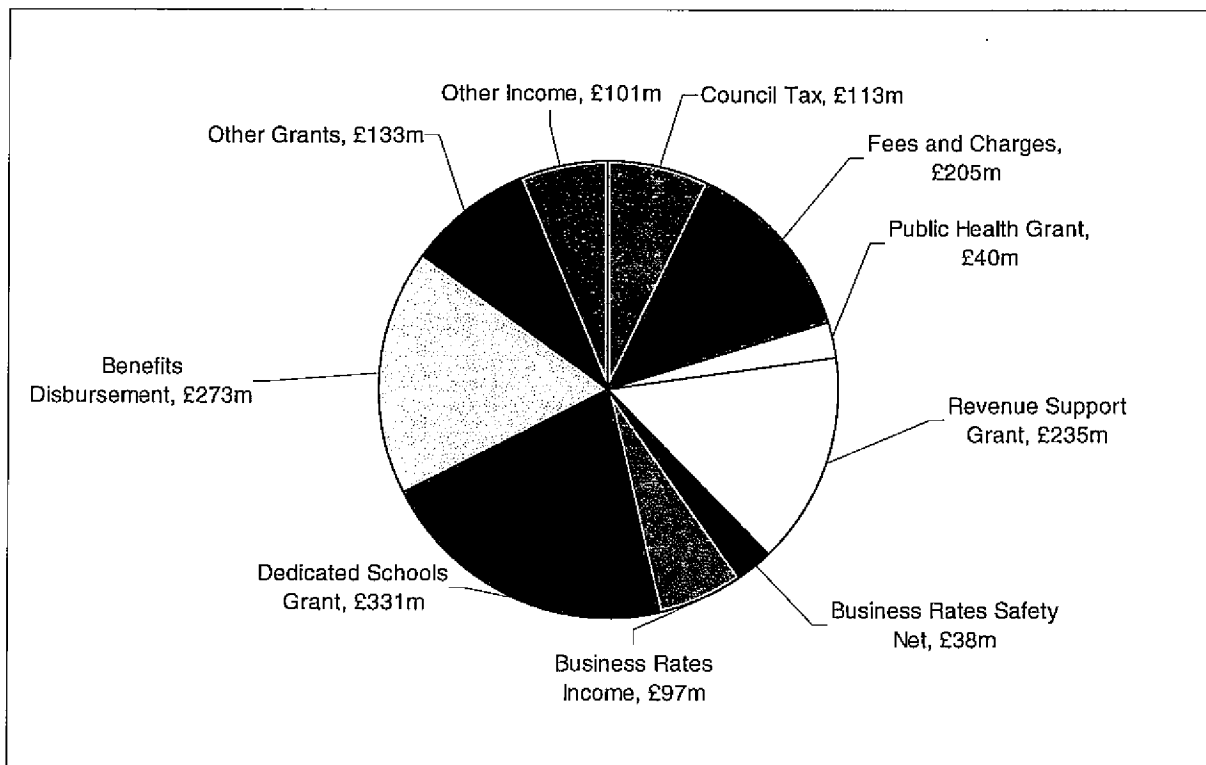
Manchester City Council Annual Report Incorporating Statement of Accounts 2013/14

Private and Public Housing Services including the Housing Revenue Account	This expenditure is incurred on the Council's public and private housing services including housing benefit payments.
Public Health	This expenditure relates to the provision of public health services which were transferred to local government on 1 April 2013.
Corporate Costs (Central Services to the Public)	This expenditure relates to activities that enable the Council to function as a whole. For example the production of the Council's annual accounts and estimating and negotiating Council budgets. This also includes expenditure relating to the Coroners Office, Registrars and Council Members' activities.
Other Expenditure	This relates to items of expenditure not included in the service divisions such as levy payments for example for transport and waste services, loan repayments and interest payments made by the Council plus money set aside by the Council for future use.

Where the money came from in 2013/14

In 2013/14 the majority of our income (67%) came from government. The remainder of our funding came from business rates, council tax, fees and charges and other income such as dividends and interest.

The chart on the following page shows how we funded our spending of £1,566 million in 2013/14 analysed across the different types of income received during the year.



Manchester City Council Annual Report Incorporating Statement of Accounts 2013/14

Funding	
Council Tax	This is the total amount of council tax due to the Council in 2013/14.
Fees and Charges	This is the total of the fees and charges generated by the Council.
Public Health Grant	This grant relates to the provision of public health services which were transferred to local government on 1 April 2013.
Revenue Support Grant	This is a government grant received by the Council each year which the Council uses to support its revenue expenditure.
Business Rates Safety Net	This is the amount of business rates safety net that the Council is entitled to in 2013/14.
Business Rates	This is the Council's share of business rates income due to the Council in 2013/14.
Dedicated Schools Grant	This is a ringfenced government grant which the Council uses to fund the Schools budget.
Benefits Disbursement	This is a government grant to fund the Council's payment of housing benefits.
Other Grants	This is the total of all the other revenue grants received by the Council.
Other Income	This relates to items of income such as interest and investment income, trading service income and dividends received.

Cost of Council Services

The Income and Expenditure Account below shows the cost of running Council services between 1 April 2013 and 31 March 2014 and how this has been funded.

General Fund Services	Gross Expenditure	Gross Income	Net Expenditure
	£000s	£000s	£000s
Adult Social Care	187,199	(36,739)	150,460
Central Services to the Public (cost of elections, registration of births, deaths and marriages and council tax collection)	13,886	(10,769)	3,117
Children's and Education Services	536,720	(410,936)	125,784
Cultural Services	44,893	(13,196)	31,697
Environmental Services	39,736	(13,369)	26,367
Planning Services	45,423	(22,246)	23,177
Highways, Road and Transport Services	31,923	(23,591)	8,332

Manchester City Council Annual Report Incorporating Statement of Accounts 2013/14

Housing Services including Benefits	327,374	(296,445)	30,929
Public Health	45,029	(44,089)	940
Net Cost of Services	1,272,183	(871,380)	400,803
Other Operating Expenditure Including Levies	60,605	(226)	60,379
Financing and Investment Income and Expenditure	114,115	(60,782)	53,333
Contributions to / (from) Reserves	118,706*	(60,889)	57,817
Amount to be met from Government Grants and Local Taxation	1,565,609	(993,277)	572,332
Financed By:			
Council Tax			112,855
Council Share of Business Rates			234,742
General Government Grants and Other Income			224,735
Total General Income			572,332

* Contributions to reserves include the contribution to the business rate safety net reserve of £37,650,000 plus grants and contributions to be used over more than one year.

Financial Position

The Balance Sheet below shows the Council's financial position at the 31 March 2014, the last day of the financial year. It shows what the Council owns (its assets) and its debts (its liabilities) as well as the net worth of the Council (assets less liabilities).

Assets	£000s	Liabilities	£000s
Council Dwellings	389,504	Borrowing	521,399
Other Land and Buildings	953,270	Provisions for Future Liabilities	71,757
Heritage Assets	431,191	Liability for Pension Scheme	735,975
Investment Properties	399,044	Capital Grants Received in Advance	7,624
Other Assets	734,718	Money Owed by the Council	328,590
Investments	133,603		
Money Owed to the Council	285,450		
Total	3,326,780	Total	1,665,345
		Net Worth of the Council	1,661,435

Manchester City Council Annual Report Incorporating Statement of Accounts 2013/14

Cost of Council Housing Services

The Housing Revenue Account (HRA) below shows the income and expenditure relating to the 16,793 council houses owned by the Council between 1 April 2013 and 31 March 2014. It is a legal requirement that the Council accounts for this income and expenditure separately from that of other services it provides.

Housing Revenue Account	£000s
Income	
Rents	61,279
Charges for Services and Facilities	1,973
Contributions towards expenditure on services provided by the Council on behalf of others	3,590
Other income	15,781
	82,623
Expenditure	
Repair and Maintenance	27,889
Supervision and Management	15,280
Net Interest Paid	9,386
Other Expenditure	12,556
	65,111
Total Surplus for the Year	17,512
Housing Revenue Account Surplus at 31 March 2013	61,001
Housing Revenue Account Surplus at 31 March 2014	78,513

The Housing Revenue Account surpluses are held in a reserve on the balance sheet to meet future liabilities in relation to public housing private finance initiative (PFI) schemes and to support future investment in the Council's housing stock. The housing reserves are in the main earmarked for specific purposes or have been identified to support future planned investment in housing.

The Council owned the following properties at 31 March 2014:

Property type	
Houses and Bungalows	9,553
Flats	6,990
Others	82
Total	16,625

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Capital Expenditure

Capital expenditure is spent on the purchase or improvement of assets that have a long-term value to the Council, like land and buildings. This is different to revenue expenditure in that the Council and its residents receive the benefit from the capital expenditure over a longer period (over one year).

Capital Expenditure by Asset Type	£000s
Council Dwellings	21,203
Other Land and Buildings	51,112
Vehicles, Plant and Equipment	10,167
Infrastructure (e.g. Roads, Street Furniture)	14,649
Community Assets	325
Assets Under Construction	59,077
Surplus Assets	16,905
Capital Expenditure not Relating to Council Assets	14,263
Assets Held for Sale	1,846
Investment Properties	5,289
Long-Term Loans	7,334
Intangible Assets	357
Share Capital	1,500
	204,027

This has been spent on the following capital programmes:

Capital Expenditure by Capital Programme	£000s
Town Hall and Central Library Complex Programme	50,194
Building Schools for the Future	4,986
Former Royal Eye Hospital	1,283
Schools Capital Programme	1,277
Ringway Road Highway Improvement Scheme	3,531
Private Sector Housing Capital Programme	12,483
Highways Capital Programme	7,096
Co-Op Group Estate Redevelopment	2,140
Asset Management Maintenance Programme	3,159
Strategic Acquisitions	10,653
ICT Transformation Capital Programme	5,263

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Schools Basic Need Programme	17,920
The Sharp Projects	7,823
Abraham Moss Centre Redevelopment	6,963
Schools Capital Maintenance Programme	1,704
Leisure and Libraries	2,437
Greater Manchester Loans Fund	1,331
Queens Road Metrolink	1,209
Adult Services Capital Programme	351
Beswick Community Hub	13,692
Alexandra Park Refurbishment	2,070
Public Sector Housing	24,177
First Street Cultural Facility	7,767
Regeneration Programmes	7,260
Manchester Business Park	4,499
Bus Priority Package	2,759
	204,027

Annual Statement of Accounts 2013/14

Manchester City Council Annual Report Incorporating Statement of Accounts 2013/14

Explanatory Foreword to the Annual Accounts by the City Treasurer

The Explanatory Foreword is the first section of the Annual Accounts and provides a financial summary and introduction to the annual accounts for 2013/14.

Financial Summary 2013/14

The Council had a net revenue budget of £570,924,000 in 2013/14. This budget was net of savings of £40m required in 2013/14 on top of £170m of savings in 2011/12 and 2012/13 following the reduced financial settlement.

Most of the Council's revenue budget is spent on the services the Council provides. However some is used to repay money borrowed in previous years to fund capital projects and some is paid out by way of levies to other organisations e.g. the Greater Manchester Waste Disposal Authority. An amount is also put aside each year to meet any unforeseen costs that may arise during the course of the year.

Spend against this budget is reported in the global monitoring reports to Executive. In year changes to the budget position, either due to the reallocation of spend between budgets or a change in the level of budgeted resources, are also reported as part of the global monitoring reports. The final financial position against the revenue budget was reported to Executive on 18 June 2014. This information is consolidated into the accounts within the Comprehensive Income and Statement. This statement also includes items that do not form part of the Council's revenue budget such as depreciation. The Movement in Reserves Statement shows the removal of these items and the change in the general fund reserve. A reconciliation showing the outturn position and the change in general reserves is shown later in the explanatory foreword.

The capital budget was approved as part of the suite of budget reports. Changes to the budget are reported to Executive either as capital increases reports or as separate stand alone reports. Capital spend is reported to Executive in quarterly capital budget monitoring reports. This expenditure relates to the acquisition or enhancement of capital assets and is transferred to the balance sheet rather than being included with revenue expenditure in the Comprehensive Income and Expenditure Statement. Capital expenditure is mainly funded from capital resources, such as borrowing or capital grants, although it can also be funded from revenue resources. The sources of capital funding are approved when the capital budget is set.

Revenue Expenditure

The table below shows the outturn position compared to the latest revenue budget taking into account all the budget adjustments made during the financial year. At the end of the year the budget was underspent across all budgets by £4.462m (before approved carry forward of underspends of £0.9m) or 0.8 %. There had been a planned call on general reserves of £4.53m and there is therefore a transfer from general reserves of £0.068m.

The General Fund Reserve is now at £25.942m. In addition there is a general fund reserve of £15m which relates to the transfer from the HRA which was carried out in

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2012/13 under the power in Schedule 4, Part 3 (2) of the Local Government and Housing Act 1989. It is intended this will be used for Housing Regeneration priorities. Department of Communities and Local Government (CLG) has asked for the Council's justification in making the transfer but to date nothing has been received on whether the Secretary of State is intending to make a determination to reverse the transfer.

The table below sets out the year end position.

	Original Budget	Revised Budget	Outturn	Variance to revised budget
	£,000	£,000	£,000	£,000
Available Resources	570,924	571,771	576,030	4,259
<u>Planned use of Resources</u>				
Corporate and Cross Cutting Issues:				
Corporate Items	100,201	107,628	100,182	(7,446)
In year contributions to provisions and reserves	0	0	5,882	5,882
Property Rationalisation	(1,466)	(597)	0	597
TOTAL CORPORATE AND CROSS CUTTING	98,735	107,031	106,064	(967)
Service Requirements:				
Families, Health and Wellbeing	188,840	206,892	207,239	347
Children's and Commissioning Services	121,916	102,539	103,081	542
Corporate Core	62,362	57,515	54,428	(3,087)
Growth and Neighbourhood	99,071	97,794	99,256	1,462
Contribution to Troubled Families Work	0	0	1,500	1,500
TOTAL SERVICE REQUIREMENTS	472,189	464,740	465,504	764
NET ESTIMATED REQUIREMENTS	570,924	571,771	571,568	(203)
Underspend	0	0	(4,462)	(4,462)
Approved carry forward of underspends against budget	0	0	922	922
Net Underspend	0	0	(3,540)	(3,540)

The above table shows the spend per directorate which is different to the analysis that is required in the Comprehensive Income and Expenditure Statement.

Manchester City Council Annual Report Incorporating Statement of Accounts 2013/14

More detail on the Council's budget and outturn position can be found on the Council's website www.manchester.gov.uk.

The above table shows that available resources are £4.259m higher than budgeted due to the receipt of capitalisation top slice of £1.2m returned from CLG, additional Educational Support Grant of £1.9m and additional dividend income of £1.2m.

The underspend on Corporate Items budgets comprises £0.9m from the release of unallocated contingency which is held until year end in case of any unforeseen pressures together with refunded contributions from the Waste Disposal Authority (£1.2m), release of the waste contingency (£0.7m), overachievement of procurement savings (£0.4m) and an underspend against budgets held to be allocated.

All provisions and reserves have been assessed at year end to ensure they are adequate. The following adjustments have been made:

- Increase to the General Compensation Provision of £1.1m
- An increase to the Cleopatra reserve of £4.2m
- An increase to the Insurance Provision of £0.5m

The initial savings target for property rationalisation was £2.705m. The element of the programme attributed to the corporate budget has delivered £2.108m of savings over the first three years of the programme. This gives a cumulative shortfall to date of £0.597m which will reduce to £0.199m after 2014/15.

The net position on controllable budgets for services is an overspend of £0.764m. The main reasons are as follows:-

- Expenditure for Families, Health and Wellbeing plus Children's and Commissioning Services were broadly in line with the revised budget. The Corporate Core underspent by £3.087m, largely due to the Council Tax benefit subsidy surplus relating to residual council tax benefit received in 2013/14 and underspends in Legal Services, Democratic and Statutory Services and Human Resources / Organisational Development mainly related to the early achievement of savings. Growth and Neighbourhoods overspent by £1.462m. The main area of overspend was Neighbourhood Delivery. This incorporates pressures within the Strategic Regeneration Framework teams which largely relate to staffing savings that will now be achieved in 2014/15 and unbudgeted costs around third party damage claims.
- The Manchester Troubled Families programme is supporting some of the most troubled and complex families in the city. The programme has spent £6.9m this year which was funded from the Family Recovery Programme within the Families, Health and Wellbeing Directorate £3.4m, £1.5m from directorate underspendings, £1.7m from Central Government's Troubled Families Unit Grant for 2013/14 and partners £0.3m. This has enabled £1.5m of Troubled Families grant and reserve to be carried forward as part of the Manchester Investment Fund Reserve.

The overall underspend is largely due to the increase in resources.

Manchester City Council Annual Report Incorporating Statement of Accounts 2013/14

The activities of the Housing Revenue Account (HRA) have to be accounted for separately from the other services provided by the Council. A separate budget is also approved for the HRA which is monitored and reported within the global monitoring report. Whilst the HRA figures are included within the Comprehensive Income and Expenditure Statement there is also a separate HRA Income and Expenditure Statement within the accounts.

The Housing Revenue Account (HRA), which contains the costs of owning and maintaining properties which are let to tenants and income from renting Council houses to tenants, is shown separately from the general fund revenue budget position. The final outturn position for the HRA is an overall surplus of £17.512m in 2013/14, against a budgeted surplus position of £12.358m.

Collection of rental income was £2.493m better than budgeted, the provision for bad debts was able to be reduced by £1.526m against budget and there were also underspends relating to communal heating costs and the fee to Northwards.

Capital Expenditure

The Council spends money on capital projects within the definitions of capital expenditure contained in the Local Authorities (Capital Finance and Accounting) Regulations 2003.

Capital expenditure has to be financed from one of the following sources:

- Borrowing.
- Grants or contributions from the Government or another third party.
- Use of the HRA Major Repairs Reserve.
- Proceeds from the sale of capital assets or the repayment of capital loans (capital receipts).
- Contributions from revenue funding (revenue contributions).

The capital programme aims to deliver the optimum combination of projects and programmes that represent the key priorities of the Council: to provide excellent public services which provide true value for money whilst creating the conditions for economic growth, improved skills and productivity and less deprivation and dependency.

The Capital Strategy embraces processes that:

- ensure the efficient use of resources,
- achieve maximum value for money,
- and are efficient and deliver more for less.

The Council continues, with its partners locally, sub-regionally and regionally and with the government, to try to give individuals, communities and businesses the best possible support. Flexibility needs to be retained within the Capital Strategy to enable the council to continue to pro-actively respond to pressures including the risk that private sector building activity remains slow.

Manchester City Council Annual Report Incorporating Statement of Accounts 2013/14

The Council and its partners have made major advances in pursuing the agenda for regeneration. Many areas of the city that suffer from acute economic and social deprivation have undergone a transformation to substantially improve their future prospects and long term sustainability. The city centre has benefited from major investment in new attractions and facilities and has become a location where people increasingly choose to live, work and play. The airport, universities and other major economic assets continue to expand and develop underlining Manchester's prominence as regional capital of the North West.

The Community Strategy provides a clear and over-arching vision to create a city that meets and exceeds the needs of all residents. To create neighbourhoods of choice by improving opportunities for people to access quality housing, reach their full potential, and connect to the benefits of our economic growth. To achieve that vision the Council engages, enables and influence housing providers, funders, regulators, and policy makers. The economy has changed a great deal in recent years. At a time when the housing market is likely to remain changeable for some years, and funding is restricted, the Council's strategy needs to be innovative; working with new partners and new initiatives to keep the city growing.

The Council is committed to a varied capital investment programme including:

Growth and Neighbourhood

- Highways Planned Maintenance Programme
- Waste and Recycling Programme
- Street Lighting
- Public Sector Housing Programme
- Private Housing Assistance Programme
- Brunswick Private Finance Initiative
- Co-op Regeneration project
- Alexandra Park Restoration Programme
- Collyhurst and Irk Valley Regeneration Programme
- West Gorton Regeneration Programme
- First Street Cultural Facility
- Beswick Community Hub
- Libraries and Leisure Centres
- Manchester's Digital Sector Programme
- Asset Management Programme
- Strategic Acquisitions

Education and Schools

- Basic Need (additional places) programme

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- Schools Maintenance Programme
- Early Education Programme for 2 year olds
- Building Schools for the Future (ICT)

Corporate

- ICT Investment Programme
- Town Hall Complex Transformation Programme

The Council spent £204,027,000 on capital projects in 2013/14, which is summarised in the following table. More details can be found in Note 28 to the Core Financial Statements.

	2012/13	2013/14
	£m	£m
Non-current Assets (Property, Plant and Equipment and investment Properties)	156	181
Revenue Expenditure funded from Capital under Statute	22	14
Long-term Debtors	5	7
Share Capital	0	2
Total	183	204

The spend in 2013/14 was against the forecasted programme of £239m equating to 85% delivery.

Revenue Expenditure funded from Capital under Statute relates to capital expenditure incurred on non-Council properties (e.g. Academies) and grants to organisations for capital expenditure on their properties.

Capital expenditure classed as long-term debtors relates to loans given to external organisations related to the Council.

The Council acquired shares in Eastlands Development Company and Ideas Inc Ltd during 2013/14.

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Detail of the variances between the outturn and the previous reported forecast are shown in the following table.

	Outturn (31 March 2014)	Previous Forecast (31 January 2014)	Variation
Housing (HRA)	24,176	24,836	(660)
Housing (General Fund)	12,483	13,158	(675)
Highways	13,387	15,912	(2,525)
Environment and Operations	739	1,125	(386)
Leisure, Culture and Libraries	11,536	17,495	(5,959)
Regeneration and Corporate Property	51,770	66,269	(14,499)
Children's Services	32,849	36,658	(3,809)
Adult's Services	351	0	351
Corporate Services	51,474	55,975	(4,501)
ICT	5,263	7,292	(2,029)
Total Capital Outturn	204,028	238,720	(34,692)

Expenditure on capital schemes in 2013/14 was £34.693m less than the previous estimate reported to the Executive. In summary this reduction in spend is mainly due to the following:

- Highways: the underspend was due to the transfer of the Ringway Road Highway Improvement works budget into 2014/15, the Bus Priority Programme caused mainly by delays in getting utilities orders and the Wythenshawe Bus Station scheme now starting in 2014/15.
- Leisure, Cultural and Libraries: the underspend was mainly due to work at the First Street Cultural Centre being delayed due to adverse weather conditions. The Centre is on target to open in spring 2015.
- Regeneration and Corporate Property: the underspend was mainly due to The Beswick Village programme spending less than forecast due to delays in design and construction problems, in part caused by adverse weather conditions, Manchester Business Park due to the provision for buy back option within the scheme being delayed until 2014/15, the Asset Management Programme due to various delays across the programme, caused by design issues, adverse weather conditions, access issues and unexpected works complications such as asbestos and One Central Park not being acquired until June 2014.
- Children's Services: the underspend was mainly due to The Basic Needs programme, to establish additional Primary provision in the City. This was partly due to delays in finalising funding arrangements with Diocese projects, which prevented schemes from progressing. There were also delays elsewhere in the Basic Needs programme due to some projects being more challenging than expected, such as the discovery of asbestos on some sites.
- Corporate Services: the underspend was due to delays in the Town Hall programme as a result of the public enquiry into the plans for Library Walk and the

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fact that some works will be undertaken after the opening of the Library. These relate to the refresh of exhibits in the archive area and enhancing finishes in the heritage areas together with completion of works in the lower ground floor link area.

- ICT: the underspend was due to delays in the Digital Workplace Strategy and the ICT Transformation Budget which will be utilised in 2014/15.

The financing of this expenditure was by the following methods:

	2012/13	2013/14
	£m	£m
Borrowing	80	63
Government Grants	28	53
External Contributions	21	15
Capital Receipts	9	15
Major Repairs Reserve	14	23
Revenue Contributions	31	35
Total	183	204

Manchester City Council Annual Report Incorporating Statement of Accounts 2013/14

Introduction to Manchester City Council's Annual Accounts

The annual statement of accounts has been prepared in accordance with the 2013/14 Code of Practice on Local Authority Accounting (The Code) and International Financial Reporting Standards (IFRS). Changes in accounting requirements over the past several years have led to an increase in complexity of the accounts and the level of detail they contain.

One of the purposes of this foreword is to provide a guide to the Council's accounts and the most significant financial matters contained within the statements.

These accounts contain a glossary of financial terms that are intended to assist the reader to understand the specialist accounting terms that are contained within the Statement of Accounts.

The Accountancy Code of Practice requires that the Council's accounts are set out with the core financial statements grouped together, followed by detailed notes, the supplementary statements and the Group Accounts.

The core financial statements are:

The Movement in Reserves Statement (MIRS)

The Comprehensive Income and Expenditure Statement (CIES)

The Balance Sheet

The Cash Flow Statement

Each statement is preceded by a note explaining its purpose and followed by notes explaining the statements.

The main statements are followed by three further sections:

The Housing Revenue Account (HRA) reports on the costs of owning and maintaining properties which are let to tenants and income from renting Council houses to tenants. These costs are also shown within the main statements.

The Collection Fund Account reports on the collection of local taxes (council tax and national non domestic rates) and their distribution to the Council, Central Government, the Greater Manchester Police and Crime Commissioner and Greater Manchester Fire and Rescue Authority.

The Group Accounts show the full extent of the Council's economic activities by reflecting the full extent of the Council's involvement with its group companies and organisations.

These are followed by notes explaining these statements.

Accounting Changes

The way the accounts are presented is governed by the accounting policies that the Council has to follow. The accounting practice governing local authority accounts has undergone major changes over the last few years in order to bring public sector

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accounting in line with that of the private sector. The most significant change was the move to accounting in accordance with International Financial Reporting Standards (IFRS) in 2010/11. These accounts are compliant with the IFRS based Code.

There are further changes in 2013/14. These related to accounting for National Non Domestic Rates (NNDR), also referred to as business rates, and the Local Government Pension Scheme.

National Non Domestic Rates

The Local Government Resource Review (LGRR), which came into force on 1 April 2013, has resulted in significant changes to the methodology for funding local government. National Non Domestic Rates (NNDR) were previously collected by local authorities, paid over to Central Government and then redistributed to authorities. By law, Government is obliged to use business rates to fund local authorities so NNDR was used to fund Formula Grant, alongside Revenue Support Grant (RSG). Formula Grant distributed funding to local authorities and as such there was no direct link between the business rates collected within a local authority area and the funding they received. Further, the risk of any reduction in local NNDR yield due to closure of businesses or appeals against rateable values lay with Central Government, and similarly they benefitted from any increase in local NNDR yield.

Due to the reforms brought forward as part of the LGRR, from 1 April 2013 those risks and benefits are shared between Councils and Central Government. The Council's share of business rates is 49%, Central Government's 50% and the Greater Manchester Fire and Rescue Authority 1%. Each local authority retains their share of the business rates they collect, including an element of any growth in the business rates collected above an assumed baseline level. The retained business rates income is subject to a safety net and local authorities are protected at 92.5% of their base line funding which compares assumed NNDR income and any top up payments. This change in funding brings a higher level of uncertainty in Council resources and has implications for how the budget is set.

A provision is made in the Collection Fund for the estimated effect of outstanding appeals against rateable values. The Council has estimated that a provision of £111,515,000 for outstanding appeals against rateable values will be required. The Council's share of these potential losses is 49%, with the balance being Central Government (50%) and the Greater Manchester Fire and Rescue Authority (1%).

This provision is significantly higher than was anticipated when the budget was set due to the volume of appeals against the 2010 valuation list still being received and the settlement value of those appeals. Provision has also been made for appeals and other reductions against the 2010 valuation list not yet received. As a result of this increased provision and the increase in empty property relief awarded during the year the Collection Fund shows a deficit of £83,242,000 for NNDR in 2013/14. The Council's share of this deficit is £40,789,000.

As a result of this deficit the Council is entitled to a safety net payment of £37,650,000. This has been accrued for in the Comprehensive Income and Expenditure Statement. The Collection Fund deficit relating to NNDR is also shown within the Comprehensive

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Income and Expenditure Statement but in accordance with the 2013/14 Code of Practice on Local Authority Accounting the deficit is reversed out via the Movement in Reserves Statement to the Collection Fund Adjustment Account. (The 2013/14 deficit as estimated at 31 January 2014 will be reversed back from the Collection Fund Adjustment Account to the Movement in Reserves Statement in 2014/15 and the variation between the estimated and actual 2013/14 deficit will be reversed back in 2015/16).

As under the current accounting rules the safety net payment will be accounted for in 2013/14 but the related deficit will not be accounted for until 2014/15 or 2015/16 a contribution of the value of the safety net payment and the small business rate relief grant received has been made to the business rates reserve to help offset the deficit to be accounted for in future years.

Local Government Pension Scheme

The International Accounting Standard that covers accounting for the Local Government Pension Scheme (IAS19) has changed for 2013/14. The key change is that the interest cost and expected return on assets components are now combined into a net figure. In effect this means that the expected return has been replaced by a figure that would be applicable if the expected return on assets assumption was equal to the discount rate. The Council can therefore no longer show higher profits where a scheme invests in assets expected to generate higher returns (or lower profits where it invests in assets expected to generate lower returns).

Whilst some disclosure requirements have been removed new requirements have been added. The additions include:

- Enhanced descriptions of the nature of the scheme, the regulatory regime under which it operates, third parties responsible for scheme governance and the risks posed to the employer;
- Figures illustrating the sensitivity of the scheme's pension liabilities to changes in actuarial assumptions;
- Information about the profile of the scheme's liabilities, including the weighted average duration of the pension obligation;
- Details of a scheme's funding policy, including the expected contributions to the scheme for the next year; and
- A more detailed breakdown of scheme assets. The aim of this change is to split assets into classes that distinguish the nature and risk of those assets and to provide a detailed breakdown showing those with a quoted price in an active market and those that do not.

These changes are shown retrospectively so amendments have also been made to the 2012/13 figures and disclosures. As a result of these amendments the 2012/13 deficit on the provision of services in the Consolidated Income and Expenditure Statement has increased by £15,100,000. This is offset by a reduction in the re-measurement of the net defined benefit liability which is included within total comprehensive income and expenditure.

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The accounting policies are set out in note 1 to the financial statements.

The Financial Statements

The Council's Movement in Reserves Statement

This shows the movement in the Council's reserves from 31 March 2012 to 31 March 2014. The reserves are split between usable (those that can be used to finance expenditure) and unusable (those that contain technical accounting adjustments and cannot be used to finance expenditure). Of the usable reserves only the general reserve has not been allocated for specific purposes.

The Council's Comprehensive Income and Expenditure Statement

This shows the accounting cost of Council activities including the notional accounting entries that have to be made rather than the actual money spent and funded by Council Tax.

The statement is broken down into three sections –

- Net cost of services
- Corporate items
- Council wide items

The first section of the Comprehensive Income and Expenditure Statement shows the cost of the Council's services to give a total of Net Cost of Services. This is different to that reported in the revenue monitoring reports as it includes accounting adjustments for items such as depreciation and impairment that would be a significant cost in a commercial organisation but which are not funded by Council Tax. The Net Cost of Services totals £569,228,000. Details of the impairment of property, plant and equipment and investment properties of £161,343,000 are shown within note 4 to the financial statements.

Gross Expenditure and Income on Public Health is shown as an acquired service within the Comprehensive Income and Expenditure Statement following the transfer of substantial health improvement duties to councils from 1 April 2013.

The second section contains corporate items such as the loss on the disposal of non-current assets, levies paid and payments made in relation to the pooling of HRA capital receipts. This is called Other Operating Expenditure and totals £89,462,000.

The third section contains Council wide items such as interest paid and received, investment property rentals received and the change in values of investment properties (net receipt totalling £15,305,000) plus general income due to the Council from either Council taxpayers, National Non Domestic ratepayers (NNDR) and general government grants including grants to fund capital expenditure (totalling £599,914,000).

These three sections are totalled to produce an overall deficit on the provision of services (£43,471,000). It should be noted that this is not a real deficit as it is the financial reporting deficit that includes the technical accounting adjustments that are not met by Council Tax. The table below sets out the impact of these adjustments.

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The deficit on the provision of services is reconciled to the movement in the Council's net worth (change in level of reserves) via the Total Other Comprehensive Income and Expenditure section of the CIES.

The Movement in Reserves Statement adjusts the notional deficit to reflect any accounting entries that do not impact on the level of council tax or housing rents. The accounting entries that do not affect the level of council tax include items such as depreciation and revaluation losses. After these items are removed the change in the level of reserves is shown.

The Comprehensive Income and Expenditure Statement also includes items that do not form part of the HRA revenue budget. The Movement in Reserves Statement shows the removal of these items and the change in the HRA reserve.

The table below shows the reconciliation of the deficit in the Consolidated Income and Expenditure Statement to the underspend against the budget (details of which are shown in the financial summary section of the annual report).

	General Fund	HRA	Total
	£000	£000	£000
(Surplus) / deficit in year in the Comprehensive Income and Expenditure Statement	61,488	(18,017)	43,471
Items that do not affect Council tax or housing rents	(61,420)	505	(60,915)
Contribution (to) / from reserves	68	(17,512)	(17,444)
Budgeted contribution (to) / from reserves	4,530	(12,358)	(7,828)
(Underspend) against the budget per the outturn report	(4,462)	(5,154)	(9,616)

Therefore the Council made a surplus of £4,462,000 against planned expenditure for general fund and £5,154,000 for the HRA.

Note 6 shows the items that do not affect the level of Council tax or housing rents.

The details of the underspend are shown in the financial summary section of the annual report.

The Council's Balance Sheet

This shows the total assets, liabilities and reserves (net worth) of the Council.

The net worth (total reserves) of the Council is £1,661,435,000. This is split between usable reserves (£437,386,000) and unusable reserves (£1,224,049,000).

The usable reserves are held for the following purposes:-

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Type of Reserve	£000
Reserves held for capital purposes including capital receipts and capital grants unapplied reserves	97,967
Schools reserves (for schools use only)	28,306
Statutory reserves	7,410
Reserves held for PFIs	4,557
Reserves held to smooth risk of for assurance including the insurance reserve	54,667
Business Rates Reserve to fund the business rates deficit in future years	39,874
Revenue reserves held to support capital including the Capital Fund	39,332
Reserves held to encourage economic growth or for public sector reform	17,611
Small specific reserves	2,423
Grants and contributions held to meet expenditure commitments over more than one year	25,784
Housing Revenue Account reserve (£34.374m earmarked for future PFI payments and other potential liabilities)	78,513
General Fund reserve	25,942
General Fund reserve transferred from the HRA during 2012/13 – to be used for housing regeneration	15,000

Whilst these are classed as usable reserves all but the general reserve are earmarked for specific expenditure or risks. Therefore the only uncommitted reserve is the general fund reserve.

Unusable reserves are kept to manage the accounting treatment for non current assets and retirement benefits. They are not resources that can be used by the Council.

Included within the unusable reserves section is the minus pensions reserve totalling £735,975,000 (a reduction of £66,425,000 from the previous year). This matches the pension liability in the balance sheet as measured under International Accounting Standard (IAS) 19.

The purpose of IAS19 is to facilitate comparison of the pension obligations of employers. The IAS19 calculations are carried out using a prescribed method. As the method and assumptions underlying the IAS19 calculations are different to the formal triennial valuations, IAS19 calculations will produce different results. In particular, the calculated deficit is likely to be different from that published in the triennial valuation. IAS19 valuations have no effect on the level of contributions that need to be paid into the fund. The contribution rates are set by the triennial actuarial valuation. The full calculated IAS19 deficit is shown in the accounts. With the triennial funding valuation any calculated deficit can be spread and paid off over a number of years by an addition to the contribution rate.

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Overall the net worth of the Council has increased by £99,421,000 during 2013/14.

The increase in usable reserves of £82.067m is mainly due to the following:

- Reserves held for capital purposes due to additional capital receipts and grants received to be used to fund future capital spend plus revenue reserves to fund capital - £2.2m.
- Cleopatra reserve to fund potential claims received from 2014/15 - £2.2m.
- Business rates reserve holding the business rates safety net entitlement and the small business rate relief grant to fund the collection fund business rates deficit which will be accounted for in 2014/15 and 2015/16 - £39.9m.
- Clean and green places reserve, funded from additional Manchester Airport Holdings Ltd dividend following the acquisition of Stansted Airport, which will be used to fund one off strategic interventions to improve the quality of the environment - £14.5m.
- Grants and contributions that will be used to fund future years expenditure, particularly Dedicated Schools Grant and a contribution from the Clinical Commissioning Groups to the Local Development Fund for Integrated Health and Social Care- £6.6m.
- Housing Revenue Account reserve - £17.5m.

The increase in unusable reserves of £17.354m is mainly due to the following:

- Revaluation reserve due to increase in valuations of non current assets during 2013/14 - £15.8m.
- Decrease in the IAS19 valuation of the pension liability and as a result the minus pension reserve following the actuarial valuation - £66.4m partly offset by:
- Reduction in the capital adjustment account - £27.5m and
- Increase in minus collection fund adjustment account mainly due to Council's share of the business rate deficit - £40.1m.

The increase in the net worth is matched by an increase in value of net assets of the Council of £99,421,000.

Borrowing Limit

In 2013/14 the Council had an authorised limit for borrowing of £1,075,100,000 (£852,100,000 for external debt and £223,000,000 for other long term liabilities such as PFIs and finance leases). The actual level of external debt at 31 March 2014 is £521,399,000. The reason for the variance between the authorised limit and debt outstanding at 31 March 2014 is that due to positive cash flows the Council did not need to undertake the budgeted level of borrowing during the financial year.

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The external debt is made up of the following figures on the balance sheet:

	2012/13 £000s	2013/14 £000s
Long-term Borrowing	482,298	512,182
Short-term Borrowing	25,387	9,217
Total	507,685	521,399

As per the above table the amount of borrowing outstanding increased in the year by £13,714,000.

The 2013/14 Capital Programme was funded by borrowing of £63,234,000. The debt outstanding at 31 March 2014 has not increased by this amount as the Council's Treasury Management Strategy is to use cash backed reserves in lieu of external borrowing. This is due to historic low investment rates not providing the Council with value on its investments when compared to using cash instead of borrowing, as borrowing rates are substantially higher than investment returns.

The Council's Cash Flow Statement

This shows the reasons for the change in cash, cash equivalents (investments made for a period of less than three months) and the bank overdraft during the year. The cash balance at 31 March 2014 had increased by £39,831,000 from 31 March 2013.

Major Acquisitions and Disposals

The Council's major acquisitions and disposals of Plant, Property and Equipment during 2013/14 are as follows.

During 2013/14 the Council acquired land and terminated a development agreement at Manchester Business Park at a cost of £4.499m.

Major disposals in 2013/14 included schools which transferred to academy status. Their value upon disposal was £18.359m. Other significant disposals were land around the Sports City Collar Site at a value of £4.6m, former Broome House Children's Home in Didsbury at a value of £2m and various plots in the Roundthorn Industrial Estate at a value of £1.018m.

Private Finance Initiatives (PFI)

PFI's involve a private sector contractor building or improving non-current assets used in the provision of public services and operating and maintaining the asset for an agreed period of time.

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As at 31 March 2014, the Housing Energy Services Contract, Temple School, Plymouth Grove Housing, Miles Platting Housing, Public Lighting and Wright Robinson Sports College schemes were ongoing.

The Brunswick Housing PFI scheme achieved financial close on 17 December 2013. The project includes the refurbishment, redesign and demolition of existing council houses, provision of new build council houses and wider redevelopment of the area. The PFI contractor will provide ongoing neighbourhood management in respect of all aspects of tenancy and estate services for the duration of the twenty five year contract. The PFI contractor will also provide facilities management services from the day after the project achieved financial close including tenancy management and enforcement, rent and service charge collection and void management.

The contractor will receive an interim unitary charge from financial close in return for taking responsibility for the housing management and maintenance services of the 929 houses. The contractor will undertake a period of demolition (of 275 houses), refurbishment (of 654 houses) and new build construction (of 200 houses) over the initial six year period. The interim unitary charge will be replaced by a higher full unitary charge as the refurbished and new build properties are certified as complete.

The contractor will receive a £24m capital contribution in stages during the construction period. The Council will retain ownership of the land on which the houses are constructed and at the end of the contract will acquire the new and refurbished assets at nil consideration at which time the operator will vacate the site.

The Housing schemes are funded by both PFI grant and the housing revenue account. The schools schemes are funded by both PFI grant and the Dedicated Schools Grant (DSG). The street lighting scheme is funded by both PFI grant and Council resources. Further details on these schemes are shown in note 8.

Private Public Partnership (PPP) Schemes

The Council has developed the following PPP Schemes with private sector contractors to provide services to the Council and its residents:

- Manchester Working – during 2006/07 the Council established a partnership arrangement with Morrison PLC for the provision of building maintenance services for the Council and Northwards Housing.
- Indoor Leisure PPP – the Council established a trust, which was contracted with Serco Ltd for renovation, maintenance and management of some indoor leisure facilities. At 31 March 2014 the Council was out to tender for a new contract for indoor leisure services. It is intended that the new contract will commence on 1 September 2014.
- Wythenshawe Forum PPP – the Council has established a trust, which has responsibility for the renovation, maintenance and facilities management of Wythenshawe Forum.
- Car Parks Partnership – the Council has entered into a partnership with National Car Parks Limited to manage its car parks.

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Events after the Balance Sheet Date

Events after the balance sheet date are those events that occur between the end of the reporting period (i.e. 31 March) and the date when the Statement of Accounts is authorised for issue. The Council is required to disclose any material events as a note to the accounts. The following events have therefore been included.

Partnership with the Greater Manchester Pension Fund (GMPF)

On 11 April 2014 the Council entered into a limited partnership agreement with Kingfisher Property Partnerships Ltd (as managing trustee of the Greater Manchester Pension Fund Property Unit Trust) to establish a company called Matrix Homes which will construct new homes for market sale and rent. The Council and GMPF have each made a capital contribution of £200 and acquired shares of £50 in Matrix Homes.

The Council transferred land at Woodwise Lane, Darley Avenue, Ossington Court and Clowes Street to the partnership plus procured the transfer of land owned by the Homes and Communities Agency (HCA) at Gorton Monastery. The value of the land will be converted into a technical loan by the Council to the partnership and the Council will secure investment returns against that loan, as well as a share of development surpluses.

The value of the four sites that the Council contributed to the partnership was £5.386m. These sites are held on the balance sheet as held for sale assets. In addition land at Gorton Monastery valued at £0.44m has been procured from the Homes and Communities Agency and transferred to the partnership. This equates to a loan of £5.826m made by the Council to the partnership.

Schools transferring to Academies

Four community schools are expected to transfer from Council control to Academy status after 31 March 2014. As a result of this change of status the assets have been impaired to nil as at 31 March 2014 and will be removed on transfer. As a result impairment of £55,253,000 has been charged in the Consolidated Income and Expenditure Statement.

Further details of these post balance sheet events are shown in note 52 to the financial statements.

Post balance sheet events have been reviewed up to the date that the accounts have been authorised for issue by the City Treasurer.

The Council's Group Accounts

The Council conducts activities through a variety of undertakings, either under ultimate control or in partnership with other organisations. The standard financial statements consider the Council as a single entity accounting for its interests in other undertakings as investments. For a full picture of the Council's involvement in other activities group accounts are prepared. These reflect the figures contained in the single entity accounts

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consolidated with figures for the Council's material subsidiaries, associates and joint ventures.

Subsidiaries are defined as organisations where the Council exercises control and gains benefits or has exposure to risks from this control. The subsidiary considered to be material is Destination Manchester Limited.

Associates are defined as organisations where the Council exercises a significant influence and has a participating interest. The Council has no associates considered to be material.

Joint Ventures are defined as organisations where the Council and another party exercise joint control with decisions relating to the organisation requiring unanimous consent of the parties sharing control. The joint venture considered to be material is Manchester Airports Holdings Ltd.

Manchester Airport Group plc was a subsidiary of the Council until 28 February 2013. On 1 March 2013 a new company was incorporated – Manchester Airports Holdings Ltd (MAHL). The voting shares of the new company are split equally between the Council and Codan Trust Company Limited (acting in its capacity as a trustee of Industry Funds Management (IFM) Global Infrastructure Fund) with each party holding ten voting shares. Non-voting shares in the capital of the company are allocated 35.5% to Manchester City Council, 35.5% to IFM and 29% split between the other 9 district councils within Greater Manchester. Dividends are payable pro rata to the non voting shares. The company owns and operates the following airports – Manchester, East Midlands, Bournemouth and Stansted. The Group Accounts for 2012/13 reflected this change in ownership.

In producing the group accounts the Council is required by the CIPFA Code of Practice on Local Authority Accounting to make consolidation adjustments to take account of any differences in accounting policies between the Council and its subsidiaries, associates and joint ventures so that the group accounts are prepared on a standard set of policies.

Land and buildings in the Council's single entity accounts are valued at fair value (i.e. the amount that would be paid for an asset in its existing use). Where sufficient market evidence is not available, fair value is estimated at depreciated replacement cost, using the modern equivalent asset method (i.e. the market value of the land on which the building sits plus the current gross replacement cost of the building less an allowance for physical deterioration of the building).

Manchester Airport Holdings Limited (MAHL) accounts are prepared using deemed cost for land and buildings. Deemed cost is the cost or valuation of assets as at 1 April 2005. Consequently property, plant and equipment is included in MAHL's accounts at cost or deemed cost less accumulated depreciation. A valuation of MAHL's land and building assets has been undertaken in order to align the accounting policy with that of the Council. This valuation has been used for the Council's group accounts.

The land and building assets of Destination Manchester Limited (DML), which is a subsidiary within the Council group, are included in DML's accounts at cost less

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accumulated depreciation and impairment. A valuation of DML's land and building assets has been undertaken in order to align the accounting policy with that of the Council. This valuation has been used for the Council's group accounts.

All other accounting policies within the group have been aligned to those of the Council.

The Group Accounts contain the Group Movement in Reserves Statement, the Group Consolidated Income and Expenditure Statement, the reconciliation of the single entity deficit to the group surplus / deficit, the Group Balance Sheet, the Group Cash Flow Statement and notes to the Group Accounts.

Further Information

Further information about the Council's Annual Statement of Accounts is available upon request from the following address:

Financial Accountancy
Corporate Services Department
Town Hall
Manchester
M60 2LA

or email: financial.accountancy@manchester.gov.uk

The Annual Statement of Accounts can also be viewed on the Council's website here: http://www.manchester.gov.uk/info/200110/council_budgets_and_spending/864/annual_statement_of_accounts.

Please contact us at the above address if you have any comments on the presentation of the Annual Statement of Accounts. The summary accounts which provide a more user friendly version of the accounts can also be viewed on the website.

Local electors and taxpayers have a statutory right to inspect the Council's Annual Statement of Accounts and all related books, deeds, contracts, bills, vouchers and receipts before the annual accounts audit has been completed, giving an opportunity to question the auditor. The availability of the Annual Statement of Accounts for inspection was advertised in the Manchester Evening News on 3 July and on the Council's website. The Council also publishes its future spending plans in its Capital and Revenue Budget Reports, which are available on the Council's website.

The Statement of Responsibilities for the Annual 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 this Council, that officer is the City Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

The City Treasurer's Responsibilities

The City Treasurer is responsible for the preparation of the Council's and Group'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 City Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority.

The City 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.

The statement of accounts gives a true and fair view of the financial position of the Council and Group as at 31 March 2014 and their income and expenditure for the year ended 31 March 2014.



R. Paver
City Treasurer
11 September 2014

Movement In Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves. The surplus or (deficit) on the Provision of Services line includes accounting adjustments for such items as depreciation that would be a significant cost in a commercial organisation but which do not need to be funded by Council Tax. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from the earmarked reserves undertaken by the Council.

	Note	Restated General Fund Balance £000s	Earmarked GF Reserves £000s	Restated Housing Revenue Account £000s	Earmarked HRA Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Major Repairs Reserve £000s	Restated Total Usable Reserves £000s	Revaluation Reserve £000s	Available for sale Financial Instruments £000s	Restated Pensions Reserve £000s	Capital Adjustment Account £000s	Deferred Capital Receipts £000s	Financial Instruments Adjustment Account £000s	Collection Fund Adjustment Account £000s	Short term Compensated Absences £000s	Restated Total Unusable Reserves £000s	Restated Total Council Reserves £000s
Balance at 1 April 2012		(26,462)	(181,431)	(1,967)	(54,572)	(34,085)	(32,475)	(4,050)	(335,042)	(693,992)	(1,531)	647,300	(1,339,730)	(1,441)	7,560	(4,276)	7,409	(1,378,691)	(1,713,733)
(Surplus) / deficit on provision of services		66,635	0	(16,990)	0	0	0	0	49,645	0	0	0	0	0	0	0	0	0	49,645
Other comprehensive income and expenditure																			
(Surplus) on revaluation of non-current assets	38	0	0	0	0	0	0	0	0	(39,021)	0	0	0	0	0	0	0	(39,021)	(39,021)
Impairment losses on non-current assets charged to the revaluation reserve	38	0	0	0	0	0	0	0	0	12,473	0	0	0	0	0	0	0	12,473	12,473
Deficit on revaluation of available for sale financial assets	38	0	0	0	0	0	0	0	0	0	(196)	0	0	0	(82)	0	0	(278)	(278)
Remeasurements of the net defined benefit liability	40	0	0	0	0	0	0	0	0	0	0	128,900	0	0	0	0	0	128,900	128,900
Total comprehensive income and expenditure		66,635	0	(16,990)	0	0	0	0	49,645	(26,548)	(196)	128,900	0	0	(82)	0	0	102,074	151,719
Reversal of items debited or credited to the comprehensive income and expenditure statement	6	(155,869)	0	(1,516)	0	(13,704)	(11,411)	(4,043)	(186,543)	0	0	75,000	115,378	0	(4,345)	510	0	186,543	0
Insertion of items not debited or credited to the comprehensive income and expenditure statement	6	87,653	19,462	(956)	0	1,328	0	0	107,487	0	0	(48,800)	(59,460)	0	773	0	0	(107,487)	0
Other adjustments	6	(207)	0	0	0	9,025	0	0	8,818	21,404	0	0	(30,378)	156	0	0	0	(8,818)	0
Total adjustments between accounting basis and funding basis under regulations		(68,423)	19,462	(2,472)	0	(3,351)	(11,411)	(4,043)	(70,238)	21,404	0	26,200	25,540	156	(3,572)	510	0	70,238	0
Net (increase) / decrease before transfers to earmarked reserves		(1,788)	19,462	(19,462)	0	(3,351)	(11,411)	(4,043)	(20,593)	(5,144)	(196)	155,100	25,540	156	(3,654)	510	0	172,312	151,719
Transfers (to) / from earmarked reserves		(12,760)	(1,924)	(5,572)	20,572	0	0	0	316	0	0	0	0	0	0	0	(316)	(316)	0
(Increase) / decrease in year		(14,548)	17,538	(25,034)	20,572	(3,351)	(11,411)	(4,043)	(20,277)	(5,144)	(196)	155,100	25,540	156	(3,654)	510	(316)	171,996	151,719
Balance at 31 March 2013		(41,010)	(163,893)	(27,001)	(34,000)	(37,438)	(43,886)	(8,093)	(355,319)	(699,126)	(1,727)	802,400	(1,314,190)	(1,285)	3,906	(3,766)	7,093	(1,206,695)	(1,562,014)
Movement in reserves during 2013/14																			
(Surplus) / deficit on provision of services		61,488	0	(18,017)	0	0	0	0	43,471	0	0	0	0	0	0	0	0	0	43,471
Other comprehensive income and expenditure																			
(Surplus) on revaluation of non-current assets	38	0	0	0	0	0	0	0	0	(45,624)	0	0	0	0	0	0	0	(45,624)	(45,624)
Impairment losses on non-current assets charged to the revaluation reserve	38	0	0	0	0	0	0	0	0	16,203	0	0	0	0	0	0	0	16,203	16,203
(Surplus) on revaluation of available for sale financial assets	38	0	0	0	0	0	0	0	0	0	(71)	0	0	0	(63)	0	0	(154)	(154)
Remeasurements of the net defined benefit liability	40	0	0	0	0	0	0	0	0	0	0	(113,317)	0	0	0	0	0	(113,317)	(113,317)
Total comprehensive income and expenditure		61,488	0	(18,017)	0	0	0	0	43,471	(29,421)	(71)	(113,317)	0	0	(63)	0	0	(142,892)	(99,421)
Reversal of items debited or credited to the comprehensive income and expenditure statement	6	(232,029)	0	254	0	0	(3,383)	783	(234,375)	0	0	97,982	96,411	0	(84)	40,066	0	234,375	0
Insertion of items not debited or credited to the comprehensive income and expenditure statement	6	94,873	17,512	251	0	1,944	0	0	114,580	0	0	(51,090)	(63,166)	0	(324)	0	0	(114,580)	0
Other adjustments	6	407	0	0	0	(7,898)	0	0	(7,489)	13,608	0	0	(5,759)	(360)	0	0	0	7,489	0
Total adjustments between accounting basis and funding basis under regulations		(136,749)	17,512	505	0	(5,952)	(3,383)	783	(127,284)	13,608	(5,952)	46,892	27,486	(360)	(408)	40,066	0	127,284	0
Net (increase) / decrease before transfers to earmarked reserves		(75,261)	17,512	(17,512)	0	(5,952)	(3,383)	783	(63,813)	(15,813)	(71)	(66,425)	27,486	(360)	(491)	40,066	0	(15,608)	(99,421)
Transfers (to) / from earmarked reserves	37	75,329	(73,583)	374	(374)	0	0	0	1,746	0	0	0	0	0	0	0	(1,746)	(1,746)	0
(Increase) / decrease in year		66	(56,071)	(17,138)	(374)	(5,952)	(3,383)	783	(82,067)	(15,813)	(71)	(66,425)	27,486	(360)	(491)	40,066	(1,746)	(17,354)	(99,421)
Balance at 31 March 2014		(40,942)	(219,964)	(44,139)	(34,374)	(43,390)	(47,269)	(7,310)	(497,386)	(714,939)	(1,798)	735,975	(1,286,704)	(1,645)	3,415	36,300	5,347	(1,224,049)	(1,661,435)

The 2012/13 figures have been restated following the change in accounting policy relating to the Local Government Pension Scheme (LGPS). As a result of these changes the deficit on the provision of services and reversal of items debited or credited to the comprehensive income and expenditure statement in the general fund and HRA reserves columns have increased by £15,100,000. In the pension reserve the remeasurement of the net defined liability has reduced by £15,100,000 and the reversal of items debited or credited to the comprehensive income and expenditure statement has increased by £15,100,000.

Manchester City Council Annual Statement of Accounts 2013/14

Comprehensive Income and Expenditure Statement

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of non-current assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2012/13 Gross Expenditure £000s	Restated 2012/13 Gross Income £000s	Restated 2012/13 Net Expenditure £000s	Notes	2013/14 Gross Expenditure £000s	2013/14 Gross Income £000s	2013/14 Net Expenditure £000s
209,068	39,676	169,392	Continuing operations	191,641	32,226	159,415
16,365	8,729	7,636	Adult social care	13,914	10,122	3,792
662,471	440,439	222,032	Central services to the public Education and children's services	638,629	409,444	229,185
61,065	12,388	48,677	Cultural and related services	68,905	10,924	57,981
40,608	11,161	29,447	Environmental and regulatory services	41,796	11,846	29,950
52,872	16,520	36,352	Planning services	54,632	20,351	34,281
40,801	23,019	17,782	Highways and transport services	32,366	22,807	9,579
363,015	348,452	14,563	Housing services	382,610	298,055	84,555
73,824	92,835	(19,011)	Housing Revenue Account	70,527	93,987	(23,460)
7,066	34	7,032	Corporate and democratic core	8,133	75	8,058
8,719	0	8,719	Non-distributed costs ^a	24,650	0	24,650
1,535,874	993,253	542,621	Net cost of services excluding acquired services	1,477,823	909,837	567,986
0	0	0	Acquired services	45,029	43,787	1,242
			Of: Public Health ^b	1,522,852	953,624	569,228
1,535,874	993,253	542,621	Total cost of services			
32,394	3,361	29,033	Other operating expenditure	20,639	3,923	16,716
64,693	0	64,693	Loss on disposal of non-current assets	70,802	0	70,802
1,328	0	1,328	Levies not included in net cost of services	1,944	0	1,944
			Payments to government housing capital receipts pool	93,365	3,923	89,462
98,415	3,361	95,054	Total other operating expenditure	190,486	205,791	(15,305)
191,367	165,785	25,582	Financing and investment income and expenditure	599,914	599,914	(599,914)
0	613,612	(613,612)	Taxation and non-specific grant income	1,806,723	1,763,252	43,471
1,825,656	1,776,011	49,645	Deficit on provision of services			
		(39,021)	(Surplus) on revaluation of non-current assets			(45,624)
		12,473	Impairment losses on non-current assets charged to the revaluation reserve			16,203
		(278)	(Surplus) on revaluation of available for sale financial assets			(154)
		128,900	Remeasurements of the net defined benefit liability			(113,317)
		102,074	Total other comprehensive income and expenditure			(142,892)
		151,719	Total comprehensive income and expenditure			(99,421)

The 2012/13 figures have been restated following the change in accounting policy relating to the Local Government Pension Scheme.

As a result of these charges financing and investment income and remeasurements of the net defined benefit liability have reduced by £15,100,000

^a Items included in non-distributed costs are depreciation, impairment and grants relating to non-operational assets and past service pension costs plus settlements and curtailments on pensions.

^b The responsibility for Public Health was transferred from the NHS to local government for the financial year 2013/14.



Richard Paver
City Treasurer

11 September 2014

The balance sheet shows the Council's balances on assets (non-current and current), liabilities (long and short-term) and net worth (usable and unusable reserves) at the end of the current and preceding financial year.

31 March 2013 £000s		Note	31 March 2014 £000s
	Non-current assets		
2,047,881	Property, plant and equipment	18	2,013,073
422,968	Heritage assets	21	431,191
363,945	Investment properties	27	399,044
1,190	Intangible non-current assets		1,121
129,641	Long-term investment in subsidiaries, associates and joint ventures	30	131,024
2,308	Other long-term investments	30	2,579
130,538	Long-term debtors	31	137,449
3,098,471	Total non-current assets		3,115,481
	Current assets		
547	Inventories and long-term contracts		738
113,779	Short-term debtors	31	148,001
9,301	Cash and cash equivalents	46	34,585
5,748	Short-term assets held for sale	23	12,928
129,375	Total current assets		196,252
3,227,846	Total assets		3,311,733
	Current liabilities		
(25,387)	Short-term borrowing	36	(9,217)
(14,547)	Bank overdraft	46	0
(135,064)	Short-term creditors	32	(139,684)
(15,517)	Short-term provisions	35	(21,279)
(7,911)	Short-term deferred liabilities	34	(8,561)
(198,426)	Total current liabilities		(178,741)
3,029,420	Total assets less current liabilities		3,132,992
	Long-term liabilities		
(2,357)	Long-term creditors	32	(2,482)
(4,746)	Long-term provisions	35	(50,478)
(482,298)	Long-term borrowing	33 & 36	(512,182)
(164,493)	Long-term deferred liabilities	34	(162,816)
(11,112)	Capital grants receipts in advance		(7,624)
(802,400)	Pensions liability	40	(735,975)
(1,467,406)	Total long-term liabilities		(1,471,557)
1,562,014	Net assets		1,661,435
	Financed by:		
355,319	Usable reserves	37	437,386
1,206,695	Unusable reserves	38	1,224,049
1,562,014	Total reserves		1,661,435



Richard Paver
City Treasurer

11 September 2014

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 the 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 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.

Restated 2012/13 £000s		Note	2013/14 £000s
49,645	Net deficit on the provision of services		43,471
(185,411)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	47	(282,667)
69,813	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	48	90,880
(65,953)	Net cash flows from operating activities	49	(148,316)
80,088	Investing activities	50	110,510
19,604	Financing Activities	51	(2,025)
33,739	Net decrease / (increase) in cash and cash equivalents		(39,831)
28,493	Cash and cash equivalents at the beginning of the reporting period		(5,246)
(5,246)	Cash and cash equivalents at the end of the reporting period	46	34,585

The 2012/13 figures have been restated due to the accounting policy change relating to the LGPS.

As a result of these changes the net deficit on the provision of services and the adjustments for non cash movements have increased by £15,100,000.

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Manchester City Council Annual Statement of Accounts 2013/14

Note 1. Accounting Concepts and Policies

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year end 31 March 2014. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (The Code) and the Service Reporting Code of Practice 2013/14 (SERCOP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003.

As local authorities need to reflect statutory conditions, specific statutory adjustments are complied with so that the Council's accounts present a true and fair view of the financial position and transactions of the Council. All accounting policies are disclosed where they are material.

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

1.1 Qualitative Characteristics of Financial Statements

1.1.1 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.

1.1.2 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 provided that in aggregate they would not affect the interpretation of the accounts.

1.1.3 Faithful Representation

The financial information in the accounts is a faithful representation of the economic performance of the Council as they have been prepared to reflect the reality or substance of the transaction, are free from deliberate or systematic bias, are free from material error and contain all the information necessary to aid understanding.

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1.1.4 Comparability

In addition to complying with the Code the accounts also comply with the Service Reporting Code of Practice. This code establishes proper practice in relation to consistent financial reporting below statement of accounts level and aids comparability with other local authorities

1.1.5 Verifiability

Different knowledgeable and independent observers will be able to reach the same conclusion from the information presented in the accounts.

1.1.6 Timeliness

The information provided in the accounts is available to decision makers in time to be capable of influencing their decisions.

1.1.7 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 contained within the accounts.

1.2. Underlying Assumptions

1.2.1 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.

1.2.2 Going Concern

The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

1.2.3 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 are examples of 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.

Manchester City Council Annual Statement of Accounts 2013/14

- The Local Government Act 2003 requires the Council to set aside a minimum revenue provision.
- The Housing Revenue Account is compiled following proper practice as defined by the Local Government and Housing Act 1989 and section 21 of the 2003 Act.

1.3. Accounting Policies

1.3.1 Property, Plant and Equipment (PPE)

Property, Plant and Equipment assets have physical substance and are held for use in the provision of services or for administrative purposes for more than one year (e.g. land and buildings).

Expenditure on the acquisition, creation and enhancement of property, plant and equipment has been capitalised on an accruals basis provided that it yields benefit to the Council, and the services it provides, for more than one financial year. Expenditure on maintenance is charged to revenue as it is incurred.

Capital expenditure is initially added to the value of an asset but if this expenditure is not considered to increase the value of the asset it is classed as impairment. Fees, expenditure below £10,000 and 65% of the value of expenditure on council dwellings have been classed as impairment. This percentage is the amount by which the open market value of council dwellings is reduced to give a balance sheet value of 35% (the social housing discount). In addition all property, plant and equipment, where expenditure in excess of £500,000 has been incurred during 2013/14, have been considered by the Council's Valuers who have quantified the amount of impairment.

Property, plant and equipment are initially shown on the Balance Sheet at cost, comprising the purchase price and all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The Council does not capitalise borrowing costs incurred whilst the assets are under construction. The assets are then revalued using methods of valuation on the basis recommended by CIPFA and in accordance with the guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

Land and buildings and other operational assets are valued at fair value. Where sufficient market evidence is not available, for example schools and leisure centres, fair value is estimated at depreciated replacement cost, using the modern equivalent asset method. Short life assets, such as vehicles, are held at depreciated historical cost as a proxy for current value on the grounds of materiality.

Council dwellings are valued, in accordance with CLG guidance, at open market value less a specified notified percentage, known as the social housing discount.

Community assets and infrastructure are valued at depreciated historical cost.

Manchester City Council Annual Statement of Accounts 2013/14

Assets under construction are held at historical cost and are not depreciated until brought into use.

Surplus assets are valued at fair value based on existing use value. These are assets that are not in use by the Council but do not meet the definition of assets held for sale. Surplus assets mainly relate to land that is being held for regeneration purposes and future sale.

Council dwellings are revalued annually. Other assets included in the Balance Sheet at fair value are valued sufficiently regularly to ensure that their carrying amount is not materially different from their value at year end, but as a minimum every five years. Valuations are undertaken during the year with a valuation date of 1 April 2013. Any material change that occurs after the valuation date is taken account of in the balance sheet value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. In exceptional circumstances where the increase is reversing a previous impairment loss charged to the Deficit on the Provision of Services on the same asset or where the increase is reversing a previous revaluation decrease charged to the Deficit on the Provision of Services on the same asset, the increase in valuation is credited to the Comprehensive Income and Expenditure Statement.

Where decreases in value are identified and there is a balance of revaluation gains in the Revaluation Reserve relating to the asset, the value of the asset is written down against that balance (up to the amount of the accumulated gains). Where there is a nil or insufficient balance in the Revaluation Reserve the value of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where revaluation gains or losses are credited or charged to the Comprehensive Income and Expenditure Statement they are reversed in the Movement of Reserves Statement to the Capital Adjustment Account.

The Revaluation Reserve contains gains recognised since 1 April 2007 only, the date of its formal implementation. Revaluation gains arising before that date are included in the Capital Adjustment Account.

The land and building elements of all properties are valued separately and treated as separate assets for accounting purposes. In addition to this and subject to an appropriate materiality level, any individual component within buildings which has a cost that is significant in relation to the total cost of the building is accounted for separately unless the components have a similar useful life to the main building.

In considering assets for potential componentisation (i.e. the significant elements of the asset are valued separately) the Council has included all general fund buildings with a carrying value of more than £2m. Within each building the Council has set the threshold for recognition of components as 20% of the cost of the building. The following

Manchester City Council Annual Statement of Accounts 2013/14

components have been valued separately in council dwellings – main building, roof, windows, external doors, kitchens, bathrooms, heating and electrical systems.

1.3.2 Depreciation on Property, Plant and Equipment

Depreciation has been calculated using a straight-line method (i.e. apportioned equally over each year of the life of the asset) for all assets unless that depreciation is immaterial. The estimated useful life of each property is determined by a qualified valuer. Land and assets not yet available for use (assets under construction) are not depreciated. Each component of property, plant and equipment that is considered to be significant in relation to the total cost of the asset is depreciated separately.

Depreciation is charged to the service with a corresponding reduction in the value of the asset. The depreciation charge is reversed in the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account. Residual values, useful lives and depreciation methods are reviewed at each financial year end.

Depreciation has been charged to the Housing Revenue Account (HRA) in accordance with proper practices and credited to the Major Repairs Reserve (MRR). Where the depreciation charge is different to the notional Major Repairs Allowance (MRA) (formerly part of housing subsidy) the difference is transferred to or from the MRR.

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 charged on their historical cost being transferred from the Revaluation Reserve to the Capital Adjustment Account.

1.3.3 Derecognition of Property, Plant and Equipment

An item of property, plant or equipment is derecognised by disposal or when no future economic benefit or service potential is expected from its use.

The carrying amount of a replaced or restored part of an asset is derecognised with the carrying amount of the new component being recognised.

When an asset is disposed of the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Sale proceeds from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal.

Any revaluation gains on the Revaluation Reserve, for assets disposed of or decommissioned, are transferred to the Capital Adjustment Account.

Income from asset disposals in excess of £10,000 is classed as capital receipts. Capital receipts from Right to Buy (RTB) sales of council dwellings are pooled between the Council and central government. The net RTB receipts received (after reduction of

Manchester City Council Annual Statement of Accounts 2013/14

regional transaction costs and allowable debt) are split based on a share ratio provided by central government. If the government share of capital receipts, as calculated by the Office of Budget Responsibility, is exceeded the Council retains the remainder of the receipts to be used for the provision of new homes. If these receipts are not used within three years they must be returned to the government (with interest at 4% above base rate). Non-RTB receipts are exempt from the capital pooling rules.

The balance of capital receipts is credited to the Capital Receipts Reserve and used to fund new capital expenditure or repay debt.

The written off value of disposals is reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

1.3.4 Private Finance Initiatives (PFIs) and Similar Contracts

PFI and similar contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under the contract and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council holds the Property, Plant and Equipment used under the contracts on its Balance Sheet. The exception to this is certain types of schools as detailed in policy 1.3.7.

The original introduction of these assets onto the balance sheet is matched by the recognition of a deferred liability for amounts due to the operator to pay for the assets. Where the assets come into use at different stages the asset and matching liability are introduced in stages. For some PFI schemes the liability is written down by an initial capital contribution. This capital contribution was either in the form of a cash contribution or assets transferred to the contractor.

Property, Plant and Equipment, recognised on the Balance Sheet, is revalued, depreciated and impaired in the same way as other property, plant and equipment owned by the Council.

The amounts payable to the operator each year are analysed as follows:

- Value of the service received (including facilities management) during the year - debited to the relevant service line in the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Contingent rents (the increase in the amount payable to the operator due to an indexation factor in the contract) - debited to the relevant service line in the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Interest cost based on the outstanding deferred liability - debited to the Financing and Investment Income and Expenditure line in the Deficit on the Provision of Services.

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- Payment towards liability - debited to the deferred liability on the Balance Sheet thus reducing the liability. For non-HRA contracts this reduction in the charge in the Deficit on the Provision of Services is replaced by an equivalent amount of Minimum Revenue Provision (MRP) in the Movement in Reserves Statement. For HRA contracts this reduction in unitary charge is reversed in the Movement in Reserves Statement to the Capital Adjustment Account.
- Lifecycle replacement costs –these are posted to the Balance Sheet as a prepayment and then included as additions to Property, Plant and Equipment when the works are carried out. Where lifecycle costs can be identified as capital in nature they have been recognised as capital expenditure. This expenditure relates to enhancements or replacement of assets.

Government grants received towards the funding of general fund PFI related payments are shown within the Taxation and Non-specific Grant Income line in the Comprehensive Income and Expenditure Statement. HRA PFI related grants are shown within the HRA income line in the Comprehensive Income and Expenditure Statement.

1.3.5 Heritage Assets

Heritage assets are those assets that are intended to be preserved for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage. Heritage assets include civic regalia, museum and gallery collections and works of art. Community assets (including parks and cemeteries) are not heritage assets, but are accounted for as property, plant and equipment.

Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the Council for other activities or to provide other services) are accounted for as operational assets rather than heritage assets and valued in the same way as other assets of that general type (e.g. buildings such as the Town Hall).

Heritage assets are shown in the Balance Sheet at market value where this is available. For those assets where no market value is available the insurance valuation is used. Depreciation is not provided for as these assets are considered to have infinite lives. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (policy 1.3.9). The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the derecognition of property, plant and equipment (policy 1.3.3).

1.3.6 Investment Properties

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 provide services by the Council.

Manchester City Council Annual Statement of Accounts 2013/14

Investment Properties are initially measured at cost. After initial recognition they are measured at fair value. The fair value reflects market conditions at the balance sheet date. A gain or loss arising from a change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Investment Properties are not depreciated but are revalued annually according to market conditions at year end.

An investment property is derecognised on disposal. Gains or losses arising from the disposal are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are reversed in the Movement in Reserves Statement and posted to the Capital Adjustment Account and sale proceeds over £10,000 to the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment income line in the Other Comprehensive Income and Expenditure Statement.

1.3.7 Schools

The Council has assessed the legal framework underlying each type of school. The Council controls the management and running of community and voluntary controlled schools and therefore the land and buildings of those schools are shown on the Council's balance sheet. The land and buildings of voluntary aided and foundation schools are owned and controlled by the trustees of the schools or the foundation body and are therefore not shown on the balance sheet of the Council. CIPFA have considered the treatment of schools in local government accounts and this has been clarified in the Code of Practice on Local Authority Accounting for 2014/15.

The 2014/15 Code states that all local authority maintained schools should be held on the Council balance sheet unless schools are owned by religious bodies that control the assets.

When the Council is aware that a school that is held on the balance sheet is to be transferred to academy status it is removed from the balance sheet as it will be transferred at nil consideration. This write down in value is classed as an impairment. Any schools held on the balance sheet that are transferred to academy status that have not been impaired previously form part of the loss on disposal of non-current assets.

Capital expenditure on community and voluntary controlled schools is added to the values for those schools. Capital expenditure on voluntary aided and foundation schools is treated as REFCUS (Revenue Expenditure Funded from Capital under Statute) expenditure and written off each year to the Comprehensive Income and Expenditure Statement as part of the Education and Children's services line.

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The Dedicated Schools Grant is allocated between the central council budgets and budgets allocated to individual schools (delegated school budgets). Expenditure from central council budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement as part of the Education and Children's services line.

Individual schools' balances at 31 March 2014 are included in the balance sheet of the Council as any unspent delegated schools budget remains the property of the Council although these can only be spent by the school.

PFI Schemes

The Council has a number of schools subject to PFI contracts. The PFI buildings for community and voluntary controlled schools are shown on the Council's balance sheet. The buildings for the voluntary aided, foundation and academy schools are derecognised as the control of the right to use the buildings has passed to the school trustees and foundation bodies.

The PFI liabilities in respect of all PFI schools remain on the Council's balance sheet as the Council is party to the contract with the PFI operator.

1.3.8 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. It is controlled by the Council as a result of past events and future economic or service benefits flow to the Council from the intangible asset. The most common type of intangible assets are computer software licences.

Intangible assets are carried at cost less accumulated depreciation and any impairment. The intangible asset is amortised over its estimated useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. This amortisation is reversed in the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

An intangible asset is derecognised on disposal. Gains or losses arising from the disposal are recognised in the Deficit on the Provision of Services.

1.3.9 Impairment

Assets are reviewed for impairment at the end of each reporting period. Examples of impairment include a significant reduction in a specific assets value and evidence of physical damage (e.g. fire damage).

The amount of impairment is charged to the Revaluation Reserve to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset. Thereafter the impairment is charged to the Deficit on the Provision of Services.

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This charge is reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

Where an impairment loss is subsequently reversed (for example if the damage is made good), the reversal is credited to the relevant service line 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.

1.3.10 Provision for Redemption of Debt

The Council is required to make provision for the repayment of an element of the accumulated General Fund capital expenditure, financed by borrowing, through a revenue charge, in accordance with the Minimum Revenue Provision (MRP) requirements. Regulations have replaced the detailed formula for calculating MRP with a requirement to be prudent. The MRP policy (which details the basis of the provision) is agreed by the Council prior to the start of the financial year. The MRP policy is detailed within the Treasury Management Strategy.

For all non-HRA capital expenditure funded by supported borrowing (the costs of which were funded by resources provided by the Government), the Council's policy is to adopt the previous regulatory method (4% of the capital financing requirement) as this is considered to be the most appropriate method.

For all non-HRA unsupported borrowing MRP is calculated using the estimated life of the asset. Dependant on the nature of the capital expenditure, a straight line (equal amount of MRP over the life of the asset) or annuity method (equal amount of MRP plus interest over the life of the asset) is used to link MRP to the future flow of benefits from the asset.

MRP starts in the year after the capital expenditure is incurred or in the case of new assets, in the year following the asset coming into use.

MRP is provided for non-HRA PFI related assets on the Council's Balance Sheet. This equates to the amount of unitary charge charged against the deferred liability on the Balance Sheet.

MRP is provided for assets held under finance leases (including embedded leases) where the Council is the lessee. This equates to the amount of the lease payment charged against the deferred liability on the Balance Sheet.

There is no MRP charge to the HRA.

1.3.11 Revenue Expenditure Funded From Capital under Statute

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance

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Sheet. These are generally grants and expenditure on property not owned by the Council. Expenditure is charged to the Deficit on the Provision of Services as it is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

Details of the accounting policy relating to grants and external contribution funding of REFCUS expenditure is shown in policy 1.3.17c.

1.3.12 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 its continued use it is reclassified as an asset held for sale. Before an asset can be classed as held for sale it must be available for immediate sale in its present condition, the sale must be highly probable, the asset must be actively marketed and the sale should be expected to be completed within one year of the date of classification. In situations where it is not necessary to carry out active marketing, for example because the Council is able to identify prospective purchasers willing to pay a reasonable price without marketing (such as transfers to a joint venture) or because a buyer initiates the transaction (such as right to buy sales), this test is not applicable. Where events or circumstances extend the period beyond one year and there is sufficient evidence that the Council remains committed to the plan to sell the assets they are classed as long-term assets held for sale.

The held for sale asset is carried at the lower of the carrying amount or the fair value less costs to sell. Where this results in a loss in value this loss is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Once an asset is classed as held for sale it is no longer depreciated.

If assets no longer meet the classification 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 classed as held for sale) or their recoverable amount at the date of the decision not to sell.

1.3.13 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not when cash payments are made or received. In particular, revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

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

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

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

Where 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.

1.3.14 Inventories

Inventory items are recorded as expenditure when they are consumed. Where there is a time difference between the date supplies are received and their consumption they are shown on the Balance Sheet as inventory. Inventories are valued at the lower of cost or net realisable value.

1.3.15 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 twenty four 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.

Cash and cash equivalents are shown net of bank overdrafts that form an integral part of cash management.

1.3.16 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits but where the timing of the transfer is uncertain. Examples include a legal case that could result in a payment of compensation.

Provision is made for debts that are not considered to be collectable – referred to as a bad debt provision. This provision is calculated based on experience of previous years' collectability of differing types of debt applied to the amount of outstanding debt. The balance of debtors on the Balance Sheet is reduced by the amount of provision made.

Contributions to provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation based on the best estimate of the likely settlement. When payments are made they are charged to the provision. Estimated settlements are reviewed at the end of each financial year and where it becomes likely that a transfer of

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economic benefits will not be required the contribution to the provision is reversed and credited back to the service line.

Provisions are classed as either short or long term dependant on the likely date of settlement.

1.3.17 Government Grants and Contributions

Government grants and contributions are not recognised until there is reasonable assurance that the Council will comply with the conditions attached to them and the grant or contribution will be received. Grants and contributions are credited to the Comprehensive Income and Expenditure Statement except where the grant or contribution has a condition that has not been met. Conditions are stipulations that must be satisfied or the grant or contribution must be returned. Monies advanced as grants and contributions for which conditions are not yet met are carried in the Balance Sheet as receipts in advance.

a. Revenue Grants and Contributions

Revenue grants and contributions are credited to the relevant service line for specific grants and the Taxation and Non-Specific Grant Income line for grants that cover general expenditure (e.g. Revenue Support Grant) except where the grant or contribution has a condition that has not been met. When the specific grant has been recognised but the expenditure relating to it has not been incurred the Council has elected to make a contribution equivalent to the unspent amount of grant to an earmarked reserve. This reserve will be released in future financial years when the expenditure to which the grant relates is incurred.

b. Capital Grants and Contributions

Capital grants and contributions are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement except where the grant or contribution has a condition that has not been met. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the Capital Grants Unapplied Reserve via the Movement in Reserves Statement. The amount of the grant or contribution that has been used to finance expenditure is transferred to the Capital Adjustment Account via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account when they have been applied to fund capital expenditure.

c. Grants and Contributions attributable to Revenue Expenditure Funded from Capital under Statute (REFCUS)

These grants and contributions are credited to the relevant service line in the Comprehensive Income and Expenditure Statement except where the grant or contribution has a condition that has not been met. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the Capital

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Grants Unapplied Reserve via the Movement in Reserves Statement. The amount of the grant or contribution that has been used to finance expenditure is transferred to the Capital Adjustment Account via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account when they have been applied to fund expenditure.

1.3.18 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year. The reserve is then appropriated back into the Movement in Reserves Statement so that there is no net charge for the expenditure on the General Fund balance.

Certain reserves are kept to manage the accounting treatment for Property, Plant and Equipment and retirement benefits and do not represent usable resources for the Council. These are shown as unusable reserves in the Movement in Reserves Statement and Balance Sheet.

1.3.19 Revenue Recognition

Revenue is a sub-set of income and is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

Revenue is measured at the fair value of the consideration received or receivable. In most cases, the consideration receivable is in the form of cash and cash equivalents and the amount of revenue is the amount of cash and cash equivalents receivable.

Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

Revenue relating to the sale of goods is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received by the Council and the risks and rewards of ownership have passed to the purchaser. Revenue relating to the provision of services is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received by the Council and the stage of completion of the service can be measured.

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

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1.3.20 Overheads and Support Services

The costs of overheads and support services are recharged to all users that benefit from the service in accordance with the costing principles of the SERCOP. These costs are charged on the basis of staff time, staff numbers and units of output. The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non-Distributed Costs – depreciation, impairment and grants relating to non-operational assets and past service pensions costs plus settlements and curtailments relating to pensions.

These two cost categories are accounted for as separate lines in the Comprehensive Income and Expenditure Statement, as part of the net cost of services on continuing operations.

1.3.21 VAT

VAT is only included in expenditure, either revenue or capital, to the extent that it is not recoverable from HM Revenues and Customs. VAT receivable is excluded from income.

1.3.22 Leases

Leases are classified as either finance or operating leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or lessee. Whether the lease is a finance lease or an operating lease depends on the substance of the transaction rather than the contract. Leases are classed as finance leases where the terms of the lease transfer the majority of 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. Land and building elements of a lease are considered separately for the purpose of lease classification.

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

Finance Leases

Lessee

Property, Plant and Equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value at the time of inception (or the present value of the minimum lease payments if lower). The asset recognised is matched by a deferred liability for the obligation to pay the lessor.

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Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the deferred liability and a finance charge which is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. These property, plant and equipment recognised are subject to depreciation. The MRP on these assets equates to the amount of the lease payment that is applied to write down the deferred liability.

The deferred liabilities are classed as either short or long term in line with the lease repayments.

Operating Leases

Lessee

Leasing payments for operating leases are charged to revenue on a straight-line basis over the term 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) and are shown within service expenditure in the Comprehensive Income and Expenditure Statement.

Lessor

Rental income from operating leases is recognised on a straight-line basis over the period 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) and is shown in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Assets held for use as operating leases are recorded as assets in the Council's Balance Sheet.

1.3.23 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, flexi time leave and paid sick leave for current employees. They are recognised as an expense for services in the year in which employees undertake the service for the Council. An accrual is made for the cost of holiday entitlement (including flexi time leave), 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 wages and salary rates applicable in the following financial year, being the period on which the employee takes the benefit and includes employer national insurance and pension contributions.

The accrual is charged to the Deficit on the Provision of Services but then reversed through the Movement in Reserves Statement to the Short Term Accumulated Absences Account so that holiday absences are charged against Council Tax or Housing rents in the financial year in which the absence occurs.

1.3.24 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

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decision to accept voluntary severance and are shown on an accruals basis in the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer or when it recognises the costs for a restructuring that involves termination benefits.

Where the employee makes the decision the liability is recognised at the earlier of when the employee accepts the offer or when a restriction on the Council's ability to withdraw the offer takes effect.

1.3.25 Post Employment Benefits

a. Teachers' Pension Scheme

The payment of statutory pensions to former teachers is administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). Contributions from teachers together with the employer's contribution are paid by the Council. The arrangements for this scheme mean that liabilities for benefits cannot be identified to the Council. The scheme is therefore accounted for as a defined contribution scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Education and Children's Services line within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable in the year. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pension liability.

b. National Health Service (NHS) Pension Scheme

Under the new arrangements for Public Health, staff performing public health functions who were compulsorily transferred from the Primary Care Trusts to local authorities and had access to the NHS Pension Scheme on 31 March 2013 retained access to that Scheme on transfer at 1 April 2013.

The NHS pension scheme is an unfunded, defined benefit scheme that covers NHS employers and is a multi-employer defined benefit scheme. This means that liabilities for benefits cannot be identified to the Council. The scheme is therefore accounted for as a defined contribution scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Public Health line within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable in the year.

c. Local Government Pension Scheme

The Council pays an employer's contribution into the Greater Manchester Pension Fund, which is a fully funded defined benefits scheme administered by Tameside Metropolitan Borough Council from whom an Annual Report is available.

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.

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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 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:

- The current service cost (the increase in the liability as a result of pension earned by Council employees in the year) is charged to the net cost of services.
- Past services costs (the increase in the liability arising from current year decisions whose effect relate to years of service earned in earlier years) are shown as non-distributed costs (costs that are not attributable to a particular service) within the net cost of services. An example of when past service costs would occur is where there was a change in the basis of up-rating annual pensions.
- Gains and losses on settlements and curtailments (the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees) are also shown as non-distributed costs.
- The net interest on the net defined benefit liability, i.e. net interest expenses for the period that arises from the passage of time, is shown within the Financing and Investment Income and Expenditure line.

Re-measurements comprising:

- The return on plan assets excluding amounts included in net interest on the defined benefit liability and
- actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions

are shown within Other Comprehensive Income and Expenditure.

In relation to retirement benefits, statutory provisions require the General Fund and HRA 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

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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 and HRA of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Financial Instruments

1.3.26 Financial Assets

Financial Assets (e.g. investments (excluding those in companies included in the Council's group accounts) and debtors) are classified into three types – loans and receivables (assets that have fixed or determinable payments but are not quoted in an active market), available for sale assets (assets that have a quoted market price and / or do not have fixed or determined payments) and unquoted equity investments at cost less impairment.

- **Loans and Receivables**

Loans and receivables are initially measured at fair value (the value at which they would be exchanged between a willing buyer and seller) and carried at their amortised cost (where the interest received is spread evenly over the life of the loan).

The amount of interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year per the loan agreement. Credits to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement for interest received are based on the balance sheet amount of the asset multiplied by the effective interest rate for the financial instrument. For most of the loans that the Council has made that means the amount shown in the Balance Sheet is the outstanding principal receivable plus accrued interest.

The Council has made a number of loans to individuals at less than market rates of interest (these are known as soft loans). The amount of interest forgone is charged to the Comprehensive Income and Expenditure Statement (debited to the appropriate service line) and the outstanding principal is reduced on the Balance Sheet. This represents the present value of the interest that will be foregone over the life of the loan agreement. Statutory provisions require that the impact of the soft loans on the General Fund balance is the interest receivable in the year, so the amount of foregone interest charged is managed by a transfer from the Financial Instruments Adjustment Account to the Movement in Reserves Statement.

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- **Available for Sale Assets**

Available for sale assets are initially measured and carried at fair value. Where there are no fixed or determinable payments (e.g. dividends are received rather than a fixed amount of interest) income is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement when it becomes receivable (e.g. the dividend is declared) by the Council. Instruments that have a quoted market price are shown at market price.

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

- **Unquoted Equity Investments at Cost less Impairment**

If there is no quoted market price for the asset, then a reliable valuation technique should be applied. If the application of all relevant valuation techniques produces a significant range of reasonable fair value estimates such that no valuation would be reliable, the instrument is exempted from fair value measurement and is carried at cost less impairment.

1.3.27 Embedded Derivatives

The Council has given equity mortgages and loans to individuals to assist with the purchase and improvement of properties. The repayments of these are based on a proportion of the value of the property in a number of years. This type of loan is classed as an embedded derivative as the amount of repayment is linked to future property values. When these are granted, long-term debtors and deferred capital receipts are written onto the balance sheet. At the end of each financial year the long-term debtors and deferred capital receipt are adjusted in line with the change in property values.

1.3.28 Financial Liabilities

Financial liabilities (e.g. borrowings and creditors) are initially measured at fair value and carried at their amortised cost.

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

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cash payments over the life of the instrument to the amount at which it was originally recognised.)

For many of the borrowings that the Council has, this means that the amount shown in the Balance Sheet is the outstanding principal repayable plus accrued interest, and the amount charged to the Comprehensive Income and Expenditure Statement is the amount payable per the loan agreement.

For Lender Option Borrower Option (LOBO) loans the effective interest rate has been calculated over the life of the loan. This is an average and differs from the amounts actually paid in the year. The difference between the calculated interest charge and interest paid has been adjusted in the carrying amount of the loan on the balance sheet. The amount charged in the Comprehensive Income and Expenditure Statement is the effective interest rate for the life of the loan rather than the amount payable per the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However if the repurchase takes place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is deducted from or added to the amortised cost of the new or modified loan. In this scenario the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts (amounts paid or received on the rescheduling of a loan) have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact of premiums on the General Fund balance to be spread over the longer of the outstanding period of the replaced loan or the period of the replacement loan or any other shorter period that the Council wishes to choose. Discounts are required to be credited to revenue over a maximum period equal to the outstanding term of the replaced loan or ten years (if shorter).

The difference between the amount charged to the Comprehensive Income and Expenditure Statement and the net charge against the General Fund balance is transferred to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement.

Following the HRA debt settlement there are no outstanding HRA premiums and discounts.

1.3.29 Carbon Reduction Commitment (CRC) Allowances

The Council is required to participate in the CRC Energy Efficiency Scheme. The scheme's introductory phase lasted until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a creditor

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and an expense are recognised. The creditor will be discharged by surrendering allowances. The creditor is measured at the best estimate of the expenditure required to meet the obligation, at the current market price of the number of allowances required to meet the liability at the balance sheet date. The cost to the Council is recognised and reported within the Council's net cost of services and is charged to services on the basis of energy consumption.

1.3.30 Contingent Assets and Liabilities

Contingent assets are sums due from individuals or organisations that may arise in future but the amount due cannot be determined in advance. These are not recognised in the accounts. They are disclosed as a note to the accounts as there is a probable receipt, which may result in a transfer of economic benefits.

Contingent liabilities are sums due to individuals or organisations that may arise in the future, but the amount due cannot be determined in advance. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that a payment will be required or the amount of payment cannot be measured reliably. These are not accrued for in the accounts. They are disclosed as a note to the accounts as there is a possible obligation, which may result in a transfer of economic benefits.

1.3.31 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 estimation techniques 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 otherwise stated) by adjusting opening balances and comparative amounts for the prior period.

1.3.32 Material Items of Income and Expenditure

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

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1.3.33 Events after the Balance Sheet Date

Events after the balance sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Where these provide evidence of conditions in existence at the balance sheet date, the amounts recognised in the accounts are adjusted (e.g. settlement of a court case that confirms the amount of obligation at the balance sheet date). Where these are indicative of conditions that arose after the balance sheet date the amounts in the accounts are not adjusted (e.g. significant decline in market investments after 31 March). This is known as a non-adjusting event and is disclosed as a note to the accounts.

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

1.3.34 Interests in Companies and Other Entities

The Council has material interests in companies and other entities and therefore group accounts have been prepared for the Council and its material interest in its subsidiary and joint venture. Inclusion in the Council group is dependent upon the extent of the Council's interest and power to influence an entity. The determining factor for assessing the extent of interest and power to influence is either through ownership of an entity, a shareholding in an entity or representation on an entity's board of directors. An assessment of all the Council's interests has been carried out during the year, in accordance with the Code of Practice, to determine the relationships that exist and whether they should be included in the Council's group accounts. In the Council's single-entity accounts the Council's interest in whose companies included in its group accounts are recorded as financial assets at cost less any impairment. Any gains or losses are recognised in the Comprehensive Income and Expenditure Statement.

1.3.35 Local Taxation

The Council is a Council Tax billing authority, collecting Council Tax on behalf of other authorities as well as itself. The collection of Council Tax on behalf of other authorities is treated as an agency arrangement and therefore only the elements of Council Tax that relate to the Council's income are included within the main financial statements.

The Council collects National Non-Domestic Rates (NNDR) on behalf of the government and the fire and rescue authority as well as itself. The collection of NNDR on behalf of other organisations is treated as an agency arrangement and therefore only elements of NNDR that relate to the Council's income are included within the main financial statements.

The Collection Fund accounts include all local taxation collected by the Council on behalf of itself, other authorities and the government.

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Note 2. Critical Accounting Judgements

In applying the accounting policies set out in Note 1 the Council has to make certain judgements about complex transaction or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

2.1 PFI and Similar Arrangements

The Council is deemed to control the services provided via its PFI arrangements and also to control the residual value of the assets at the end of the contract. The accounting policy for PFIs and similar contracts has been applied to these arrangements and the assets valued at £140,903,000 (£114,075,000 in 2012/13) are recognised as Property, Plant and Equipment in the Council's Balance Sheet. The increase from 2013/14 is due to the Brunswick PFI commencing in 2013/14.

The operators' models were examined to identify the service element of the unitary charge. Where that charge couldn't be clearly separated the relevant costs were obtained from the models and a margin was applied to the costs to provide an amount for the service costs. The margin used was based on advice received from expert external advisors. The service element of the unitary charge is inflated annually by an agreed indicator (e.g. RPI) as per the contract.

The implicit interest rate (IIR) was calculated by discounting the non-service element of the unitary charge at a rate that brings it back to the fair value of the asset. The fair value of the asset is taken as the construction or refurbishment costs of the scheme. The IIR calculated is compared to the closing swap rate in the financial model to check the reasonableness of the assumptions made.

2.2 Classification of Leases

The Council has undertaken an analysis to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and assets valued at £1,175,000 (£1,656,000 in 2012/13) are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

2.3 Arrangements Containing a Lease

The Council is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific underlying assets and which therefore are considered to contain a lease. The accounting treatment for leases has been applied to these arrangements to determine whether the lease contained within them is a finance or an operating lease and as a result assets valued at £1,692,000 (£2,688,000 in 2012/13) are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

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2.4 Investment Properties

The Council has reviewed all assets in accordance with the accounting policy for investment properties and as a result assets valued at £399,044,000 in 2013/14 (£363,945,000 in 2012/13) are classified as Investment Properties.

2.5 Valuation of Property Plant and Equipment

The Council's fixed assets are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS):

- plant and machinery is included in the valuations of buildings when it is an integral part of the building.
- properties classified as operational, excluding council dwellings, were valued on the basis of net realisable value in existing use or, where a market did not exist, on the basis of depreciated replacement cost.
- council dwellings were valued in accordance with Department for Communities and Local Government guidance at open market value less a specified, notified percentage known as the social housing discount.
- community assets and infrastructure have been valued at depreciated historical cost.
- properties classified as non-operational have been valued on the basis of market value.

Council dwellings are revalued annually. All other non-current assets, with the exception of those valued at depreciated historical cost are valued sufficiently regularly to ensure that their carrying amount is not materially different from their value at year end, but as a minimum every five years. Valuations are undertaken during the year by Jacobs and District Valuers, external valuers commissioned by the Council with a valuation date of 1 April 2013. Jacobs provided indexation factors for the percentage increase in value from the date of the last valuation to 31 March 2014 for each category of asset. Whilst not strictly compliant with the Accounting Code these were applied to the asset values to provide a more materially accurate balance sheet value.

2.6 Valuation of Heritage Assets

The Code permits councils to measure community assets in the same way as heritage assets. The Council has decided that these should continue to be measured at depreciated historical cost.

The Code states that valuation of heritage assets may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or

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verified by external valuers. The Council has therefore chosen to use market valuation, where this is available. Where a market valuation is not available insurance valuation has been used. As a result assets valued at £431,191,000 in 2013/14 (£422,968,000 in 2012/13) have been classed as Heritage Assets.

2.7 Schools Property, Plant and Equipment

The Council has assessed the legal framework underlying each type of school. The Council controls the management and running of community and voluntary controlled schools and therefore the plant, property and equipment of those schools are shown on the Council's balance sheet. The plant, property and equipment of voluntary aided and foundation schools are owned and controlled by the trustees of the schools or the foundation body and are therefore not shown on the balance sheet of the Council.

At the point the Council is notified that a school on its balance sheet is to become an academy it is impaired to nil value as the disposal of this asset will not result in the receipt of income.

2.8 Provision for Business Rate Appeals

The business rate retention system requires the Council to forecast the amount of money that it would expect to have to repay to ratepayers as a result of reductions in rateable values whether following a successful appeal or for any other reason.

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits but where the timing of the transfer is uncertain. In relation to business rates reductions the Council is of the view that the past event is the publication of the valuation list rather than the submission of the appeal and, where it is possible to reliably estimate the financial effect of these reductions, has included an amount within the provision relating to reductions against the 2010 list for appeals not yet submitted and other reductions to the 2010 list. As a result a provision of £54,642,000, for the Council's share of the effect of appeals, has been made at 31 March 2014.

2.9 Composition of the Council's Group

The Council undertakes its activities through a variety of undertakings, either under ultimate control or in partnership with other organisations. Those considered to be material are included in the group accounts. Profit and loss, net worth and value of non current assets for each organisation are considered as a percentage of the Council's single entity accounts to determine those that are material.

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Note 3. Key Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2014 for which there is a risk of adjustment in the following financial year are:

3.1 Revaluation of Property, Plant and Equipment

Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and small value items of vehicles, plant and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. Advice has been provided by valuers employed by the Council. If the actual results differ from the assumptions the value of PPE will be over or understated. This would be adjusted when the assets were next revalued.

3.2 Depreciation of Property, Plant and Equipment.

Assets are depreciated based on useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to maintain the expenditure on repairs and maintenance resulting in uncertainty in the useful lives assigned to assets by the Valuers. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge would increase by £4,097,000 for every year the useful lives are reduced.

However, due to capital regulations, there would be no impact on the general fund balance.

The District Valuer has provided percentages, based on their professional judgement, for various components of council houses and flats. These percentages have been applied to the valuations of these houses and flats to obtain valuations of the components to which useful lives are applied to calculate the depreciation on council dwellings. If these percentages were amended, the value of the council dwellings and the related depreciation would be over or under stated.

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3.3 Valuation of Investments in Non Group Entities

The Council has various investments in entities, which due to materiality of the entity or the share of the investment in the entity, are not included in its Group Accounts. Where there is a quoted market price for these investments they are classified as available for sale investments and included in the balance sheet at fair value. Where there is no market value available they are included at cost less impairment. The investment in Manchester Mortgage Corporation is shown as the value of its reserve as it is a wholly owned subsidiary of the Council. Shares totalling £1.5m were purchased in 2013/14 and these investments are therefore shown at cost. The remainder of the shares, totalling £1.2m are shown at cost as the relevant valuation techniques produce a significant range of reasonable fair value estimates such that no valuation would be reliable. This does not have a material effect on the Council's balance sheet.

3.4 Compensation Provisions

The Council has made various provisions in relation to compensation claims submitted to the Council. These provisions are based on the number of claims outstanding at the end of the financial year, the average settlement amount for each type of claim and the likelihood of each type of claim being settled. It is not certain that the precedents set in previous years will be applicable to the current outstanding claims. An increase of 1% in the estimate average settlement would have the effect of adding £132,000 to the provision required. An increase of 1% in the likelihood of each claim being settled would have the effect of adding £302,000 to the provision.

3.5 Provision for Business Rate Appeals

The Council has made a provision for a reduction in business rate income due to appeals made against rateable values set by the Valuation Office Agency (VOA). This is based on an estimated percentage reduction in rateable values for hereditaments where there is an outstanding appeal at 31 March 2014. The percentage used is based on the reduction in the 2005 valuation list following appeals against that list. Appeals against hereditaments with a rateable value of over £2.5m have been considered separately using any information available from VOA relating to these. An increase of 1% in the percentage reduction would have the effect of adding £8,500,000 to the total provision required (Council's share £4,200,000).

The Council has also provided for anticipated appeals against the 2010 valuation list that have not yet been received. This has been estimated on the assumption that the 2010 list will be reduced in line with the 2005 list. An increase of 1% in the percentage reduction would have the effect of adding £3,600,000 to the total provision required (Council's share £1,800,000).

3.6 Arrears

At 31 March 2014 the Council had a balance of sundry debtors of £164,905,000 (including housing benefit overpayments), housing rent debtors of £11,102,000, council

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tax debtors of £45,884,000 and business rates debtors of £9,190,000. A review of these outstanding balances suggests that an impairment of doubtful debts of £83,080,000 (£32,543,000 sundry debtors, £8,037,000 housing rents, £37,755,000 council tax and £4,745,000 business rates) was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate by 1% this would require an additional £888,000 (£327,000 sundry debtors, £80,000 housing rents, £448,000 council tax and £33,000 business rates) to be set aside.

3.7 Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions. A firm of actuaries are engaged by the Pension Fund to provide expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £271m, a one year increase in member life expectancy would result in a £89m increase in the pension liability, a 0.5% increase in the salary increase rate would result in a £73m increase in the pension liability and a 0.5% increase in the assumed pension rate increase would result in a £196m increase in the pension liability.

3.8 Employee Benefits Accrual

At 31 March 2010 an accrual for employee benefits (annual and flexi time leave) was calculated at an average of 0.58 day per Council employee excluding teachers. As the Council's policy on the carry forward of annual leave has not changed since 2009/10 the same number of days per employee has been used to calculate the accrual for 31 March 2014. If the accrual had increased by half a day per employee, the value of the accrual would have increased by £586,000.

Note 4. Significant items warranting additional disclosure

The following items of material expenditure occurred during the year:

Impairment

a) Impairment of property plant and equipment and investment properties of £161,343,000 (£100,047,000 in 2012/13) has been included within net cost of services:

	2012/13 £000s	2013/14 £000s
Adult social care	2,668	18,286
Central services to the public	4	1
Education and children's services	41,694	68,403
Cultural and related services	418	15,055
Environmental and regulatory services	378	4,937
Housing Services	0	1,980
Housing Revenue Account	21,709	20,836
Highways and transport services	633	2
Investment properties	26,515	15,712
Non-distributed costs	6,028	16,131
Total	100,047	161,343

The impairment on education and children's services relates to schools which have transferred to academy status. The impairment on non-distributed costs relates to non-operational property i.e. properties not used by the Council but classed as held for sale or surplus.

Voluntary Early Retirement and Voluntary Severance

b) Within the Council's net cost of service expenditure in 2012/13 were costs incurred on the time limited Voluntary Early Retirement and Severance scheme that was offered to non-schools based staff. This was in response to the need to reduce the Council's expenditure by £40m in 2013/14 rising to £80m in 2014/15 following the Financial Settlement published in December 2012. The total expenditure for voluntary early retirements and voluntary severance is £11.8m in 2012/13. The voluntary early retirement (VER) and voluntary severance (VS) costs were funded from the transformation reserve. This table does not include any costs of VER and VS outside the time limited scheme so is not the same as the costs shown in the exit packages note (note 16). This is not considered to be a material item in 2013/14.

	2012/13 £000s
Adult social care	2,851
Central Services to the public	192
Education and children's services	3,537
Cultural and related services	1,152
Environmental and regulatory services	1,277
Planning services	976
Highways and transport services	429
Housing services	1,015
Housing Revenue Account	0
Corporate and democratic core	70
Trading undertakings	310
Total	11,809

Note 5. Impact of Accounting Changes Issues But Not Yet Adopted

The Code of Practice on Local Authority Accounting requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the 2013/14 Code.

The Code has introduced several changes in accounting policies which will be required from 1 April 2014 and will therefore be valid for the 2014/15 accounts. The standards introduced by the 2014/15 Code are:

- IFRS10 Consolidated Financial Statements
- IFRS11 Joint Arrangements
- IFRS12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS28 Investments in Associates and Joint Ventures
- IAS32 Financial Instruments Presentation
- Annual Improvements to IFRS 2009-2011 Cycle.

IAS 32 relates to financial instruments disclosures and is mainly relevant to entities that issue equity instruments (i.e. shares). The main relevance to local authorities concerns the offsetting of assets and liabilities on the balance sheet. These can only be shown in this way when the Council is legally able to do this and intends to settle the items on a net basis. It is not expected that this will have a material effect on the Council's accounts. It is not a change of accounting policy that will require the publication of a third balance sheet (i.e. a restated balance sheet at the beginning of the preceding year – in this case 1 April 2013) in the 2014/15 accounts.

The adoption of the other standards listed above represent a change in accounting policy that per International Accounting Standards require the publication of a third balance sheet in the Council's single entity or group accounts if the changes brought about by the standards are material. A material effect is defined as one that if omitted or misstated could effect decisions that users of the accounts made on the basis of the information reported. It is the Council's assessment that a third balance sheet will not be required for either the single entity or group accounts in 2014/15.

IFRS10 identifies control as the basis for assessment of whether an entity should be in the group accounts. The Council is considered to control an entity if it has power over the entity, has rights to returns (i.e. dividends) and the ability to use its power to affect the amount of return. It is not expected that this new standard will alter the make up of the Council's group accounts.

IFRS11 concerns accounting for joint arrangements. Under this IFRS there are two classifications of joint arrangements – joint operations and joint ventures (rather than three current classifications of jointly controlled operations, jointly controlled assets and jointly controlled entities). Current joint arrangements need to be reviewed and reclassified. Jointly controlled operations and jointly controlled assets will be reclassified as joint operations.

Jointly controlled entities can be reclassified as either joint operations or joint ventures depending on how the rights and obligations of the entity are shared between the parties involved. For joint operations the Council's share of assets and liabilities would be shown in the single entity accounts. Joint ventures are accounted for in the group accounts using the equity method. This means that the Council's share of the reserves and a matching investment are shown in the group balance sheet rather than the share of assets and liabilities which was previously an option. The Council's joint venture (Manchester Airports Holdings Ltd) is accounted for using the equity method so this new standard will not result in any changes to the group accounts.

IFRS12 is a new disclosure standard which requires the Council to disclose the nature of, and risks associated with, its interests in other entities that are not controlled by the Council (unconsolidated structured entities) and the effects of those interests on its financial position, financial performance and cash flows. The qualitative and quantitative disclosures include the nature, purpose, size and activities of the entity and how the entity is financed. In relation to the nature of risks the Council has to disclose details of assets and liabilities in its balance sheet relating to its interests in these entities, the maximum exposure to loss from its interest and any support provided to the entity including where the Council assisted the entity in obtaining financial support.

IAS27 refers to when an entity must consolidate another entity in its group accounts. IAS28 refers to applying the equity method to investments in associates and joint ventures. By applying IFRS 10, 11 and 12, as outlined above, IAS27 and 28, as amended in May 2011, are also fulfilled.

The 2014/15 Code includes amendments to the section on the presentation of the financial statements to reflect the amendments to IAS 1 as required by the Annual Improvements to IFRS 2009-2011. The Code specifies the format of the statements, disclosures and terminology that are appropriate for local authorities. The minimum level of detail required is also specified whilst permitting additional detail to be included where appropriate. The amendment relates to clarification of the requirement for comparative information.

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Note 6. Adjustments Between Accounting and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practices to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The table below shows the adjustments made in 2012/13:

	Usable Reserves			Unusable Reserves			£000s
	Restated General Fund Balance (Including Earmarked Reserves)	Restated Housing Revenue Account (Including Earmarked Reserves)	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Capital Adjustment Account	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Reversal of items debited or credited to the comprehensive income and expenditure statement:							
Depreciation	(34,803)	0	0	0	(11,438)	46,241	0
Amortisation of intangible assets	(406)	0	0	0	0	406	0
Additional depreciation charged to HRA services above the uplifted major repairs allowance	0	1,328	0	0	(1,328)	0	0
Decent Homes Backlog Funding transferred to the Major Repairs Reserve	0	5,500	0	0	(5,500)	0	0
Impairment/revaluation losses charged to the comprehensive income and expenditure statement	(78,338)	(21,709)	0	0	0	100,047	0
Movement in market value of investment property	25,385	0	0	0	0	(25,389)	0
Financing of capital expenditure on council dwellings	0	0	0	0	14,223	(14,223)	0
Non Property Related Capital Receipts Transferred to the Usable Capital Receipts Reserve	975	39	(1,014)	(11,411)	0	(49,065)	0
Capital grants and contributions	55,067	5,439	0	0	0	(910)	0
Donated assets fair value	910	0	0	0	0	22,262	0
Revenue expenditure funded from capital under statute	(22,099)	(163)	0	0	0	41,723	0
Gain / (loss) on disposal of non-current assets	(31,418)	2,385	(12,680)	0	0	0	0
Retirement benefits per IAS19	(74,656)	(344)	0	0	0	(6,009)	75,000
Reversal of private finance initiative charges to the HRA	0	6,009	0	0	0	326	(4,345)
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	4,019	0	0	0	0	0	509
Amount by which council tax income adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulation	(509)	0	0	0	0	0	0
Total reversed items	(155,869)	(1,516)	(13,704)	(11,411)	(4,043)	115,379	71,164
Insertion of items not debited or credited to the comprehensive income and expenditure statement:							
Statutory provision for the repayment of debt - minimum revenue provision	23,176	0	0	0	0	(23,176)	0
Statutory provision for the repayment of debt - finance lease liabilities	1,585	0	0	0	0	(1,585)	0
Statutory provision for the repayment of debt - private finance initiatives	2,064	0	0	0	0	(2,064)	0
HRA capital receipts to housing central pool	(1,328)	0	1,328	0	0	0	0
Employers contributions to pension schemes	48,661	139	0	0	0	0	(48,800)
Revenue contribution to finance capital	31,000	0	0	0	0	(31,000)	0
Premiums and discounts charged to revenue	323	(1,096)	0	0	0	0	773
Principal repayment of ex-GMC debt	1,634	0	0	0	0	(1,634)	0
Total inserted items	107,115	(957)	1,328	0	0	(59,459)	(48,027)
Other adjustments:							
Capital receipts applied	0	0	9,025	0	0	(9,025)	0
Transfer of revaluation reserve balance on assets disposed of to CAA	0	0	0	0	0	(15,320)	15,320
Transfer of revaluation reserve balance relating to investment properties to CAA	0	0	0	0	0	(144)	144
Adjustment between capital adjustment account and revaluation reserve for depreciation that is related to the revaluation balance rather than historic cost	0	0	0	0	0	(5,939)	5,939
Write down of long term debtor	(86)	0	0	0	0	50	36
Transfer to Deferred Capital Receipts Reserve	(120)	0	0	0	0	0	120
Total other adjustments	(206)	0	9,025	0	0	(60,378)	21,559
Total adjustments	(48,960)	(2,473)	(3,351)	(11,411)	(4,043)	25,542	44,696

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The table below shows the adjustments made in 2013/14:

	Usable Reserves			Unusable Reserves			
	General Fund Balance (Including Earmarked Reserves) £000s	Housing Revenue Account (Including Earmarked Reserves) £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Major Repairs Reserve £000s	Capital Adjustment Account £000s	Other Unusable Reserves £000s
Reversal of items debited or credited to the comprehensive income and expenditure statement:							
Depreciation	(35,364)	0	0	0	(11,162)	46,526	0
Amortisation of intangible assets	(426)	0	0	0	0	426	0
Additional depreciation charged to HRA services above the uplifted major repairs allowance	0	1,329	0	0	(1,329)	0	0
Decent Homes Backlog Funding transferred to the Major Repairs Reserve	0	10,000	0	0	(10,000)	0	0
Impairment/valuation losses charged to the comprehensive income and expenditure statement	(140,507)	(20,836)	0	0	0	161,843	0
Movement in market value of investment property	45,920	0	0	0	0	(45,920)	0
Capital expenditure funded by HRA	0	0	0	0	0	0	0
Financing of capital expenditure on council dwellings	0	0	0	0	23,274	(23,274)	0
Non Property Related Capital Receipts Transferred to the Usable Capital Receipts Reserve	0	35	(35)	0	0	0	0
Capital grants and contributions	67,108	608	0	(15)	0	(67,701)	0
Revenue expenditure funded from capital under statute	(10,844)	(51)	0	(3,368)	0	14,263	0
Gain / (loss) on disposal of non-current assets	(20,699)	3,923	35	0	0	16,681	0
Retirement benefits per IAS19	(97,241)	(741)	0	0	0	0	97,982
Reversal of private finance initiative charges to the HRA	0	5,987	0	0	0	(5,987)	0
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	29	0	0	0	0	54	(83)
Amount by which council tax income and business rates adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the General Fund in accordance with regulation	(40,065)	0	0	0	0	0	40,065
Total reversed items	(232,029)	254	0	(3,383)	783	96,411	137,964
Insertion of items not debited or credited to the comprehensive income and expenditure statement:							
Statutory provision for the repayment of debt - minimum revenue provision	22,856	0	0	0	0	(22,856)	0
Statutory provision for the repayment of debt - finance lease liabilities	1,468	0	0	0	0	(1,468)	0
Statutory provision for the repayment of debt - private finance initiatives	2,233	0	0	0	0	(2,233)	0
HRA capital receipts to housing central pool	(1,944)	0	1,944	0	0	0	0
Employers contributions to pension schemes	50,927	163	0	0	0	0	(51,090)
Revenue contribution to finance capital	34,797	88	0	0	0	(34,885)	0
Premiums and discounts charged to revenue	324	0	0	0	0	0	(324)
Principal repayment of ex-GMC debt	1,724	0	0	0	0	(1,724)	0
Total inserted items	112,365	251	1,944	0	0	(63,166)	(51,414)
Other adjustments:							
Capital receipts applied	301	0	(22,832)	0	0	22,531	0
Use of capital receipts reserve to finance capital expenditure	0	0	14,936	0	0	(14,936)	0
Transfer of revaluation reserve balance on assets disposed of to CAA	0	0	0	0	0	(7,456)	7,458
Transfer of revaluation reserve balance relating to investment properties to CAA	0	0	0	0	0	(27)	27
Adjustment between capital adjustment account and revaluation reserve for depreciation that is related to the revaluation balance rather than historic cost	0	0	0	0	0	(6,123)	6,123
Write down of long term debtor	61	0	0	0	0	(95)	34
Transfer to Deferred Capital Receipts Reserve	407	0	(7,896)	0	0	349	(394)
Total other adjustments	(119,237)	505	(5,992)	(3,383)	783	(5,759)	13,248
Total adjustments						27,486	99,798

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Note 7. Segmental Reporting Analysis

The table below is a reconciliation of the 2012/13 internal management reports (monitoring and outturn) used by the Council's Executive to make decisions and the 2012/13 Comprehensive Income and Expenditure Statement. The segments identified in the subjective analysis are the same segments that are reported to Executive during the year.

Subjective Analysis	Chief Executive's Services £000s	Children's Services £000s	Directorate for Adults £000s	Corporate Services £000s	Neighbourhood Services £000s	Housing Revenue Account £000s	Total £000s
Fees, charges and other service income	(70,369)	(113,631)	(53,041)	(23,358)	(58,160)	(72,716)	(391,275)
Government grants	(3,114)	(384,218)	(4,418)	(321,526)	(4,346)	(15,441)	(733,063)
Total Income	(73,483)	(497,849)	(57,459)	(344,884)	(62,506)	(88,157)	(1,124,338)
Employee expenses	62,368	323,750	54,767	26,655	54,120	2,399	524,059
Other operating expenses	69,976	302,908	177,423	342,854	122,924	65,251	1,081,336
Support services recharges	(18,070)	4,433	(12,322)	(3,071)	(10,700)	1,044	(38,686)
Total Operating Expenses	114,274	631,091	219,868	366,438	166,344	68,694	1,566,709
Cost of Services	40,791	133,242	162,409	21,554	103,838	(19,463)	442,371

Reconciliation to net cost of services in the Comprehensive Income and Expenditure Statement (CIES)

Cost of services in service analysis	£000s
442,371	
Add amounts not reported to management*	120,368
Remove amounts reported to management not included in net cost of services in CIES	(20,118)
Net cost of services in comprehensive income and expenditure statement	542,621

Reconciliation to subjective analysis	Service Analysis £000s	Not Reported to Management* £000s	Not Included in CIES Net Cost of Services £000s	Allocation of Recharges £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges and other service income	(391,274)	0	131,929	0	(259,445)	(157,701)	(417,146)
Interest and investment income	0	(748)	497	0	(251)	(11,445)	(11,696)
Income from council tax	0	0	0	0	0	(144,170)	(144,170)
Distribution from NNDR pool	0	0	0	0	0	(324,129)	(324,129)
Government grants and contributions	(733,064)	(4,095)	3,602	0	(733,557)	(145,313)	(878,870)
Total Income	(1,124,338)	(4,843)	135,928	0	(993,253)	(782,758)	(1,776,011)
Employee expenses	524,059	3	617	(192)	524,487	0	524,487
Other service expenses	1,081,336	22,622	(118,492)	(38,494)	946,972	31,216	978,188
Support services recharges	(38,686)	0	0	38,686	0	0	0
Depreciation and impairment	0	102,586	(7,080)	0	95,506	0	95,506
Interest payments	0	0	(3,027)	0	(3,027)	38,851	35,824
Pension interest costs	0	0	0	0	0	121,300	121,300
Precepts and levies	0	0	(28,064)	0	(28,064)	64,693	36,629
Payments to housing capital receipts pool	0	0	0	0	0	1,328	1,328
(Gain) / loss on disposal of non-current assets	0	0	0	0	0	32,394	32,394
Total operating expenses	1,566,709	125,211	(156,046)	0	1,535,874	289,782	1,825,656
(Surplus) / deficit on the provision of services	442,371	120,368	(20,118)	0	542,621	(492,976)	49,645

*Items not reported to management include depreciation, impairment and IAS19 pension adjustments.

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Note 7. Segmental Reporting Analysis

The table below is a reconciliation of the 2013/14 internal management reports (monitoring and outturn) used by the Council's Executive to make decisions and the 2013/14 Comprehensive Income and Expenditure Statement. The segments identified in the subjective analysis are the same segments that are reported to Executive during the year.

Subjective Analysis	Chief Executive's Services £000s	Children's Services £000s	Directorate for Adults £000s	Corporate Services £000s	Neighbourhood Services £000s	Housing Revenue Account £000s	Total £000s
Fees, charges and other service income	(9,150)	(59,353)	(40,674)	(70,321)	(63,850)	(64,833)	(308,181)
Government grants	(938)	(375,056)	(9,145)	(273,506)	(5,194)	(17,272)	(681,111)
Total Income	(10,088)	(434,409)	(49,819)	(343,827)	(69,044)	(82,105)	(989,292)
Employee expenses	33,770	271,464	67,072	41,956	50,005	3,752	468,019
Other operating expenses	19,941	263,707	184,996	337,034	126,907	60,459	993,044
Support services recharges	(4,148)	2,320	4,990	(20,214)	(8,612)	755	(24,909)
Total Operating Expenses	49,563	537,491	257,058	358,776	168,300	64,966	1,436,154
Cost of Services	39,475	103,082	207,239	14,949	99,256	(17,139)	446,862

Reconciliation to net cost of services in the Comprehensive Income and Expenditure Statement (CIES)

Cost of services in service analysis	£000s
Add amounts not reported to management*	446,862
Remove amounts reported to management not included in net cost of services in CIES	174,199
	(51,833)
Net cost of services in comprehensive income and expenditure statement	569,228

Reconciliation to subjective analysis	Service Analysis £000s	Not Reported to Management* £000s	Not Included in CIES Net Cost of Services £000s	Allocation of Recharges £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges and other service income	(308,181)	64,834	(4,621)	0	(248,168)	(167,097)	(415,265)
Interest and investment income	0	(2,048)	137	0	(1,906)	(42,617)	(44,523)
Income from council tax	0	0	0	0	0	(112,855)	(112,855)
Business Rates income	0	0	0	0	0	(97,383)	(97,383)
Government grants and contributions	(681,111)	13,903	(36,342)	0	(703,550)	(389,676)	(1,093,226)
Total Income	(989,292)	76,694	(41,026)	0	(953,624)	(809,626)	(1,763,252)
Employee expenses	468,019	(3,734)	5,449	(1,437)	468,297	0	468,297
Other service expenses	993,044	(56,998)	8,384	(23,472)	920,958	17,666	938,624
Support services recharges	(24,909)	0	0	24,909	0	0	0
Depreciation and impairment	0	158,237	9,125	0	167,362	0	167,362
Interest payments	0	0	(387)	0	(387)	0	(37,158)
Pension interest costs	0	0	0	0	0	135,275	135,275
Precepts and levies	0	0	(33,378)	0	(33,378)	70,802	37,424
Payments to housing capital receipts pool	0	0	0	0	0	1,944	1,944
(Gain) / loss on disposal of non-current assets	0	0	0	0	0	20,639	20,639
Total operating expenses	1,436,154	97,505	(10,807)	0	1,522,852	283,671	1,806,723
(Surplus) / deficit in the provision of services	446,862	174,199	(51,833)	0	569,228	(525,757)	43,471

*Items not reported to management include depreciation, impairment and IAS19 pension adjustments.

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Note 8. Long-term Contracts

Undischarged obligations arising from PFI transactions as at 31 March 2014 were as follows:

Scheme	Payments			Indexation	Contract Expiry	Scheme Details
	Liability Repayment £000s	Lifecycle Costs £000s	Interest Charges £000s			
Housing Energy Services Contract						
Payments within 1 year	192	89	155			
Payments within 2 to 5 years	998	372	389			
Payments within 6 to 10 years	240	70	20			
	1,430	535	564			
Miles Platting Housing						
Payments within 1 year	1,778	3,476	3,673	RPI	2037	
Payments within 2 to 5 years	11,963	13,902	13,173			
Payments within 6 to 10 years	10,334	17,378	12,916			
Payments within 11 to 15 years	11,772	17,378	9,722			
Payments within 16 to 20 years	13,890	17,378	5,902			
Payments within 21 to 25 years	11,047	10,427	1,436			
	60,784	79,939	45,841			
Plymouth Grove Housing						
Payments within 1 year	410	730	1,870	RPI	2033	
Payments within 2 to 5 years	2,066	2,918	7,003			
Payments within 6 to 10 years	3,824	3,648	7,830			
Payments within 11 to 15 years	5,308	3,648	5,165			
Payments within 16 to 20 years	6,462	2,918	1,823			
	17,770	13,862	23,191			
Temple School						
Payments within 1 year	105	0	297			
Payments within 2 to 5 years	624	0	1,067			
Payments within 6 to 10 years	1,431	0	881			
Payments within 11 to 15 years	862	0	130			
	3,022	0	2,375			
Wright Robinson Sports College						
Payments within 1 year	790	461	1,655	RPI	2032	
Payments within 2 to 5 years	3,705	1,844	6,076			
Payments within 6 to 10 years	6,145	2,305	6,081			
Payments within 11 to 15 years	8,402	2,305	3,824			
Payments within 16 to 20 years	6,597	1,410	887			
	25,639	8,325	18,523			
Public Lighting						
Payments within 1 year	1,409	620	1,909	RPI	2030	
Payments within 2 to 5 years	6,778	2,479	6,807			
Payments within 6 to 10 years	11,056	3,098	6,196			
Payments within 11 to 15 years	14,669	3,098	2,824			
Payments within 16 to 20 years	1,305	155	18			
	35,227	9,459	17,754			
Brunswick Housing						
Payments within 1 year	888	0	1,215	RPIX	2038	
Payments within 2 to 5 years	24,839	0	13,022			
Payments within 6 to 10 years	15,203	3,696	17,718			
Payments within 11 to 15 years	14,679	7,668	11,556			
Payments within 16 to 20 years	14,954	9,627	10,710			
Payments within 21 to 25 years	15,329	6,309	12,450			
	85,892	27,300	66,671			
Total	229,764	139,411	175,919			426,422
						971,516

*The service charge included above excludes inflation applied annually using the relevant index.

**The service charge shown assumes no deductions will be made for poor performance.

***The Brunswick Housing Liability is being introduced onto the balance sheet as the work is undertaken. The liability introduced in 2013/14 is £59,903,000.

The Council has seven PFI Schemes as follows:

- Miles Platting, HRA (Housing) Services PFI Scheme
- Plymouth Grove, HRA (Housing) Services PFI Scheme
- Energy (Heating), HRA (Housing) Services PFI Scheme
- Temple Primary School, Education and Children's Services PFI Scheme
- Wright Robinson, Education and Children's Services PFI Scheme
- Street Lighting, Neighbourhood Services PFI Scheme
- Brunswick, HRA (Housing) Services PFI Scheme

Each PFI Scheme specifies the start dates for the contractor to begin the work as well as improvement dates for cyclical planned maintenance. The contractor makes the property, plant and equipment needed to provide the services available to the Council for the length of the contract. At the end of the contract the ownership of the property, plant and equipment passes to the Council at no extra charge. The management and maintenance contract with the contractor expires at the end of the PFI Scheme, the contractor does not have an automatic right to renew the contract for a further period but is entitled to re-tender for the contract. If the Council defaults on the terms, the contractor can terminate the PFI Scheme. The Council is entitled to terminate the contract if the contractor defaults.

HRA (Housing) PFI Schemes

In each of the Housing PFI Schemes the contractor is contracted to improve a specified group of properties in an area to specified standards (the actual number may be affected by demolitions and tenants exercising their Right to Buy (RTB)). In the Energy Management PFI Scheme, the contractor is required to provide a service to specified properties to specified standards (the actual number of properties may be affected by demolitions, stock transfers and RTB).

Each Housing PFI Scheme sets out a minimum specification for the standard of maintenance and service provision to the individual properties by the contractor. There are clauses which set out the financial deductions to be applied if these standards are not met.

In accordance with the terms and conditions of the PFI contract, the Council is obliged to transfer a piece of land to the Miles Platting contractor (Renaissance) for the development of housing stock for private sale. However, due to the prevailing state of the housing market, it was more logical to make a payment to the contractor to represent the value of the land. A payment of £920,000 was made in 2010/11.

In December 2013 the new Brunswick PFI commenced. The government has granted PFI grants of £105.11m in support of the scheme which will be received in instalments over twenty five years. The scheme will refurbish 654 properties plus result in 200 new homes.

Education and Children's Services PFI Schemes

The School PFI Schemes oblige the contractor to construct, fit out and equip new school buildings and facilities as defined and specified in each of the contracts. The contractor is then obliged to manage and maintain the new facilities for the duration of the life of the PFI Scheme.

The School PFI Schemes have minimum specifications for service provision/availability. If these are breached (e.g. unavailability of a sports pitch), then financial penalties are payable by the contractor.

In 2009/10 Wright Robinson Sports College transferred to Foundation status and was therefore removed from the balance sheet.

Work to increase the number of pupil places at Temple Primary School has been completed. The Council funded the capital works at the school. The PFI contract has been amended to include the management and maintenance of the new facility.

Growth and Neighbourhoods PFI Scheme

The Street Lighting PFI Scheme specified that 41,698 street lights were certified to be replaced during the Initial Apparatus Replacement Programme, plus others to be replaced at others expense (e.g. housing developers). The Scheme also includes an Annual Apparatus Replacement Programme where the contractor is required to replace street lights on a cyclical basis.

Note 9. Trading Operations

Trading services are disclosed in line with the requirements of the Service Reporting Code of Practice and are mainly activities of a commercial nature which are financed substantially by charges made to the recipients of the service. These trading services are shown in the table below:

	2012/13 (Surplus) / Deficit * £000s	2013/14 Turnover £000s	2013/14 Expenditure £000s	2013/14 (Surplus) / Deficit* £000s
Building maintenance	1,499	(448)	1,106	658
Highways maintenance	289	(161)	1,066	905
Schools and welfare catering	(1,674)	(11,125)	11,203	78
Other catering	243	(1,273)	495	(778)
Corporation estates	(1,447)	(5,115)	4,373	(742)
Technical services	(298)	0	0	0 ^a
Industrial estates	(23)	(14)	143	129
Markets	(591)	(7,722)	6,771	(951)
Total (Surplus) / Deficit	(2,002)	(25,858)	25,157	(701)

* Included within the cost of all trading operations are costs that do not affect usable reserves such as depreciation and impairment. Costs of voluntary early retirements and severance are also included within the figures.

a. Technical Services ceased to be classed as a trading operation in 2012/13.

Note 10. National Health Services Act 2006 Pooled Funds

Section 75 of the National Health Services Act 2006 enables the establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds enable health bodies and local authorities to work together to address specific health issues.

Mental Health Pooled Budget

The purpose of the pool is to improve services for users through closer working between the NHS and Local Government pursuant to the obligations for the former Primary Care Trust and Manchester City Council to co-operate with each other in providing the services.

The partner bodies were Manchester Primary Care Trust and Manchester City Council.

	2012/13 £000s	2013/14 £000s
Gross Funding		
Manchester City Council	6,098	0
Manchester Primary Care Trust	125,324	0
Total Funding	131,422	0
Total Expenditure	131,422	0
Overspend	0	0

The Council exited the Mental Health Pool as at 1 April 2013.

Learning Disabilities Pooled Budget

The purpose of the pool is to improve services for users through closer working between the NHS and Local Government pursuant to the obligations for the former Primary Care Trust and Manchester City Council to co-operate with each other in providing the services.

	2012/13 £000s	2013/14 £000s
Gross Funding		
Manchester City Council	43,368	45,087
Manchester Primary Care Trust / CCG	0	0
Total Funding	43,368	45,087
Expenditure		
Commissioning	28,192	27,368
Provider - Manchester Learning Disability Partnership	21,351	19,284
Administration	297	377
Total Expenditure	49,840	47,029
Overspend	6,472	1,942

The 2010 Spending Review announced a new specific grant, the Learning Disabilities and Health Reform grant, by the Department of Health. This was issued to reflect the transfer of responsibilities for this service from the NHS to Local Authorities. As a result of this transfer of responsibilities, Manchester Primary Care Trust ceased funding the Learning Disabilities Pooled Budget in 2010/11. The legal status of the Pool remains unchanged. The overspend is included in the Council's accounts.

At 1 April 2013 Manchester PCT was replaced by North, Central and South Clinical Commissioning Groups (CCGs). CCGs are NHS organisations set up by the Health and Social Care Act 2012 to organise the delivery of NHS services in England. CCGs are overseen by NHS England (including its Regional Offices and Area Teams). These structures manage primary care commissioning, including holding the NHS contracts for GP practices.

CCGs work with patients and healthcare professionals and in partnership with local authorities and communities.

CCGs operate by commissioning (or buying) healthcare services including elective hospital care, rehabilitation care, urgent and emergency care, most community health services and mental health and learning and disability services.

As of 1 April 2013 the Council is no longer part of the Mental Health Pooled Budget. As all the funding for the Learning Disability Pooled Budget comes from the Council there will be no impact on pooled budgets from the new arrangements.

Note 11. Financing and Investment (Income) and Expenditure

The table below analyses the figures included in the Comprehensive Income and Expenditure Statement.

	Restated 2012/13 £000s	2013/14 £000s
Interest payable on debt	25,027	24,025
Interest element of finance leases (lessee)	312	284
Interest payable on PFI unitary payments	10,205	10,018
Net interest on the net defined benefit liability	31,000	36,318
Investment interest income	(11,673)	(12,052)
Rentals received on investment properties	(20,908)	(17,023)
Expenses incurred on investment properties	1,816	1,457
Investment properties Impairment	26,515	15,712
Change in fair value of investment properties	(25,390)	(45,920)
Dividends receivable	(11,565)	(27,346)
(Gain) / loss on trading accounts (not applicable to a service)	243	(778)
Total financing and investment income and expenditure	25,582	(15,305)

Note 12. Taxation and non-specific grant income

The table below analyses the figure included in the Comprehensive Income and Expenditure Statement.

	2012/13 £000s	2013/14 £000s
Council Tax Income	144,170	112,855 a
Business Rates Income	0	97,383 b
Capitalisation Top Slice Refund	0	1,238 c
Council Tax Support Scheme Transitional Grant	0	997 d
Business Rates Retention Top Ups	0	7,230 b
Business Rates Section 31 Grant	0	2,223 e
Business Rates Safety Net Funding	0	37,650 f
Revenue Support Grant	6,283	234,742 b
Education Services Grant	2,109	7,626 g
New Homes Bonus Grant	4,276	6,848 h
Early Intervention Grant	31,292	0 i
Local Services Support Grant	2,231	261 j
Council Tax Freeze Grant	3,554	0 k
Learning Disabilities Grant	14,873	0 l
Housing Benefit Administration Grant	6,095	5,647
Contribution from Manchester Clinical Commissioning Groups	7,064	9,542
Troubled Families Grant	3,623	408 m
Business Rates distribution	324,129	0 b
Assets of Community Value - New Burdens Grant	13	16
Council Tax - New Burdens Grant	0	475
Community Voices Grant	0	473
Value of donated heritage assets	910	0 n
Private Finance Initiative Grant	6,580	6,580
Capital Grants and contributions	56,410	67,720
Total taxation and non-specific grant income	613,612	599,914

a Council Tax Income has reduced from 2012/13 to 2013/14 due to the introduction of Council Tax Support which is shown as a discount reducing council tax due. In 2012/13 Council Tax Benefit was shown as a transfer from the general fund to the Collection Fund.

b In 2012/13 business rates income was pooled nationally and re-distributed. It was considered part of the same funding stream as Revenue Support Grant. Following the Local Government Resource Review business rates are partly retained by the Council. The Council was also entitled to a business rates top up in 2013/14.

c. The government topsliced RSG for capitalisation directions. The unused topslice was distributed to local authorities.

d. The Council Tax Support Scheme Transitional Grant was provided to authorities who limited the amount of Council Tax that residents who had previously received 100% council tax benefit would pay to a maximum of 8.5%.

e. A Section 31 grant was paid by government to compensate authorities for loss of business rates income due to the extension of small business rates relief.

f. Business Rates Safety Net is due when the Council's retained business rate income plus top up payment falls below 92.5% of the assumed baseline funding.

g. Education Services grant has increased as the topslice from the settlement for schools transferring to Academy status has increased. This grant is a refund for schools that did not transfer to academies.

h. New homes bonus grant started in 2011/12 and is paid for six years therefore there is an additional years entitlement in 2013/14.

i. Early Intervention Grant has been rolled into RSG in 2013/14.

j. Local Services Support Grant was made up of four grants in 2012/13. One was received as a specific grant in 2013/14, two were rolled into RSG and one is no longer received.

k. The Council was not entitled to this grant in 2013/14 as it did not freeze council tax.

l. Learning Disabilities Grant has been rolled into RSG in 2013/14.

m. The balance of the troubled families grant that was allocated to specific services is shown within note 13.

n. This relates to the value of three paintings that were bequeathed to the Council in 2012/13. In accordance with the CIPFA Code these are shown within taxation and non-specific grants.

Note 13. Revenue grants credited to the Comprehensive Income and Expenditure Statement

The table below analyses the revenue grants credited to Net Cost of Services in the Comprehensive Income and Expenditure Statement

	2012/13 £000s	2013/14 £000s
Dedicated Schools Grant	340,806	330,702
Pupil Premium	17,968	24,048 a
Housing and Council Tax Benefit Subsidy	321,386	273,174 b
Public Health Grant	0	40,105 c
Higher Education Funding Council	1,515	1,502
Sixth Form Funding Grant	5,376	5,347
Learning and Skills Council Grants	8,611	8,213
Partnerships for Schools Grant	3,235	0 d
Partnership Funding	0	1,011
Department of Communities and Local Government Grants	1,362	672
Private Finance Initiative Grant (Housing Revenue Account)	15,441	17,107 e
Decent Homes Backlog Funding	5,500	10,000 f
Other Home Office Grants	2,093	333 g
Youth Justice Board	1,795	1,516
Asylum Seekers Grant	4,427	3,341
Troubled Families Grant	0	1,714 i
Welfare Reform Grant	0	3,297 j
Adoption Reform Grant	92	1,690 k
Other Childrens Grants	447	346
Other Grants	2,839	3,425
Total revenue grants credited to the Comprehensive Income and Expenditure	732,893	727,543

a Pupil premium grant increased by approximately £300 per pupil in 2013/14.

b. Council tax benefit subsidy is no longer payable as a specific grant. This funding, at 90% of the previous level, has been rolled into RSG.

c. Public health grant is to fund the transfer of responsibilities from the NHS.

d. Partnership for schools grant was part of the Building Schools for the Future funding which ceased in 2012/13.

e. Private finance initiative grant includes the grant for Brunswick PFI which commenced in 2013/14.

f. Decent homes backlog funding is credited to the Housing Revenue Account and then transferred to the Major Repairs Reserve to fund capital works.

g. Other Home Office grants in 2012/13 included drug intervention grant which is now funded through the public health grant and a one off elections grant to fund the police and crime commissioner election.

i. Troubled Families Grant was shown within note 12 in 2012/13.

j. Welfare reform grant is a new grant in 2013/14 to fund the transfer of responsibilities to support residents who are suffering financial hardship

k. Adoption reform grant is new funding from the Department for Education to support adoption services in Manchester. The 2013/14 grant includes a one off payment of £782k to support recruitment of adopters.

Note 14. Members' Allowances

The total payments made for members' allowances and expenses are shown in the table below.

	2012/13 £000s	2013/14 £000s
Members' allowances	1,933	1,941
Members' expenses	13	7
Total	1,946	1,948

Note 15. Officers' Emoluments

Employee Remuneration

The Accounts and Audit Regulations require the disclosure of employees' remuneration in excess of £50,000 excluding the remuneration details of the Council's senior employees, which are disclosed separately.

The tables below include severance payments that may have been agreed at the year end but will not actually be paid until the staff leave and for which the amounts are accrued for in the Council's accounts.

The Council employs 7,701 non-schools based staff (8,740 in 2012/13). The number of non-schools based staff in each salary band over £50,000 is shown below, split between those staff who have not received severance payments and those who have.

	2012/13 Staff Who Have Not Received Severance Payments	2012/13 Staff Who Have Received Severance Payments	2012/13 Total	2013/14 Staff Who Have Not Received Severance Payments	2013/14 Staff Who Have Received Severance Payments	2013/14 Total
£50,000 - £54,999	39	21	60	37	5	42
£55,000 - £59,999	26	12	38	22	5	27
£60,000 - £64,999	23	8	31	14	1	15
£65,000 - £69,999	24	4	28	22	4	26
£70,000 - £74,999	4	3	7	2	4	6
£75,000 - £79,999	6	1	7	3	1	4
£80,000 - £84,999	4	3	7	12	0	12
£85,000 - £89,999	4	1	5	4	1	5
£90,000 - £94,999	5	0	5	3	1	4
£95,000 - £99,999	2	0	2	2	0	2
£100,000 - £104,999	0	1	1	1	0	1
£105,000 - £109,999	1	1	2	1	0	1
£115,000 - £119,999	0	1	1	0	0	0
£120,000 - £124,999	0	0	0	0	1	1
£135,000 - £139,999	0	1	1	0	0	0
	138	57	195	123	23	146

Note the 2013/14 numbers include public health staff who transferred to the Council on 1 April 2013.

The Council employs 9,298 schools based staff (9,957 in 2012/13). The number of schools based staff in each salary band over £50,000 is shown below, split between those staff who have not received severance or other related payments and those who have. The reduction in staff numbers relates to the transfer of schools to academies.

	2012/13 Staff Who Have Not Received Severance Payments	2012/13 Staff Who Have Received Severance Payments	2012/13 Total	2013/14 Staff Who Have Not Received Severance Payments	2013/14 Staff Who Have Received Severance Payments	2013/14 Total
£50,000 - £54,999	85	0	85	91	0	91
£55,000 - £59,999	58	0	58	63	0	63
£60,000 - £64,999	49	0	49	47	0	47
£65,000 - £69,999	37	0	37	34	0	34
£70,000 - £74,999	17	0	17	16	0	16
£75,000 - £79,999	12	0	12	9	0	9
£80,000 - £84,999	8	0	8	9	0	9
£85,000 - £89,999	6	0	6	6	0	6
£90,000 - £94,999	2	0	2	4	0	4
£95,000 - £99,999	0	0	0	1	0	1
£100,000 - £104,999	4	0	4	4	0	4
£105,000 - £109,999	4	0	4	2	0	2
£110,000 - £114,999	2	0	2	1	0	1
£115,000 - £119,999	1	0	1	0	0	0
£120,000 - £124,999	0	0	0	0	0	0
£125,000 - £129,999	1	0	1	0	0	0
£130,000 - £134,999	0	0	0	0	0	0
£135,000 - £139,999	0	0	0	1	0	1
£140,000 - £144,999	1	0	1	1	0	1
	287	0	287	289	0	289

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Senior Employees' Remuneration

The following Council employees are classed as senior employees as they received a salary in excess of £150,000 (disclosed by name) or received a salary in excess of £50,000 and are part of the Council's Strategic Management Team or are in a designated post that is required to be disclosed (disclosed by job title).

	Salary, Fees or Allowances		Expenses Allowance		Employer's Contribution to Pension		Employer's Contribution to Early Retirement Costs		Severance Payments	
	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £	2012/13 £	2013/14 £
Chief Executive of the Council and Head of Paid Service of the Greater Manchester Combined Authority, Sir Howard Bernstein	203,934	203,934	0	0	0	0	0	0	0	0
City Treasurer of the Council and the Treasurer of the Greater Manchester Combined Authority, Richard Paver	154,914	154,914	1,239	1,369	0	0	0	0	0	0
City Solicitor of the Council and Monitoring Officer of the Greater Manchester Combined Authority until 15 May 2013	116,238	14,374	0	0	18,133	2,386	0	0	0	0
City Solicitor of the Council and Monitoring Officer of the Greater Manchester Combined Authority from 16 May 2013	75,663	96,992	0	0	11,803	16,101	0	0	0	0
Deputy Chief Executive (Performance)	130,002	130,002	0	0	20,280	21,580	0	0	0	0
Deputy Chief Executive (Neighbourhoods) *	120,000	120,000	963	963	18,720	19,920	0	0	0	82,854
Deputy Chief Executive (Growth and Neighbourhoods) *	90,000	94,651	0	0	14,040	15,363	0	0	0	0
Strategic Director (Children and Commissioning Services)	113,000	117,750	0	0	17,628	19,546	0	0	0	0
Strategic Director (Families, Health and Wellbeing) **	120,000	64,194	963	562	18,720	10,656	0	0	0	0
Director of Public Health***	0	97,970	0	0	0	13,716	0	0	0	0
Director of Education and Skills ****	10,952	115,002	0	0	1,709	19,090	0	0	0	0
Strategic Director (Strategic Developments)	120,000	120,000	635	846	18,720	19,920	0	0	0	0

* The postholder left on 31 March 2014. The post was replaced with the Deputy Chief Executive (Growth and Neighbourhoods), the current postholder was appointed on 14 October 2013.
 ** The postholder left on 13 October 2013. The position is being covered by an individual who does not meet the definition of an employee of Manchester City Council therefore is not included in this note.
 *** This post moved to the Council on 1 April 2013 with the transfer of Public Health functions.
 **** The Postholder started on 25 February 2013.

The number of agreed exit packages and the total cost of these within each band is shown below. The table includes the costs of the Voluntary Early Retirement (VER) and Voluntary Severance (VS) scheme that was offered to non-schools based staff in 2012/13 in response to the need to reduce the Council's expenditure following the Financial Settlement published in December 2012.

The total cost figures shown include severance, early retirement and any compensation for loss of office payments that have been agreed at the year end. There were no compulsory redundancies during the financial years 2012/13 and 2013/14.

	2012/13 Number of Staff Departures Agreed	2012/13 Total Cost of Exit Packages £000s	2013/14 Number of Staff Departures Agreed	2013/14 Total Cost of Exit Packages £000s
£0 - £19,999	369	3,695	139	1,436
£20,000 - £39,999	167	4,750	54	1,413
£40,000 - £59,999	71	3,478	15	723
£60,000 - £79,999	8	547	6	406
£80,000 - £99,999	1	85	2	169
	616	12,555	216	4,147

Note 17. Audit Fees

The following amount of fees have been incurred for work carried out by the external auditors:

	2012/13 £000s	2013/14 £000s
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	250	295
Fees payable to Grant Thornton for the certification of grant claims and returns	31	24
	281	319

The 2013/14 figure includes £58,000 additional fees for audit work relating to an objection to the 2011/12 accounts and a refund of £38,000 from the Audit Commission.

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Note 18. Property Plant and Equipment

Movements on property, plant and equipment during 2013/14 were as follows:

	Property, Plant and Equipment							Total £000s
	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	
Movement in 2013/14								
Gross book value brought forward	420,050	1,127,931	48,816	427,327	26,022	156,943	221,729	2,428,818
Accumulated depreciation and impairment brought forward	(34,565)	(227,024)	(15,784)	(67,585)	(123)	(5,549)	(30,307)	(380,937)
Net book value carried forward as at 1 April 2013	385,485	900,907	33,032	359,742	25,899	151,394	191,422	2,047,881
Additions	21,203	51,112	10,167	14,649	325	59,077	16,905	173,438
Revaluations recognised in revaluation reserve	15,894	23,976	0	0	0	0	(2,467)	37,403
Downward Revaluations recognised in deficit on the provision of services	(4,037)	(51,360)	0	0	0	0	(13,789)	(69,186)
Derecognition - disposals	0	(18,749)	(96)	0	0	0	(12,413)	(31,258)
Transferred (to) held for sale assets	(2,496)	0	0	0	0	0	(10,393)	(12,889)
Other transfers	2,291	132,746	3,224	(901)	(160)	(136,814)	(1,069)	(683)
Other movements in cost or valuation - newly recognised leases / PFI	6,903	0	86	0	0	0	0	6,989
Depreciation	(11,058)	(22,192)	(5,489)	(7,357)	(1)	0	(429)	(46,526)
Impairments charged to the comprehensive income and expenditure statement	(16,798)	(56,321)	(1,666)	0	0	0	(1,790)	(76,575)
Impairments covered by the revaluation reserve	(7,893)	(7,531)	(734)	0	0	0	(55)	(16,203)
Reversal of prior year impairment	0	682	0	0	0	0	0	682
Net book value carried forward as at 31 March 2014	389,504	953,270	36,524	366,133	26,063	73,657	165,922	2,013,073
Gross book value carried forward	419,547	1,234,929	60,388	441,074	26,134	73,657	194,919	2,450,648
Accumulated depreciation and impairment Carried Forward as at 31 March 2014	(30,043)	(281,659)	(21,864)	(74,941)	(71)	0	(28,997)	(437,575)
Net book value carried forward as at 31 March 2014	389,504	953,270	38,524	366,133	26,063	73,657	165,922	2,013,073

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Movements on property, plant and equipment during 2012/13 were as follows:

	Property, Plant and Equipment							Total £000s
	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	
Movement in 2012/13								
Gross book value brought forward	449,809	1,138,248	39,184	404,177	25,945	167,060	182,177	2,406,600
Accumulated depreciation and impairment brought forward	(47,206)	(201,916)	(11,809)	(60,569)	(85)	(6,791)	(19,435)	(847,811)
Net book value carried forward as at 1 April 2012	402,603	936,332	27,375	343,608	25,860	160,269	162,742	2,058,789
Additions	19,288	27,232	8,383	23,149	46	60,514	14,643	153,255
Revaluations recognised in revaluation reserve	3,634	8,066	0	0	0	0	1,611	13,311
Revaluations recognised in surplus on the provision of services	(7,548)	(7,663)	0	0	0	0	(2,044)	(17,255)
Derecognition - disposals	0	(32,393)	(646)	0	0	0	(3,409)	(36,448)
Transferred (to) held for sale assets	(2,371)	(105)	0	0	0	0	(7,489)	(9,965)
Other transfers	(2,996)	40,907	2,244	1	13	(69,389)	29,547	327
Other movements in cost or valuation - newly recognised leases	0	0	162	0	0	0	0	162
Depreciation	(11,337)	(22,866)	(4,486)	(7,016)	(20)	0	(518)	(46,243)
Impairments charged to the comprehensive income and expenditure statement	(14,161)	(38,132)	0	0	0	0	(3,286)	(55,579)
Impairments covered by the revaluation reserve	(1,627)	(10,471)	0	0	0	0	(375)	(12,473)
Net book value carried forward as at 31 March 2013	385,485	900,907	33,032	359,742	25,899	151,394	191,422	2,047,881
Gross book value carried forward	420,050	1,127,931	48,816	427,327	26,022	156,943	221,729	2,428,818
Accumulated depreciation and impairment carried forward as at 31 March 2013	(34,565)	(227,024)	(15,784)	(67,585)	(123)	(5,549)	(30,307)	(380,937)
Net book value carried forward as at 31 March 2013	385,485	900,907	33,032	359,742	25,899	151,394	191,422	2,047,881

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Note 19. Disposal of Assets

	2012/13 £000s	2013/14 £000s
Disposals of Assets		
Held for Sale - Council dwellings (right to buy)	1,411	2,496
Held for Sale - Other	4,505	5,589
Other Disposals including transfers to academies	36,519	31,258
	42,435	39,343

Loss on Disposal of Non-current Assets

	2012/13 £000s	2013/14 £000s
HRA assets	(2,387)	(3,923)
Removal of schools transferring to academy status from the balance sheet	32,394	18,359
Other non-HRA assets	(974)	2,280
	29,033	16,716

Note 20. Accounting for Local Government Schools

The Council has the following maintained schools:

	Community	Voluntary Controlled	Voluntary Aided	Foundation	Academy
Number of schools, excluding PFI schools	71	14	47	5	34
Value of Land and Buildings at 31 March 2014	£313,791,000	£38,699,000	N/A	N/A	N/A
Value of Land and Buildings at 31 March 2013	£379,965,000	£33,998,000	N/A	N/A	N/A
Number of schools subject to PFI contracts	1	0	0	1	0
Value of Land and Buildings at 31 March 2014	£10,351,000	N/A	N/A	N/A	N/A
Value of Land and Buildings at 31 March 2013	£5,662,000	N/A	N/A	N/A	N/A

The treatment of land and buildings for each type of school is based on the legal framework underlying each type of school. The Council controls the management and running of community and voluntary controlled schools and therefore the land and buildings of those schools are separately shown on the Council's balance sheet. The land and buildings of voluntary aided and foundation schools are owned and controlled by the trustees of the schools or the foundation body and are therefore not shown on the balance sheet of the Council.

Capital expenditure on community and voluntary controlled schools is added to the balances for those schools as reported in property, plant and equipment (note 18). Capital expenditure on voluntary aided and foundation schools is treated as REFCUS (Revenue Expenditure Funded from Capital under Statute) expenditure and written off each year to the Comprehensive Income and Expenditure Statement within the Education and Children's services line.

Dedicated Schools Grant (DSG) is credited to the Comprehensive Income and Expenditure Statement within gross income on the Education and Children's Services line based on amounts due from the Department for Education. This is to fund the running costs of schools. The running costs of all categories of schools, apart from academies, are shown within the Comprehensive Income and Expenditure Statement.

The DSG is allocated between central Council budget and budgets allocated to individual schools (delegated school budgets). Expenditure from central Council budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under the Education and Children's services line.

Individual schools' balances, for all categories of schools apart from academies, are included in the balance sheet of the Council within usable reserves (note 37).

Included within the Council's Comprehensive Income and Expenditure Statement and Balance Sheet are the following amounts relating to each category of school. For academies, the amount of income and expenditure up to the date they transferred to academy status is included in the Comprehensive Income and Expenditure Account.

	Community	Voluntary Controlled	Voluntary Aided	Foundation	Academies	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Opening schools reserves	18,136	2,268	6,542	2,927	0	29,873
Funding, including DSG	175,571	23,439	85,505	31,364	0	315,879
Net expenditure incurred by schools	(175,752)	(23,462)	(86,969)	(31,263)	0	(317,446)
Closing schools reserves	17,955	2,245	5,078	3,028	0	28,306

PFI Schemes

The Council has two schools subject to PFI contracts. The building for the community school is shown on the Council's balance sheet with the related liability. The building for the foundation school was derecognised in 2009/10 as the control of the right to use the buildings has passed to the foundation body.

The PFI liabilities in respect of all PFI schools remain on the Council's balance sheet as the Council is party to the contract with the PFI operator.

Note 21. Heritage Assets

Movements on tangible and intangible heritage assets during 2013/14 were as follows:

	Heritage Assets					Total £000s
	Fine Art Works £000s	Civic Plate £000s	Monuments Statues and Fountains £000s	Town Hall Sculptures £000s	Other £000s	
Cost or valuation						
Balance at 1 April 2013	415,703	2,959	619	3,462	225	422,968
Additions/ Donations	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Revaluations	8,223	0	0	0	0	8,223
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses / (reversals) recognised in Deficit on the Provision of Services	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0
Balance at 31 March 2014	423,926	2,959	619	3,462	225	431,191

Movements on tangible and intangible heritage assets during 2012/13 were as follows:

	Heritage Assets					Total £000s
	Fine Art Works £000s	Civic Plate £000s	Monuments Statues and Fountains £000s	Town Hall Sculptures £000s	Other £000s	
Cost or valuation						
Balance at 1 April 2012	384,024	2,959	619	3,462	225	391,289
Additions / donations	910	0	0	0	0	910
Disposals	0	0	0	0	0	0
Revaluations	30,769	0	0	0	0	30,769
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses / (reversals) recognised in Deficit on the Provision of Services	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0
Balance at 31 March 2013	415,703	2,959	619	3,462	225	422,968

a) Heritage Assets Nature and Scale of Assets Held

Manchester City Galleries (MCG) currently holds 45,418 objects in trust on behalf of the People of Manchester. The collection comprises 13,070 items of fine art, 10,582 items of decorative art, and 21,766 items of costume. The collection is 'Designated' by the Museums, Libraries and Archives Council (MLA) as a pre-eminent collection of national and international importance.

Manchester City Galleries' collections are covered by the Greater Manchester Act 1981 whereby financially motivated disposal is prohibited by the Act.

In addition to the MCG collections, the Libraries, Information and Archives Service holds a collection of rare books, records and archives that have heritage significance relating to Manchester but are also of national significance.

Heritage furniture, Civic plate and Lord Mayor's Regalia, Sculpture, paintings from the Town Hall Collection (and also some paintings from the MCG collection) are displayed throughout the Town Hall in appropriate public spaces, selected offices and meeting rooms.

Further details can be found in the following documents:

- Heritage Asset Strategy May 2011
- Resource and Governance Overview and Scrutiny Committee 17 November 2011 – Heritage Assets Report

b) Heritage Asset Management and Preservation

Manchester City Galleries Collection

The collection is managed by The Head of Asset Management and Development and her Team, in partnership with the Principal Curator: Collections Access, the Collections Access curators and the Senior Curator: Costume. Manchester City Galleries maintains a comprehensive collection management system which includes an electronic collections management database as well as hard copy records. This database has the facility to include the date of the latest valuation, the name of the valuer, valuation method used and assumptions / limitations of the method used. All accessioned objects in the collection have been assigned a unique identification number, recorded in the Accession Register, and have an individual catalogue record that complies with National (SPECTRUM) documentation standards.

Public access to the collections and collection information is delivered in a variety of ways:

- Gallery displays and temporary exhibitions at Manchester Art Galley and Platt Hall.
- Education and outreach activities.
- Web-based information, including the galleries website with searchable database, social networking sites, and the BBC 'Your Paintings' website.
- Access in store to researchers and interested individuals/groups by arrangement.
- Loans out to UK and international museums and galleries, or other venues.

The collections are assessed and conserved in the conservation studios at Queens Park by highly specialised, fully trained conservators.

The condition of the art works is maintained through a programme of effective collection care to reduce damage and deterioration by reducing risk from physical damage (including handling), theft and vandalism, fire and water/flood, inappropriate relative humidity and temperature, light, pollutants, and museum pests. Remedial conservation is occasionally carried out to stabilise objects that are actively deteriorating.

Further details can be found in the following documents:

- Manchester City Galleries Constitution
- Manchester City Galleries Procedures Manual 2012
- Manchester City Galleries Collections Development Policy 2011-2014
- Manchester City Galleries Loans Policy 2010
- Manchester City Galleries Conservation and Care Policy 2012
- Manchester City Galleries Handling Guidelines 2011

Fine Art Works and Civic Plate / Lord Mayors Regalia / Model of HMS Manchester, Town Hall Sculptures, Furniture

Management of the collection is assisted with advice and support from Manchester City Galleries. Database records are held by MCG on behalf of the Town Hall on a Ke Emu electronic collection database. Viewing of the items is via a combination of both public display and prior arrangement access with Town Hall staff.

Items in the collection are stored and displayed in a manner which will aid their preservation. Specialised cleaning is performed as and when necessary.

Further details can be found in the following documents:

- Manchester Town Hall Collections Acquisition and Disposal Policy June 2007.

c) Heritage Assets Accounting Policies

Manchester City Galleries Collections

Specified items are included in the balance sheet at market valuation where this exceeds £100,000.

In the case of loss or damage the recoverable amount may be less than the full market valuation as works over £200,000 are insured at 75% of market value up to a threshold cap of £7,000,000.

Non-specified works are grouped and have an insurance value however these items are not included on the balance sheet as in most cases, only a nominal value can be attributed to a particular individual asset.

Revaluations of the Manchester City Galleries Collections are due to a reappraisal of valuations and where curators have received information or had evidence that a value had changed significantly. Changes in value during 2013/14 amounted to £8.2m.

Civic Plate / Lord Mayors Regalia / Model of HMS Manchester

These items are included in the balance sheet at insurance valuation and include assets on display in the Town Hall.

Town Hall Sculptures

The sculptures are deemed to have indeterminate lives; hence the Council does not consider it appropriate to charge depreciation.

Town Hall and Central Library Furniture

These items are included in the balance sheet at a nominal value until a more detailed and appropriate valuation can be obtained. The assets within this category are deemed to have indeterminate lives; hence the Council does not consider it appropriate to charge depreciation.

Statues and Monuments in the public realm

These items are included in the balance sheet at a nominal value plus some relocation and enhancement costs. The assets will be included at this value until a more detailed and appropriate valuation can be obtained.

The assets within this category are deemed to have indeterminate lives; hence the Council does not consider it appropriate to charge depreciation.

There have been no additions or disposals in year that affect the valuations in the classifications above.

d) Heritage Assets not Reported in the Balance Sheet

Listed Buildings

Manchester has 84 listed buildings and related assets such as the Town Hall, Central Library, Heaton Hall, bridges and areas of parks. The council also has custody of scheduled ancient monuments including the City Centre Hanging Bridge and the moated sites to Clayton Hall and Peel Hall in addition to a number of other monuments, statues and fountains.

Listed buildings, such as the Town Hall complex, are actively used in the delivery of Council services. In accounting terms they have been classified as operational assets and reported and valued as Property, Plant and Equipment in the same way as other assets of this type.

Statues / Fountains

Statues and Fountains situated in open spaces are classified as street furniture. As no insurance valuation is available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements these assets have not been recognised in the balance sheet.

Rare Books, Records and Archives

Rare books, records and archives that have heritage significance relating to Manchester. As no insurance or market valuation is available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements these assets have not been recognised in the balance sheet.

Summary of Transactions Relating to Heritage Assets

The table below shows a summary of the transactions relating to heritage assets as reported in the balance sheet.

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Cost / valuation at 1 April	378,120	381,630	391,289	422,968
Additions	0	0	0	0
Revaluations	3,510	9,659	30,769	8,223
Donations	0	0	910	0
Impairments	0	0	0	0
Cost / valuation at 31 March	381,630	391,289	422,968	431,191

It is not practicable to provide this information for any accounting periods prior to 1 April 2010.

Note 22. Valuation of Property, Plant and Equipment

The Council's non-current assets are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS):

- plant and machinery is included in the valuations of buildings when it is an integral part of the building
- properties classified as operational, excluding council dwellings, were valued on the basis of net realisable value in existing use or, where a market did not exist, on the basis of depreciated replacement cost
- council dwellings were valued in accordance with Department for Communities and Local Government guidance at open market value less a specified, notified percentage known as the social housing discount
- community assets and infrastructure have been valued at historical cost net of depreciation
- properties classified as non-operational have been valued on the basis of market value.

Depreciation has been calculated using a straight-line method (i.e. apportioned equally over each year of the life of the asset) for all assets unless that depreciation is immaterial. The estimated useful life of each property is determined by a qualified valuer and updated at each valuation. Land and assets not yet available for use (assets under construction) are not depreciated.

The range of asset lives for each asset type are shown in the table below:

Asset Valuation Groups	Range	
	From (years)	To (years)
Council Dwellings - Main Structure	19	66
Adult Education Facilities	10	15
Car Parks	17	22
Childrens Home / Family Centres	14	47
Day Centres / Luncheon Clubs	10	50
Galleries	30	60
Depots	16	57
Housing Offices	11	36
Leisure Centres / Sports Facilities	6	63
Libraries	4	58
Markets	17	22
Offices	17	58
Park Buildings	5	55
Schools	9	60
Youth Clubs / Childrens Centres / Nurseries	9	57
BMX / Skate / Bike Facilities	20	27
Cemeteries & Crematoria	18	33
Vehicles, Plant, Furniture and Equipment	1	20
Infrastructure Assets	46	50
Surplus Assets	9	44

Council dwellings are valued annually. All other assets, with the exception of those valued at historical cost net of depreciation, are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at year end, but as a minimum every five years. Valuations have been undertaken during the year by the District Valuer and Jacobs, external valuers commissioned by the Council with a valuation date of 1 April 2013. Jacobs have provided indexation factors for the percentage increase in value from the date of the last valuation to 31 March 2014 for each category of asset. Whilst not strictly compliant with the Accounting Code these have been applied to the asset values to provide a more materially accurate balance sheet value.

The valuers have determined the appropriate method of valuation having regard to the assets' physical and economic characteristics. Assets are valued using the depreciated replacement cost approach if the valuer considers the asset to have no identifiable rental value. Assumptions made by the valuer for this approach relate to the depreciation rate applied to reflect the physical condition and any economic or functional obsolescence of the asset in respect of its current use. Where a rental value can be identified, the valuer has adopted the existing use value method, where rental value is capitalised at a rate determined by the type, quality and location of the asset. The assumptions made by the valuer include the application of an appropriate rental value and capitalisation rate. This is based on comparable evidence of market transactions of similar assets nearby.

Inspections for the property, plant and equipment (PPE) revalued during 2013/14 were carried out between 1 April 2013 and 31 March 2014, as part of the Council's normal revaluation process. As a result of these inspections the Council recognised revaluations of PPE in the revaluation reserve of £44,306,000 reflecting the revaluation movement since the last revaluation of these assets.

The Council also performed impairment reviews where there were impairment indicators, such as a change in use or capital expenditure in excess of £500,000 during the year. Downward valuations were charged against the revaluation reserve to the extent there was a credit balance in the reserve for the individual asset. Amounts in excess of the credit balance in the reserve were charged to the Comprehensive Income and Expenditure Statement. This has resulted in £145,761,000 in relation to PPE being charged to the Comprehensive Income and Expenditure Statement.

The following table lists asset movements for operational other land and buildings by valuation group.

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Operational land and buildings by asset type with date of last group valuation

	Adult Education £000s	Car Parks £000s	Children's Homes / Family Centres £000s	Day Centres / Luncheon Clubs £000s	Galleries £000s	Depots £000s
	2013/2014	2010/2011	2013/2014	2013/2014	2013/2014	2011/2012
Last group valuation carried out-						
Net book value carried forward as at 1 April 2013	1,985	22,432	13,267	12,825	79,915	3,813
Additions	66	0	(40)	141	283	0
Revaluations recognised in revaluation reserve	901	0	805	7,033	11,854	0
Downward Revaluations recognised in deficit on the provision of services	0	0	(555)	(1,643)	0	0
Other transfers	(3)	0	(1,440)	(1,668)	124	0
Depreciation	(133)	(346)	(292)	(438)	(1,598)	(78)
Impairments charged to the comprehensive income and expenditure statement	0	0	0	(364)	0	0
Impairments covered by the revaluation reserve	(10)	0	0	(272)	(2)	0
Net book value carried forward as at 31 March 2014	2,806	22,086	11,745	15,614	90,576	3,735
Gross book value carried forward	2,949	33,487	12,972	18,636	94,179	4,726
Accumulated depreciation and Impairment Carried Forward as at 31 March 2014	(143)	(11,401)	(1,227)	(3,022)	(3,603)	(991)
Net book value carried forward as at 31 March 2014	2,806	22,086	11,745	15,614	90,576	3,735

	Housing Offices £000s	Miscellaneous £000s	Leisure Centres £000s	Libraries £000s	Markets £000s	Offices £000s
	2012/2013	2013/2014	2013/2014	2013/2014	2010/2011	2011/2012
Last group valuation carried out-						
Net book value carried forward as at 1 April 2013	3,580	17,270	212,349	25,160	1,444	19,862
Additions	0	1,019	416	16,156	0	20,345
Revaluations recognised in revaluation reserve	0	0	(6,324)	(12,131)	0	2,967
Downward Revaluations recognised in deficit on the provision of services	0	0	(6,273)	(1,765)	0	(37,340)
Derecognition - disposals	0	0	0	(391)	0	0
Other transfers	0	0	(314)	71,212	0	59,802
Depreciation	(96)	(12)	(4,742)	(1,096)	(36)	(974)
Impairments charged to the comprehensive income and expenditure statement	0	(137)	(34)	0	0	(19)
Impairments covered by the revaluation reserve	0	0	(20)	(41)	0	(51)
Net book value carried forward as at 31 March 2014	3,484	18,140	195,058	97,104	1,408	64,592
Gross book value carried forward	4,227	20,108	208,023	102,431	11,086	107,963
Accumulated depreciation and Impairment Carried Forward as at 31 March 2014	(743)	(1,968)	(12,965)	(5,327)	(9,678)	(43,361)
Net book value carried forward as at 31 March 2014	3,484	18,140	195,058	97,104	1,408	64,592

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Operational land and buildings by asset type with date of last group valuation (continued)

	Park Buildings £000s	Schools and Other Education Assets £000s	Youth Clubs / Children's Centres / Nurseries £000s	BMX / Skate / Bike facilities £000s	Cemeteries / Crematoria £000s	Total all asset types* £000s
	2013/2014	2010/2011	2009/2010	2011/2012	2011/2012	
Last group valuation carried out-						
Net book value carried forward as at 1 April 2013	18,594	429,276	35,474	1,065	2,596	900,907
Additions	408	11,424	142	443	309	51,112
Revaluations recognised in revaluation reserve	48	15,850	2,973	0	0	23,976
Downward Revaluations recognised in deficit on the provision of services	(3,763)	(21)	0	0	0	(51,360)
Derecognition - disposals	0	(18,356)	0	0	0	(18,749)
Other transfers	143	5,048	(156)	0	(3)	132,745
Depreciation	(771)	(10,130)	(1,266)	(47)	(137)	(22,192)
Impairments charged to the comprehensive income and expenditure statement	(286)	(55,478)	(1)	0	(2)	(56,321)
Impairments covered by the revaluation reserve	(37)	(7,080)	(17)	0	0	(7,530)
Reversal of prior year impairment	0	682	0	0	0	682
Net book value carried forward as at 31 March 2014	14,336	371,213	37,149	1,461	2,763	953,270
Gross book value carried forward	19,498	536,912	51,905	1,642	4,196	1,234,930
Accumulated depreciation and Impairment Carried Forward as at 31 March 2014	(5,162)	(165,699)	(14,756)	(181)	(1,433)	(281,660)
Net book value carried forward as at 31 March 2014	14,336	371,213	37,149	1,461	2,763	953,270

*Note this is a total for all 3 tables included in operational land and buildings by asset type

Note 23. Assets Held For Sale

Movements on Assets Held for Sale during the year were as follows:

	Assets Held For Sale £000s
Net book value brought forward	6,138
Movement in 2012/13	
Reclassifications	11,010
Additions	275
Disposals	(5,916)
Revaluations	(5,061)
Impairments	(698)
Net book value carried forward as at 31 March 2013	5,748
Movement in 2013/14	
Reclassifications	13,971
Additions	1,846
Disposals	(8,085)
Revaluations	0
Impairments	(552)
Net book value carried forward as at 31 March 2014	12,928

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Note 24. Assets Recognised Under PFI Arrangements

Movements on PFI Scheme Assets during the year were as follows:

	Energy Services £000s	Temple Primary School £000s	Plymouth Grove Housing £000s	Miles Platting Housing £000s	Brunswick Housing £000s	Public Lighting £000s	Total £000s
Net book value brought forward	133	5,764	18,502	40,089	0	51,065	115,553
Movement in 2012/13							
Expenditure	0	0	0	1	0	0	1
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	(115)	(206)	0	0	(321)
Depreciation	(8)	(102)	(495)	(1,187)	0	(1,086)	(2,878)
Revaluations	0	0	655	1,065	0	0	1,720
Impairments	0	0	0	0	0	0	0
Net book value carried forward as at 31 March 2013	125	5,662	18,547	39,762	0	49,979	114,075
Movement in 2013/14							
Expenditure	0	1,763	0	0	961	0	2,724
Disposals	0	0	0	0	0	0	0
Reclassifications	0	2,680	(129)	(229)	21,988	0	24,310
Depreciation	(8)	(110)	(543)	(1,131)	(736)	(1,086)	(3,614)
Revaluations	0	356	3,200	631	205	0	4,392
Impairments	0	0	0	0	(984)	0	(984)
Net book value carried forward as at 31 March 2014	117	10,351	21,075	39,033	21,434	48,893	140,903

	Energy Services £000s	Temple Primary School £000s	Plymouth Grove Housing £000s	Miles Platting Housing £000s	Brunswick Housing £000s	Public Lighting £000s	Wright Robinson High School £000s	Total £000s
Deferred liability brought forward	1,759	3,183	18,388	65,933	0	37,548	27,078	153,889
Movement in 2012/13								
Additional liability	0	0	0	0	0	0	0	0
Write down of liability	(156)	(73)	(297)	(2,938)	0	(1,128)	(697)	(5,289)
Deferred liability carried forward as at 31 March 2013	1,603	3,110	18,091	62,995	0	36,420	26,381	148,600
Movement in 2013/14								
Additional liability	0	0	0	0	6,903	0	0	6,903
Write down of liability	(173)	(88)	(321)	(2,211)	0	(1,193)	(742)	(4,728)
Deferred liability carried forward as at 31 March 2014	1,430	3,022	17,770	60,784	6,903	35,227	25,639	150,775

Wright Robinson is a Trust School that is not shown on the balance sheet so no assets are recognised under PFI arrangements. However, the deferred liability is recognised.

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Note 25. Assets Held as Lessee

Operating Leases

The Council has obtained the right to use the majority of its fleet of vehicles, printers and multi-functional devices by entering into operating leases, with lives of between three and seven years.

The Council has entered into a number of leases relating to offices and land. The leases vary in length from short-term leases to those with terms over 600 years.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2013 £000s	31 March 2014 £000s
Not later than one year	5,366	4,287
Later than one year and not later than five years	14,275	13,569
Later than five years	45,071	41,874
	64,712	59,730

Lease payments made:

	2012/13 £000s	2013/14 £000s
Minimum lease payments	6,330	5,294
Contingent rents	0	0
Sub lease payments (receivable)	(530)	(448)
	5,800	4,846

The total of future minimum sub lease payments expected to be received under non-cancellable leases as at 31 March 2014 is £3,651,000:

	31 March 2013 £000s	31 March 2014 £000s
Not later than one year	448	448
Later than one year and not later than five years	1,792	1,792
Later than five years	1,859	1,411
	4,099	3,651

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2012/13 £000s	2013/14 £000s
Adult Social Care	240	225
Central Services to the Public	9	4
Children's and Education Services	346	293
Cultural and Related Services	2,196	1,927
Environmental and Regulatory Services	1,309	1,145
Planning Services	1,520	1,329
Highways, Road and Transport Services	541	253
Housing Services	169	118
Total minimum lease payments	6,330	5,294

Finance Leases

The Council has acquired a number of vehicles and items of equipment under finance lease agreements and also leases eight premises and sites that are classified as finance leases.

These assets are included in the Balance Sheet at the following net amounts:

	31 March 2013 £000s	31 March 2014 £000s
Land and buildings	429	429
Vehicles, plant and equipment	3,915	2,438
	4,344	2,867

The Council is committed to making minimum lease payments, under these leases, comprising settlement of the long-term liability for the interest in the assets 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 are made up of the following amounts:

	31 March 2013 £000s	31 March 2014 £000s
Finance lease liability		
current	1,459	1,178
non-current	2,787	1,589
Finance costs payable in future years	802	515
	5,048	3,282

The minimum lease payments will be payable over the following periods:

	31 March 2013 £000s	31 March 2014 £000s
Not later than one year	1,741	1,409
Later than one year and not later than five years	2,960	1,528
Later than five years	421	421
Total minimum lease payments	5,122	3,358

The finance lease liability will be payable over the following periods:

	31 March 2013 £000s	31 March 2014 £000s
Not later than one year	1,459	1,178
Later than one year and not later than five years	2,458	1,261
Later than five years	403	403
Total finance lease liability	4,320	2,842

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. No contingent rents were payable by the Council in 2012/13 or 2013/14.

The Council has sub-let a number of properties held under these finance leases. At 31 March 2014 the minimum payments expected to be received under non-cancellable sub leases was £13,000 (£13,000 at 31 March 2013).

Finance leases classified as vehicles, plant, furniture and equipment have a gross carrying amount of gross asset cost less the lessor's disclosed residual value. Depreciation is charged on a straight line basis over the life of the lease.

	Land and building £000s	Vehicles, plant and equipment £000s	Total £000s
Net book value brought forward	500	5,963	6,463
Movement in 2012/13			
Additions	0	162	162
Transfers of Assets upon Expiry of Lease - Gross Asset Cost	0	(116)	(116)
Transfers of Assets upon Expiry of Lease - Accumulated Depreciation	0	116	116
Disposals - Gross Asset	(71)	(1,157)	(1,228)
Disposals - Accumulated Depreciation	0	511	511
Reclassifications	0	0	0
Depreciation	0	(1,564)	(1,564)
Revaluations	0	0	0
Impairments	0	0	0
Net book value carried forward as at 31 March 2013	429	3,915	4,344

Gross Book Value as at 31 March 2013	429	9,130	9,559
Accumulated Depreciation as at 31 March 2013	0	(5,215)	(5,215)
Net book value carried forward as at 31 March 2013	429	3,915	4,344

	Land and building £000s	Vehicles, plant and equipment £000s	Total £000s
Net book value brought forward	429	3,915	4,344
Movement in 2013/14			
Additions	0	86	86
Transfers of Assets upon Expiry of Lease - Gross Asset Cost	0	(1,362)	(1,362)
Transfers of Assets upon Expiry of Lease - Accumulated Depreciation	0	1,362	1,362
Disposals - Gross Asset	0	(235)	(235)
Disposals - Accumulated Depreciation	0	139	139
Reclassifications	0	0	0
Depreciation	0	(1,467)	(1,467)
Revaluations	0	0	0
Impairments	0	0	0
Net book value carried forward as at 31 March 2014	429	2,438	2,867

Gross Book Value as at 31 March 2014	429	7,619	8,048
Accumulated Depreciation as at 31 March 2014	0	(5,181)	(5,181)
Net book value carried forward as at 31 March 2014	429	2,438	2,867

There are no outstanding commitments to enter into further finance lease agreements.

Note 26. Assets Held as Lessor

Operating Leases

The Council has leased out a number of offices, industrial premises and land to various organisations for both community use and economic development purposes. The leases vary in length and are all classed as operating leases.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2013 £000s	31 March 2014 £000s
Not later than one year	9,217	8,702
Later than one year and not later than five years	31,075	30,575
Later than five years	669,723	662,741
Total minimum lease payments	710,015	702,018

The minimum lease payments do not include rents that are contingent on events taking place after the lease has been entered into, such as adjustments following rent reviews.

Note 27. Investment Properties

The value of income generating investment properties classed as operating leases is £331,226,000 (£296,983,000 in 2012/13). The balance of investment properties are held for capital appreciation purposes.

These assets are classed as investment properties because they are held to solely earn rentals during the year and are not used by the Council in delivering its services. As these assets are classed as investment properties no depreciation charge has been made in 2013/14 or 2012/13.

	2012/13 £000s	2013/14 £000s
Rental income from investment property	(20,908)	(17,023)
Direct operating expenses arising from investment property	1,816	1,457
Net gain	(19,092)	(15,566)

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

	Investment Properties £000s
Net book value brought forward at 1 April 2012	364,653
Movement in 2012/13	
Expenditure	2,009
Disposals	(71)
Reclassifications	(1,520)
Depreciation	0
Upwards revaluations	25,389
Impairments (including downward revaluations)	(26,515)
Net book value carried forward as at 31 March 2013	363,945
Movement in 2013/14	
Expenditure	5,289
Disposals	0
Reclassifications	(398)
Depreciation	0
Revaluations	45,920
Impairments (including downward revaluations)	(15,712)
Net book value carried forward as at 31 March 2014	399,044

Note 28. Capital Expenditure and Capital Financing

	2012/13 £000s	2013/14 £000s
Opening Capital Financing Requirement	962,774	1,015,458
Expenditure		
Property, plant and equipment	153,255	173,438
Investment properties	2,009	5,289
Assets held for sale	275	1,846
Revenue expenditure funded from capital under statute*	22,262	14,263
Intangible assets	0	357
Long term debtors	4,887	7,334
Investment in share capital	0	1,500
	182,688	204,027
Funded by		
Revenue contributions	31,000	34,883
Capital Receipts	9,025	14,936
Major Repairs Allowance	14,223	23,274
Government grants	28,241	52,208
External contributions	20,852	15,492
Minimum Revenue Provision	26,825	26,556
	130,166	167,349
Assets acquired under finance leases / PFIs	162	6,989
Closing Capital Financing Requirement	1,015,458	1,059,125
Explanation of Movement in Year		
Minimum Revenue Provision	(26,825)	(26,556)
Increase in underlying need to borrow	79,347	63,234
Assets acquired under finance leases / PFIs	162	6,989
	52,684	43,667

* Legislation allows some expenditure to be classed as capital expenditure even though it does not result in the recognition of a non-current asset on the Council's balance sheet (i.e. grants and expenditure on property not owned by the Council). This enables the expenditure to be funded by capital resources, rather than charging the General Fund and impacting upon the year's council tax.

Note 29. Contracted Capital Commitments

Many capital schemes take two or more years to complete. At the Balance Sheet date the main estimated contractual commitments relating to ongoing schemes were as follows:

	31 March 2013 £000s	31 March 2014 £000s
Housing	10,570	6,584
Town Hall Complex	32,962	0
Education	12,045	5,026
Beswick Community Hub	0	11,424
First St Cultural Facility	0	9,283
St. Peter's Square	0	8,315
Other services	6,510	0
	62,087	40,632

There are no contracted capital commitments related to the acquisition of property, plant and equipment.

Note 30. Investments

The Council has the following long-term investments:

	31 March 2013 £000s	31 March 2014 £000s
Investments in organisations included in the group statements		
Manchester Airports Holdings Ltd Share Capital	112,354	112,354
Destination Manchester Ltd Share Capital	10,200	10,200
Other long-term investments		
Investments in subsidiaries not included in the group statements		
Manchester Mortgage Corporation Plc Share Capital	5,984	6,067
Investments in associates and joint ventures not included in the group statements		
National Car Parks (Manchester) Ltd Share Capital	1,103	1,103
Eastlands Development Company Limited	0	1,300
	129,641	131,024
Other long-term investments	2,308	2,579
Total other long-term investments	2,308	2,579
Total Long-Term Investments	131,949	133,603

The investments in Manchester Airports Holdings Ltd and Destination Manchester Ltd are shown at cost.

The investments in National Car Parks (Manchester) Ltd, Eastlands Development Company Ltd and shown at cost. The investment in Manchester Mortgage Corporation is shown at cost less impairment and is the value of the reserves of the company.

Other long-term investments are shown at their market value or cost. Holding investments at cost does not make a material difference to the accounts.

The table below shows summarised financial information for the Council's joint venture for 2012/13 and 2013/14. These figures show the Council's share of the joint venture's results:

Council's share of Manchester Airports Holdings Ltd	2012/13 £000s	2013/14 £000s
Total current assets as at 31 March	40,932	32,376
Total long term assets as at 31 March	1,128,190	1,133,231
Total current liabilities as at 31 March	53,676	63,758
Total income	146,083	238,276
Total expenditure	153,822	199,404

Note 31. Debtors and Payments in Advance

As the balance sheet date represents the position at the end of the financial year, there are monies owed to the Council at that date which are yet to be received in cash. The following analysis shows the amounts owed to the Council which had not been received at 31 March 2014.

The Council also makes provision for outstanding monies which it is anticipated will not be recovered. These amounts are then deducted from the total value of debtors shown in the accounts. An analysis of this impairment of debt is shown below:

	31 March 2013 £000s	31 March 2014 £000s	
Short term debtors and payments in advance			
Government departments	29,121	50,412	a
HM Revenue and Customs	4,808	8,919	b
Other local authorities	15,700	13,839	
NHS bodies	2,221	11,237	c
Public corporations	48	31	
Council tax	42,113	45,884	
Business rates	0	9,190	d
Housing rents	12,680	11,102	
All other bodies (external to government)	84,533	80,467	
	191,224	231,081	
Impairment of Debt			
Housing rents	(9,778)	(8,037)	
Council tax	(35,906)	(37,755)	
Business rates	0	(4,745)	e
Other	(31,761)	(32,543)	
Total	113,779	148,001	

a. The increase in government department debtors relates to the business rates safety net claim.

b. The increase in HMRC creditors relates to an increased VAT claim for March 2014.

c. The increase in NHS bodies creditor relates to the contribution from the Clinical Commissioning Groups shown in note 12.

d. In 2012/13 all business rates debtors were classed as an agency arrangement and therefore not reported as debtors. In 2013/14 the debtors relate to the Council's share of the total business rates debtors.

e. In 2012/13 all business rates impairment of debt was classed as an agency arrangement and therefore not reported as impairment of debt. In 2013/14 the impairment of debt relates to the Council's share of the total business rates impairment of debt.

Within debtors and payments in advance the amount outstanding for over 30 days that is not impaired is £20.3m.

These are amounts which are owed to the Council which are being repaid over various periods longer than one year. Long-term debt which has become due in less than twelve months has been reclassified as short-term debt.

	31 March 2013 £000s	31 March 2014 £000s
Amounts falling due after one year		
Mortgages		
Housing Revenue Account	149	118 (a)
General Fund	125	96 (a)
Manchester Airports Holdings Ltd	83,168	83,168 (b)
Destination Manchester Ltd/Manchester Central Ltd	22,407	22,407 (c)
Ex GMC debt	191	167 (d)
PFI prepayments	9,640	9,908 (e)
Private Sector Loans - soft loans	292	262 (f)
Private Sector Loans - embedded derivatives	7,768	8,016 (f)
Equity Mortgages	2,849	3,038 (g)
Eon Reality	2,200	2,200 (h)
Bluethorn Developments Ltd / Blueindale Ltd	0	3,468 (i)
Greater Manchester Loans Fund	0	1,258 (j)
Other	1,749	3,343 (k)
Total	130,538	137,449

a - These debtors relate to mortgages granted to individuals.

b - These debtors relate to long-term loan advances made to Manchester Airports Holdings Ltd to assist in the financing of approved capital works. This figure includes loan interest accruals to 31 March 2014. This loan was renegotiated during 2009/10 and now includes debt that was previously the responsibility of the Greater Manchester Debt Administration Fund.

c - This debtor relates to loans made to the company.

d - This debtor relates to loan advances in respect of undertakings transferred to the former Greater Manchester Council and are repayable by the Greater Manchester Metropolitan Debt Administration Fund.

e - These debtors relate to amounts paid to contractors as part of the unitary charge where works will take place at a later date.

f - These debtors relate to loans to individuals given to carry out works to their properties or to provide relocation assistance following compulsory purchase orders. These loans are accounted for as embedded derivatives (see note 38e) or soft loans. The amount relating to embedded derivatives is an estimate of the amount to be repaid based on the amount of loans outstanding adjusted by the Land Registry House Pricing Index. The amount relating to soft loans is based on the amount to be repaid reduced by the amount of foregone interest as these loans are offered at below market rates of interest.

g - These debtors relate to the balance due to the council from the mortgagee 10 years after the granting of equity mortgages.

h - This debtor relates to loans made to the company.

i - This debtor relates to a loan made to the company in 2013/14 and includes accrued long term interest.

j - This debtor relates to loans made to the fund in 2013/14 and includes accrued long term interest.

k - This debtor relates to loans made to the other organisations.

Note 32. Creditors and Receipts in Advance

As the Council's Balance Sheet represents the financial position at the end of the financial year, these are monies owed by the Council at that date which have yet to be paid. There are also amounts which the Council has received before the end of the financial year which relates to services which have not yet been provided. This analysis shows the amounts owed which had not yet been paid and the amounts received in advance as at 31 March 2014.

	31 March 2013 £000s	31 March 2014 £000s
Short Term Creditors and Receipts in Advance		
Government departments	14,630	26,671 a
HM Revenue and Customs	9,999	9,208
Other local authorities	14,578	13,165
NHS bodies	1,318	2,479
Public corporations	47	370
Council tax	4,373	4,900
Business Rates	0	4,526 b
Housing rents	2,789	3,228
All other bodies (external to government)	87,330	75,137
Total	135,064	139,684

a. The increase in government department creditors relates to central government's net share of balance sheet items relating to business rates. As this is classed as an agency arrangement a net creditor position is shown.

b. In 2012/13 all business rates creditors were classed as an agency arrangement and therefore not reported as creditors. In 2013/14 the creditors relate to the Council's share of the total business rates creditors.

These are amounts which are owed by the Council which are being repaid over various periods longer than one year. Long-term creditors which have become due in less than twelve months have been reclassified as short-term creditors.

	31 March 2013 £000s	31 March 2014 £000s
Amounts falling due after one year		
Rental deposits	1,388	1,389
Equity mortgages - share of proceeds	969	1,033
Other	0	60
Total	2,357	2,482

Note 33. Analysis of Long-term Borrowing

a. To Balance Sheet Date

The table below shows the outstanding long-term borrowing at 31 March 2014:

	31 March 2013 £000s	Range of Interest Rates Payable		Average Interest %	31 March 2014 £000s
		from %	to %		
Analysis of loans by type					
Market Loans	474,100	0.5000	10.1250	4.6178	504,023
Stocks	8,198	3.0000	4.0000	3.3664	8,159
Total Outstanding	482,298				512,182
Analysis of loans by maturity					
1-2 years	0				10,008
2-5 years	12,121				80,556
5-10 years	58,044				9,620
after 10 years	412,133				411,998
	482,298				512,182

b - To Maturity

The table below includes the outstanding long-term borrowing at the balance sheet date (as per the table above) plus interest due to the date of maturity of the outstanding loans. This provides details of future commitments if the loans are held to the date of maturity.

	31 March 2013 £000s	Range of Interest Rates Payable		Average Interest %	31 March 2014 £000s
		from %	to %		
Analysis of loans by type					
Market Loans	1,351,110	0.5000	10.1250	4.6178	1,359,187
Stocks	18,280	3.0000	4.0000	3.3664	17,923
Total Outstanding	1,369,390				1,377,110
Analysis of loans by maturity					
1-2 years	0				10,105
2-5 years	16,536				101,206
5-10 years	84,096				14,847
after 10 years	1,268,758				1,250,952
	1,369,390				1,377,110

Note 34. Deferred Liabilities

The note below shows the amounts owed by the Council, split between short term (amounts owed in less than 12 months) and long term (amounts owed in more than 12 months) on the balance sheet.

	31 March 2013 £000s	Repaid in year £000s	Write down of Finance lease deferred liability £000s	Additions in year £000s	31 March 2014 £000s	Short Term 31 March 2014 £000s	Long Term 31 March 2014 £000s
Ex GMC debt	19,484	(1,724)	0	0	17,760	1,811	15,949
Finance leases	4,320	(1,468)	(96)	86	2,842	1,178	1,664
Private Finance Initiatives	148,600	(4,728)	0	6,903	150,775	5,572	145,203
	172,404	(7,920)	(96)	6,989	171,377	8,561	162,816

Note 35. Provisions

Provisions are established to meet liabilities or losses which are likely or certain to be incurred, but the amounts or These have been split between short term (amounts owed in less than 12 months) and long term (amounts owed in more than 12 months) on the balance sheet.

The Council has established the following provisions:

	31 March 2013 £000s	Transfers in year £000s	Amounts used in year £000s	Contributions in year £000s	Amounts released in year £000s	31 March 2014 £000s	Short Term 31 March 2014 £000s	Long Term 31 March 2014 £000s
Compensation provisions	11,500	(545)	(2,582)	3,856	(875)	11,354	6,723	4,631 a
Insurance provision (including HRA)	3,567	545	(1,281)	1,447	(183)	4,095	1,530	2,565 b
Voluntary early retirement / severance provision	3,393	0	(3,382)	0	0	11	11	0 c
Provision for business rate appeals	0	0	0	54,642	0	54,642	11,566	43,076 d
Various other provisions	1,803	0	(288)	180	(40)	1,655	1,449	206
	20,263	0	(7,533)	60,125	(1,098)	71,757	21,279	50,478

These are shown on the balance sheet as long term provisions (£50,478,000) and short term provisions

a - The Compensation Provisions have been set up to compensate customers and employees for claims received by the Council as at 31 March 2014. These claims will be paid as the amount of compensation is agreed for each case. The amounts of the provisions have been calculated based on an estimate of the likely settlement of the claims. There is no expected reimbursement to fund these claims.

b - The insurance provision in 2012/13 included an amount of £0.799m in relation to Municipal Mutual Insurance. This was paid during 2013/14.

c - The voluntary early retirement / severance provision was set up to fund voluntary early retirement and severance payments that are accepted by the individual after 31 March.

d - Following the partial localisation of business rates from 1 April 2013 the Council is required to make a provision for 49% of the estimated settlement value of appeals against business rates. This provision has been estimated using information received from the Valuation Office Agency (VOA) on appeals settled and outstanding against the 2005 and 2010 valuation lists and includes an estimate of the cost of appeals, effecting the period to 31 March 2014, that will be submitted after that date. Settled appeals will be charged to the provision once determined by the VOA. It is anticipated that the majority of these appeals will be resolved by 2019, the council can not be certain as to when these appeals will be settled as it is dependant on the timing of their submission and settlement by the VOA. This provision has been determined on the assumption that the 2005 valuation list experience will continue for current and future appeals.

Note 36. Financial Instruments

The Council's treasury management policy complies with the CIPFA Code of Practice on Treasury Management (Revised November 2009). This was adopted by the Council on 7 March 2012. In accordance with best practice, the City Treasurer has undertaken a review of the policy and is satisfied that the policy is relevant and complete.

The Council's treasury management activities are managed through a Central Loans and Investment Account. Operating a Central Loans and Investment Account enables the Council to borrow on advantageous terms, minimise administration costs and dampen the effects of large interest rate changes. In 2013/14 the average net rate of interest paid and received was 3.70% (3.94% in 2012/13).

A financial instrument is any contract that results in a financial asset in one entity and a financial liability or equity shareholder in another.

Financial Instruments Balances

	Long-Term		Current		Total	
	Restated 31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s
Financial liabilities at amortised cost	649,148	676,091	159,254	134,407	808,402	810,498
Financial liabilities at fair value through the I&E	0	0	0	0	0	0
Total Financial Liabilities	649,148	676,091	159,254	134,407	808,402	810,498
Loans and receivables	120,898	127,541	103,614	151,710	224,512	279,251
Available for sale assets	2,232	2,304	0	0	2,232	2,304
Unquoted equity investment at cost less impairment	7,162	8,745	0	0	7,162	8,745
Total Financial Assets	130,292	138,590	103,614	151,710	233,906	290,300

The unquoted equity investment at cost less impairment consists of the Council's shareholding in companies that are not quoted on the stock exchange and are not shown within the Council's group accounts. The 2012/13 figures has been restated to include Manchester Mortgage Corporation and National Car Parks (Manchester) Ltd which have been removed from the group accounts. Investments in companies within the Council's group accounts are not classed as financial instruments.

Fair Value of Assets and Liabilities Carried at Amortised Cost

	Carrying Amount		Fair Value	
	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s
Liabilities				
Market debt	499,487	513,240	542,840	535,118
Stocks	8,198	8,159	7,171	6,761
Total Borrowings	507,685	521,399	550,011	541,879
Bank overdraft	14,547	0	14,547	0
Ex GMC debt	19,484	17,760	19,484	17,760
PFI and finance lease liabilities	152,920	153,617	147,339	156,825
Trade creditors	113,766	117,722	113,766	117,722
Total Financial Liabilities	808,402	810,498	845,147	834,186

	Carrying Amount		Fair Value	
	31 March 2013 £000s	31 March 2014 £000s	31 March 2013 £000s	31 March 2014 £000s
Assets				
Cash and cash equivalents	9,301	34,585	9,301	34,585
Trade debtors	215,211	244,666	215,211	244,666
Total Loans and Receivables	224,512	279,251	224,512	279,251

Assets and liabilities are carried at amortised cost where part of their carrying amount (as per the balance sheet) will either be written down or written up via the Comprehensive Income and Expenditure Statement over the term of the financial instrument.

For the purposes of the notes to the accounts, all assets and liabilities are given a fair value, although this is only shown in the balance sheet for available for sale assets. For many financial instruments the fair value will be the same as the outstanding principal amount, but for others there could be a significant difference.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy or sale at an appropriate price.

The fair values for market debt were determined by reference to the PWLB redemption rules and prevailing PWLB redemption rates as at the balance sheet date and include accrued interest as this provides a sound approximation for the fair value for these instruments.

	Financial Liabilities 2013/14	Financial Assets 2013/14			
	Measured at Amortised Cost £000s	Loans and Receivables £000s	Available for Sale Assets £000s	Fair Value through the I&E £000s	Total £000s
Interest Expense	34,327	0	0	0	34,327
Interest Payable and Similar Charges	34,327	0	0	0	34,327
Interest Income	0	(12,052)	0	0	(12,052)
Interest and Investment Income	0	(12,052)	0	0	(12,052)

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Nature and extent of risk arising from Financial Instruments and the management of those risks

Key Risks

The Council's activities exposes it to a variety of financial risks:

Credit Risk - the possibility that other parties might fail to pay amounts due to the Council.

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

Refinancing Risk - the possibility that the Council might be required to renew financial instruments on maturity at a disadvantageous interest rate or terms.

Market Risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates

Overall Procedures for Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks.

The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice 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 code of practice.
- By the adoption of a Treasury Policy statement and Treasury Management clauses within its constitution.
- By approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing.
 - Its maximum and minimum exposures to fixed and variable rates.
 - Its maximum and minimum exposures in the maturity structure of its debts.
 - Its maximum and minimum exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counter parties with Government Guidance.

These are required to be reported and approved annually before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy and actual performance is also reported semi-annually to Members.

The annual Treasury Management Strategy was approved by Council on 8 March 2013 and is available on the Council's website.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is managed through the Annual Investment Strategy which was approved by full Council on 8 March 2013 and is available on the Council's website. Some of the key areas of the strategy are as follows:

Specified investments are investments in sterling denomination, with maturities up to a maximum of one year. All specified investments meet the minimum "high" ratings criteria where applicable. Examples of the investments used are:

- Term deposits – Other Local Authorities
- Term deposits – Banks and building societies

Non-specified investments are any other type of investment than specified. The Council does not make use of this type of investment.

The financial investment limits of banks and building societies are linked to their Fitch (or equivalent) long-term ratings, as follows:

Banks and Building Societies

Fitch or Equivalent AA+ and above	£20 million
Fitch or Equivalent AA/AA-	£15 million
Fitch or Equivalent A+/A	£10 million
Fitch or Equivalent A-	£5 million
Fitch or Equivalent BBB+	£0 million

Other

Debt Management Office	£200 million
District Councils	£5 million
Other local authorities	£20 million

Credit quality of counter parties (issuers and issues) and investment schemes will be determined by reference to credit ratings published by Fitch, Moodys and Standard and Poor's rating agencies. The Council's minimum long-term, short-term and other credit rating criteria, which are considered sufficient for each category of investment, will be adhered to at all times. Since the 2009/10 financial year, in response to the continuing economic uncertainty and financial difficulties faced by some banks the Council has restricted to UK banks and building societies and has limited fixed deposits to a time period of 3 months. The Council continued to rely on market intelligence as well as credit ratings, credit outlooks and additional information to alert it to institutions possibly facing financial difficulties.

Monitoring of credit ratings

A - All credit ratings will be monitored on a continual basis and reviewed weekly. The Council is alerted by Capita Asset Service (formerly Sector), its external Treasury Management advisors, to changes in the Fitch, Moody's and Standard and Poor's rating agencies ratings daily.

B - If a downgrade results in the counter party/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

C - If a counter party/investment scheme is upgraded so that it fulfils the Council's criteria, the City Treasurer will have the discretion to include it on the lending list.

The trade debtor amount is £285,246,000 and the estimated exposure to default is £40,580,000.

Liquidity Risk

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 Council manages its liquidity risk position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system as required by the CIPFA Code of Practice, this seeks to ensure that cash is available when it is needed.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures listed 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 prudential 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; 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 Council has £411,825,000 lender option borrower option (LOBO) loans. These have fixed rates of interest but the lender may seek to increase interest rates at which point the Council has the option to repay the loan. As there is no certainty as to whether these loans will be repaid early, the Council has treated these loans as fixed loans which will run to maturity. In forming this judgement the Council has taken account of its ability to refinance through PWLB.

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. 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
- borrowings at fixed rates – the fair value of the borrowing liability will fall.
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will
- investments at fixed rates – the fair value of the assets will fall.

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 Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and effect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy, a prudential indicator is set which provides maximum and minimum 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 rate borrowing would be postponed.

The Council tries to maximise its income on temporary investment and minimise its interest costs on temporary and long-term borrowing.

The maximum interest rate increase that could be expected in the current climate is assessed at 1%. This would only apply to our net short-term investments. The Council also has a number of LOBO loans that can be called at periods. There is the risk that these may have to be refinanced at a higher rate.

- LOBO risk (loans potentially subject to call £201,825,000@1%) = £2,018,000.

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares but does have shareholdings at a cost of £133,603,000 in a number of subsidiaries, associates and joint ventures. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares or impairment of the assets held. 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 it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

Foreign Exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Note 37. Usable Reserves

The Council maintains a number of reserves on the Balance Sheet. Some are held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for

Movements on the Council's usable reserves were as follows:

	31 March 2013 £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2014 £000s	Note
a) Reserves Held for Capital Purposes						
Capital Receipts Reserve	37,436	0	22,832	(16,880)	43,388	a(1)
Major Repairs Reserve	8,093	0	22,491	(23,274)	7,310	a(2)
Capital Grants Unapplied Reserve	43,886	0	71,084	(67,701)	47,269	a(3)
Total Reserves Held for Capital Purposes	89,415	0	116,407	(107,855)	97,967	
Reserves Held for Revenue Purposes						
b) Schools Reserves						
Local Management of Schools Reserve	29,873	0	0	(1,567)	28,306	b(1)
Total reserves held for schools	29,873	0	0	(1,567)	28,306	
c) Statutory Reserves						
Bus Lane Enforcement Reserve	1,112	0	1,369	(991)	1,490	c(1)
On-street Parking Reserve	3,274	0	4,713	(5,083)	2,904	c(2)
Ancoats Square Reserve	1,937	0	0	(3)	1,934	c(3)
Other smaller reserves under £1m	849	0	284	(51)	1,082	
Total Statutory Earmarked Reserves	7,172	0	6,366	(6,128)	7,410	
d) Reserves held for PFIs						
Public Lighting PFI Reserve	4,719	0	85	(1,519)	3,285	d(1)
Temple School PFI Reserve	589	0	26	0	615	d(2)
Wright Robinson Sports College PFI Reserve	620	0	37	0	657	d(3)
Total Reserves held for PFIs	5,928	0	148	(1,519)	4,557	
e) Small specific reserves						
Home Loans Reserve	566	0	7	0	573	e(1)
Climate Innovation Fund	819	0	0	(30)	789	e(2)
Other smaller reserves under £1m	1,261	0	95	(295)	1,061	
Total small specific reserves	2,646	0	102	(325)	2,423	
f) Reserves held to smooth risk / assurance						
Insurance Fund Reserve	18,358	0	0	(184)	18,174	f(1)
Children's Services Reserve	1,000	0	0	0	1,000	f(2)
Cleopatra Reserve	4,362	0	4,248	(2,047)	6,563	f(3)
Pension Contribution Reserve	2,158	0	188	0	2,346	f(4)
Manchester International Festival	2,000	0	0	(500)	1,500	f(5)
Looked After Children Reserve	1,000	0	0	0	1,000	f(6)
Transformation Reserve	8,041	84	5,704	(4,780)	9,049	f(7)
Community Care Reserve	1,500	0	500	0	2,000	f(8)
Stepping stones reserve	343	0	681	0	1,024	f(9)
Targeted and Specialist Reserve	0	9,592	408	0	10,000	f(10)
Other smaller reserves under £1m	1,757	144	342	(232)	2,011	
Total reserves held to smooth risk / assurance	40,519	9,820	12,071	(7,743)	54,667	
g) Business Rates Reserve						
Business Rates Reserve	0	0	39,874	0	39,874	g(1)
h) Revenue reserves held to support capital schemes						
Capital Fund Reserve	37,605	(1,644)	7,120	(8,477)	34,604	h(1)
Town Hall Reserve	4,252	0	0	(2,639)	1,613	h(2)
Service Improvement Fund Reserve	832	0	0	(448)	384	h(3)
English Institute of Sport Reserve	2,685	0	2,448	(2,743)	2,390	h(4)
Other smaller reserves under £1m	341	0	0	0	341	
Total revenue reserves held to support capital schemes	45,715	(1,644)	9,568	(14,307)	39,332	

	31 March 2013 £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2014 £000s	Note
i) Reserves held for economic growth and public sector reform						
SoccerEx Reserve	1,580	0	0	0	1,580	k(1)
Manchester Investment Fund	10,772	(9,592)	0	0	1,180	k(2)
Clean and Green Places Reserve	0	0	14,500	(49)	14,451	k(3)
Other smaller reserves under £1m	476	0	400	(476)	400	
Total reserves held for economic growth and public	12,828	(9,592)	14,900	(525)	17,611	
j) Grants and contributions used to meet commitments over more than one year (now shown as reserves due to change in accountancy treatment)						
Manchester Investment Fund	3,692	0	0	0	3,692	
Section 278 commuted sums	1,247	(1,247)	0	0	0	
New Homes Bonus Grant Reserve	5,587	0	0	(4,964)	623	
English Partnership Reserve	1,343	1,500	0	(402)	2,441	
Department of Health Reserve	166	0	1,048	(166)	1,048	
Winter Pressures Grant Reserve	1,475	0	494	(1,475)	494	
Dedicated Schools Grant Reserve	723	0	5,412	(720)	5,415	
Other Grants and Contributions	190	1,247	715	(89)	2,063	
Better Care Fund	0	0	3,500	0	3,500	
Welfare Reform Grant	0	0	1,706	0	1,706	
Other smaller reserves under £1m	4,789	(84)	2,294	(2,197)	4,802	
Total grants and contributions used to meet commitments over more than one year	19,212	1,416	15,169	(10,013)	25,784	k(1)
Total earmarked revenue reserves	163,893	0	98,198	(42,127)	219,964	
k) General Fund Reserve						
General Fund Reserve	26,010	0	0	(68)	25,942	k(1)
General Fund Reserve	15,000	0	0	0	15,000	k(2)
Total all general fund reserves	204,903	0	98,198	(42,195)	260,906	
l) Housing Revenue Account Reserve						
Housing Revenue Account Reserve	61,001	0	17,512	0	78,513	k(1)
Total All Usable Reserves	355,319	0	232,117	(150,050)	437,386	

a(1) - Capital Receipts Reserve

Proceeds of non-current assets sales available to meet future capital investment.

	2012/13 £000s	2013/14 £000s
Balance at 1 April	34,085	37,436
Capital receipts received in year	13,704	22,832
Paid to housing national pool	(1,328)	(1,944)
Applied to fund capital expenditure	(9,025)	(14,936)
Balance at 31 March	37,436	43,388

a(2) - Major Repairs Reserve

Resources available to meet capital investment in council housing.

	2012/13 £000s	2013/14 £000s
Balance at 1 April	4,050	8,093
Transferred from capital adjustment account during year	11,438	11,162
Financing of capital expenditure on council dwellings	(14,223)	(23,274)
Decent homes backlog funding	5,500	10,000
Transfer from the HRA	1,328	1,329
Balance at 31 March	8,093	7,310

a(3) - Capital Grants Unapplied Reserve

Capital grants and contributions available to meet future capital expenditure.

	2012/13 £000s	2013/14 £000s
Balance at 1 April	32,475	43,886
Grants received in year	60,504	71,084
Transferred to Capital Adjustment: Account General Grants and Contributions	(44,998)	(64,333)
Transferred to Capital Adjustment Account: Revenue	(4,095)	(3,368)
Balance at 31 March	43,886	47,269

- b(1) The LMS Reserve is committed to be spent on the Education service and is not available for the general use of the Council. This is held by schools under delegated schemes.
- c(1) The Bus Lane Enforcement Reserve was established to hold surpluses generated from bus lane enforcement and will be spent on public transport related activities and highways improvements.
- c(2) The On-street Parking Reserve was established to hold surpluses generated from on-street parking and will be spent on transport related activities and road and environmental improvements.
- c(3) Commuted sum received from the Homes and Communities Agency to fund maintenance in future years.
- d(1) The Public Lighting PFI Reserve has been established to fund future expenditure on the scheme.
- d(2) The Temple School PFI Reserve has been established to fund future expenditure on the scheme.
- d(3) The Wright Robinson Sports College PFI Reserve has been established to fund future expenditure on the scheme.
- e(1) Resources available to meet future needs of mortgage accounts.
- e(2) To support the emerging investment model on Green Deal for Manchester and schemes which contribute towards carbon reduction.
- f(1) The Insurance Fund has been established to fund risks that are self-insured.
- f(2) The Children's Services Reserve was established to fund future liabilities relating to Children's Services.
- f(3) The Cleopatra Reserve was set up to meet future potential compensation claims.
- f(4) The Pension Contribution Reserve was set up to fund future additional pension costs.
- f(5) To give certainty to the cost to the Council of supporting the festival as timescales do not readily fit with the Council's annual budget process.
- f(6) The Looked After Children Reserve was set up to smooth the effects of variations in looked after children numbers.
- f(7) The transformation reserve has been set up to fund future service transformation costs.
- f(8) The Community Care Reserve was set up to meet future potential care costs.
- f(9) The Stepping Stones Reserve was set up to meet future potential liabilities.
- f(10) To support the delivery of savings and accelerate the savings from reducing demand so a sustainable way to reduce spend can be achieved.
- g(1) The Business Rates Reserve was set up to hold the Safety Net and Small Business Rates Relief Grant and will be used to fund the Collection Fund Deficit relating to Business Rates.
- h(1) The Capital Fund was established to fund revenue contributions to major capital schemes.
- h(2) The Town Hall Reserve was established to contribute towards the refurbishment of the Town Hall Extension and Central Library.
- h(3) The Service Improvement Fund was established to fund improvements in Council services.
- h(4) The English Institute of Sport Reserve holds monies received in relation to the City of Manchester Stadium and is to be used to fund future developments at Sportscity.
- i(1) The SoccerEx Reserve will be used to fund the SoccerEx Global Convention (2014-17).
- i(2) The Manchester Investment Fund Reserve will support the scaling up of community budgets in 2013/14 and future years.
- i(3) The funding will be invested in one off strategic interventions, to improve the quality of the environment, which are linked to behaviour change.
- j(1) These grants were shown as receipts in advance on the Council's balance sheet under UKGAAP accounting standards as the spend they were funding had not been incurred. As these grants will not need to be repaid in accordance with the conditions on which the grant has been given, IFRS accounting standards require these grants to be recognised in the Consolidated Income and Expenditure Statement when they are due. The Council has chosen to transfer these grants to reserves to meet future spending commitments.
- k(1) Resources available to meet future running costs for non-HRA services.
- k(2) Transferred from the HRA in 2012/13 for use on housing and regeneration purposes.
- l(1) Resources available to meet future running costs for council housing.

Note 38. Unusable Reserves

The balances on the Council's unusable reserves were as follows:

	31 March 2013 £000s	31 March 2014 £000s	Note
Unusable Reserve			
Revaluation Reserve	699,126	714,939	a
Available for Sale Financial Instruments Reserve	1,727	1,798	b
Pensions Reserve	(802,400)	(735,975)	c, 41
Capital Adjustment Account	1,314,190	1,286,704	d
Deferred Capital Receipts Reserve	1,285	1,645	e
Financial Instruments Adjustment Account	(3,906)	(3,415)	f
Collection Fund Adjustment Account	3,766	(36,300)	g
Short-term Accumulated Absences Account	(7,093)	(5,347)	h
	1,206,695	1,224,049	

a - Revaluation Reserve

The revaluation reserve represents the level of revaluation gains net of impairments charged on the Council's non-current assets from 1 April 2007 onwards.

	2012/13 £000s	2013/14 £000s
Balance at 1 April	693,982	699,126
Revaluations relating to property, plant and equipment	13,312	37,401
Revaluations relating to heritage assets	30,769	8,223
Revaluations relating to assets held for sale	(5,061)	0
Revaluation gain depreciation	(5,939)	(6,123)
Impairment not charged to CIES	(12,473)	(16,203)
Transfer of Investment Property Revaluation Reserve balance	(144)	(27)
Disposals Transferred to Capital Adjustment Account	(15,320)	(7,458)
Balance at 31 March	699,126	714,939

b - Available for Sale Financial Instruments Reserve

Store of gains on revaluation of investments not yet realised through sales.

	2012/13 £000s	2013/14 £000s
Balance at 1 April	1,531	1,727
Increase in Financial Instruments Market Value	237	76
Decrease in Financial Instruments Market Value	(28)	(5)
Realised (Loss) on Sale	(13)	0
Balance at 31 March	1,727	1,798

c - Pensions Reserve

Minus reserve to match pensions IAS19 liability in the balance sheet.

	2012/13 £000s	2013/14 £000s
Balance at 1 April	(647,300)	(802,400)
Net Movement in Year	(155,100)	66,425
Balance at 31 March	(802,400)	(735,975)

The Capital Adjustment Account includes 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 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.

	2012/13 £000s	2013/14 £000s
Balance at 1 April	1,339,730	1,314,190
Repayment of ex GMC debt	1,634	1,724
Minimum revenue provision	26,825	26,556
Reversal of PFI charges to HRA	6,009	5,987
Capital grants and contributions	49,095	67,701
Revenue contributions used	31,000	34,883
Investment property revaluations	25,389	45,920
Revaluation reserve transfers to investment property	144	27
Revaluation gain depreciation	5,939	6,123
Transfer from donated asset reserve	910	0
Disposals transferred from revaluation reserve	15,320	7,458
Depreciation	(46,243)	(46,526)
Major Repairs Allowance	14,223	23,274
Capital Receipts Used	9,025	14,936
Write down of finance lease deferred liability	713	97
Other Disposals	(42,431)	(39,347)
Write down of intangible assets	(406)	(426)
Write down of long-term debtors	(321)	(261)
Loss on repayment of housing loan	(56)	(6)
Write down of revenue expenditure funded from capital under statute	(22,262)	(14,263)
Impairment of non-current assets	(100,047)	(161,343)
Balance at 31 March	1,314,190	1,286,704

e - Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the granting of equity mortgages, equity loans and the disposal of council houses under right to buy legislation 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 up by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

Historic Mortgages

These are historic mortgages provided by the Council in relation to Right to Buy council property sales. These mortgages are no longer offered by the Council, therefore the balance will continue to reduce in future years.

Equity Mortgages

These relate to a joint home build scheme between the Council and Redrow Homes. The Council has provided homebuyers, purchasing the properties, equity mortgage loans for up to 25% of the property value. These loans become repayable 10 years after the purchase of the property or earlier if the homeowner decides to sell the property before this time. There is also the option for the homebuyer to repay the loan before either of these events. The outstanding balance is adjusted each year in line with the Land Registry House Pricing Index.

Equity Loans

a) Home Improvement Loans

These are equity share loans offered to home owners to carry out essential renovation works. The minimum loan value available is £7,000 up to a maximum of £25,000 or 33% of the value of the improved home. The equity share is secured by a legal charge and loans are repayable on the death of the purchaser, or the sale of the property or when the purchaser ceases to occupy the property as their main home. The outstanding balance is adjusted in each year in line with the Land Registry House Pricing Index.

b) Relocation Assistance Loans

These are equity share loans provided to assist owner-occupiers displaced by demolition to purchase a replacement property. Loan values are available which meet the difference between the value of the property to be demolished and the cost of buying another property subject to specified limits. The equity share is secured by a legal charge and loans are repayable on the death of the purchaser, or the sale of the property or when the purchaser ceases to occupy the property as their main home. The outstanding balance is adjusted each year in line with the Land Registry House Pricing Index.

	Opening Balance				Closing Balance
	1 April 2013 £000s	New Loans Issued £000s	Principal Repayments £000s	Fair Value Adjustments £000s	31 March 2014 £000s
Historic Mortgages	188	0	(35)	0	153
Equity Mortgages	1,880	0	0	126	2,006
Equity Loans	(783)	0	0	269	(514)
Total Deferred Capital Receipts	1,285	0	(35)	395	1,645

f - Financial Instruments Adjustment Account

Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.

	2012/13 £000s	2013/14 £000s
Balance at 1 April	(7,560)	(3,906)
Soft loans prior year reversal	5,276	0
Soft loans in year movements	(931)	84
Premium and discounts	(773)	324
Manchester Mortgage Corporation investment revaluation	82	83
Balance at 31 March	(3,906)	(3,415)

The Council undertook a review of its Financial Instruments in 2012/13 which resulted in a significant movement during the year. In prior years Home Improvement Loans and Relocation Assistance Loans were included as Soft Loans however these have now been reclassified as Embedded Derivatives resulting in the reversal of foregone interest charged. This is shown as soft loans prior year reversal in the above table..

g - 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 from council tax and business rate payers, compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.

Council Tax	2012/13 £000s	2013/14 £000s
Balance at 1 April	4,276	3,766
Movement in Year	(510)	723
Balance at 31 March	3,766	4,489

Business Rates	2012/13 £000s	2013/14 £000s
Balance at 1 April	0	0
Movement in Year	0	(40,789)
Balance at 31 March	0	(40,789)

Total	2012/13 £000s	2013/14 £000s
Balance at 1 April	4,276	3,766
Movement in Year	(510)	(40,066)
Balance at 31 March	3,766	(36,300)

n - Short-term Accumulated Absences Account

The Short-term 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 and from this Account.

	2012/13 £000s	2013/14 £000s
Balance at 1 April	(7,409)	(7,093)
Movement in Year	316	1,746
Balance at 31 March	(7,093)	(5,347)

Note 39. 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). An element of DSG is recouped by the Department for Education to fund Academy schools in the authority's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the Schools Finance (England) Regulations 2011. 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 in 2013/14 are as follows:

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2013/14 before academy recoupment			403,024
Academy figure recouped for 2013/14			72,322
Total DSG after academy recoupment			330,702
Brought forward from 2012/13			723
Carry forward to 2013/14 (agreed in advance)			0
Agreed budgeted distribution in 2013/14	36,296	295,129	331,425
In year adjustments	0	0	0
Final budgeted distribution for 2013/14	36,296	295,129	331,425
Less actual central expenditure	30,881		
Less actual ISB deployed to schools		295,129	
Plus Local Authority contribution for 2013/14	0	0	0
Carry forward to 2014/15	5,415	0	5,415

The original budget for the Central Expenditure includes the following which are transferred to schools during the year:

- provisions for funding for Special Education Needs
- increases in pupil numbers
- contingencies within schools.

Note 40. Local Government Pension Schemes

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

The Council participates in three pension schemes:

The Local Government Pension Scheme is a fully funded defined benefits scheme. The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of Tameside MBC who administer the scheme on behalf of the Greater Manchester Authorities. Tameside MBC delegates its functions in relation to the Greater Manchester Pension Scheme to the Pension Fund Management Panel, the Pension Fund Advisory Panel, Pension Fund Working Groups and the Executive Director of Pensions. The Pension Fund Management Panel is the key decision maker for investment management, monitoring investment activity and performance, overseeing administrative activities and providing guidance to officers in exercising delegated powers. All the Greater Manchester authorities are represented on the Management Panel.

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), changes to inflation, bond yields and the performance of investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund and the Housing Revenue Account the amounts required by statute.

In order to assess the value of the employer's liabilities in the fund at 31 March 2014, the value of employer's liabilities have been brought forward from those at the formal valuation for 31 March 2013 using approximate methods. The roll forward allows for changes in financial assumptions, additional benefit accrual, actual pension increase orders, cash flows over the period and the latest available membership information. The value of the employer's liabilities have been rolled forward from those calculated at the latest formal valuation allowing for the different financial assumptions under the Accounting Standard at 31 March 2014. In calculating the current service cost the employer's pensionable payroll as estimated from contribution and payroll information provided has been allowed for. In calculating the asset share the employer's share of the allocated assets at the latest valuation, allowing for investment returns, the effect of contributions paid into and benefits paid from the fund by the employer and employees has been rolled forward.

The estimated liability will not reflect any difference in demographic experience from that assumed, the impact of differences in salary and pension increases and changes for specific individuals and the effect of any changes in the age and length of service structure of the liabilities. It is not possible to reflect these without undertaking a full valuation. There is no reason to believe that this will introduce any undue distortions in the results.

The Teachers' Pension Scheme is a defined benefit scheme, administered by the Department for Education. Further information is included in Note 41.

Under the new arrangements for Public Health, staff performing public health functions who were compulsorily transferred from the Primary Care Trusts to local authorities and had access to the NHS Pension Scheme on 31 March 2013 retained access to that Scheme on transfer at 1 April 2013.

The NHS pension scheme is an unfunded, defined benefit scheme that covers NHS employers and is a multi-employer defined benefit scheme. Further information is included in Note 42.

Transactions Relating to Retirement Benefits

The costs of retirement benefits in the net cost of services are recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

	Restated 2012/13 £000s	2013/14 £000s
Comprehensive Income and Expenditure Statement		
Net Cost of Services:		
current service cost	43,000	54,385
past service costs including curtailments	1,000	7,279
Financing and investment income and expenditure		
net interest expense	31,000	36,318
Total post employment benefits charged to the deficit on the provision of services	75,000	97,982
Other post employment benefits charged to total comprehensive income and expenditure		
Re-measurement of the Net Defined Benefit Liability comprising:		
return on plan assets (excluding amounts included in net interest)	(266,500)	47,323
actuarial gains and losses arising on changes in demographic assumptions	0	4,529
actuarial gains and losses arising on changes in financial assumptions	297,700	29,742
other experience re-measurements	97,700	(194,911)
Total post employment benefits charged to total comprehensive income and expenditure	128,900	(113,317)
Movement in Reserves Statement		
Reversal of net charges made to the Deficit on Provision of Services for post employment benefits in accordance with IAS19.	26,200	46,892
Actual amount charged against the General Fund Balance for the pensions in the year:		
Employer's contribution payable to scheme	36,300	38,660
Employer's contribution re: unfunded deficit	12,500	12,430
	48,800	51,090

Assets and Liabilities in Relation to Retirement Benefits

Present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme	
	Restated	
	2012/13 £000s	2013/14 £000s
Balance at 1 April	2,548,800	3,023,700
Current service cost	43,000	54,385
Interest cost on defined benefit obligation	121,300	135,275
Contributions by scheme participants	14,700	14,803
Changes in demographic assumptions	0	4,529
Changes in financial assumptions	297,700	29,742
Other experience re-measurements	97,700	(194,911)
Unfunded benefits paid	(12,500)	(12,430)
Benefits paid	(86,000)	(95,356)
Past service cost including curtailments	1,000	7,279
Balance at 31 March	3,023,700	2,967,016

Fair value of the scheme assets:

	Local Government Pension Scheme	
	Restated	
	2012/13 £000s	2013/14 £000s
Balance at 1 April	1,899,500	2,221,300
Interest income on plan assets	90,300	98,957
Return on assets (excluding amounts included in net interest)	268,500	(47,323)
Contributions in respect of unfunded benefits	12,500	12,430
Employer contributions	36,300	38,660
Contributions by scheme participants	14,700	14,803
Benefits paid	(86,000)	(95,356)
Unfunded benefits paid	(12,500)	(12,430)
Balance at 31 March	2,221,300	2,231,041

Net Liability for Year

	2012/13 £000s	2013/14 £000s
Present value of funded liabilities	(2,860,800)	(2,802,781)
Present value of unfunded liabilities	(162,900)	(164,235)
Fair value of assets	2,221,300	2,231,041
(Deficit) in the scheme	(802,400)	(735,975)

The liabilities show the underlying commitment that the Council has in the long run to pay retirement benefits. The total liability of £735,975,000 has resulted in an increase in the net worth of the Council of £66,425,000 as recorded in the balance sheet resulting in a positive overall balance of £1,661,435,000.

Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The next triennial valuation is due at 31 March 2016. The scheme will need to take account of the national changes to the scheme under the Public Pension Services Act 2013. The Act provides for scheme regulations to be made to establish career average revalued earnings

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2015 is £41,059,000.

The weighted average duration of the obligation for scheme members is 17.8 years.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme's assets and liabilities have been assessed by Hymans Robertson, an independent firm of actuaries.

The main assumptions used in their calculations have been:

	2012/13	2013/14
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	20.1 years	21.4 years
Women	22.9 years	24.0 years
Longevity at 65 for future pensioners		
Men	22.5 years	24.0 years
Women	25.0 years	26.6 years
Rate of increase in salaries *	4.6%	3.9%
Rate of increase in pensions	2.6%	2.8%
Discount rate	4.5%	4.3%
Take-up of option to convert annual pension into retirement lump sum - pre April 2008	50.0%	55.0%
Take-up of option to convert annual pension into retirement lump sum - post April 2008	75.0%	80.0%

* Salary increases are assumed to be 1% per annum until 31 March 2015 reverting to the long term assumptions shown thereafter.

The estimate of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above.

Changes in assumptions at 31 March 2014	% increase to Employer Liability	£000s
0.5% decrease in real discount rate	9%	271,380
1 year increase in member life expectancy	3%	89,010
0.5% increase in the salary increase rate	2%	73,116
0.5% increase in the pension increase rate	7%	195,717

This is not a full list of the assumptions used. For example changes to the assumed level of withdrawals from the scheme and the number of ill health retirements will also have an effect. However the assumptions in the table above will have the most impact.

The table shows the effect of changes to each assumption in isolation. It is possible for the experience of the Fund to deviate from more than one of the assumptions simultaneously and so the precise effect on the valuation is more complex.

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	Year Ended 31 March 2013				Year Ended 31 March 2014			
	Quoted Prices in Active Markets £000s	Quoted Prices not in Active Markets £000s	Total £000s	%	Quoted Prices in Active Markets £000s	Quoted Prices not in Active Markets £000s	Total £000s	%
Equity securities								
Consumer	246,736	0	246,736	11%	235,048	0	235,048	11%
Manufacturing	203,514	0	203,514	9%	215,627	0	215,627	10%
Energy and utilities	199,901	0	199,901	9%	197,114	0	197,114	9%
Financial institutions	243,919	0	243,919	11%	272,441	0	272,441	12%
Health and care	99,160	0	99,160	4%	95,435	0	95,435	4%
Information technology	41,988	0	41,988	2%	43,400	0	43,400	2%
Other	29,930	0	29,930	1%	33,983	0	33,983	2%
Debt securities								
Corporate bonds (investment grade)	172,600	0	172,600	8%	132,618	0	132,618	6%
Corporate bonds (non investment grade)	1	0	1	0%	0	0	0	0%
UK government	34,552	0	34,552	2%	37,192	0	37,192	2%
Other	76,570	0	76,570	3%	77,337	0	77,337	3%
Private equity								
All	0	53,667	53,667	2%	0	55,085	55,085	2%
Real estate								
UK property	0	65,063	65,063	3%	0	65,719	65,719	3%
Investment funds and unit trusts								
Equities	438,736	0	438,736	21%	427,968	0	427,968	19%
Bonds	123,144	0	123,144	6%	118,035	0	118,035	5%
Infrastructure	0	13,449	13,449	1%	0	15,761	15,761	1%
Other	0	54,585	54,585	2%	0	69,897	69,897	4%
Derivates								
All	29,625	0	29,625	1%	30,483	0	30,483	1%
Cash and cash equivalents								
All	94,260	0	94,260	4%	87,998	0	87,998	4%
	2,034,636	186,764	2,221,400	100%	2,004,679	226,462	2,231,141	100%

Note 41. Teachers' Pension Scheme

Although the scheme is unfunded, the Department for Education (DfE) uses a notional fund as the basis for calculating the employer's contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. Although the teachers' pension scheme is a defined benefits scheme, for the purposes of the statement of accounts it is accounted for on the same basis as a defined contributions scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability described in note 40.

The pension costs charged to the accounts are at the contribution rate set by the DfE on the basis of a notional fund. In 2013/14 the Council's contribution to the DfE in respect of teachers' pension costs was £14,613,000 (£17,273,000 2012/13), the set contribution rate being 14.1% (14.1% 2012/13).

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with related increases. In 2013/14 these amounted to £6,997,000 (£7,064,000 2012/13) of which £1,502,000 (£1,515,000 2012/13) relates to former establishment employees and is refunded by the Higher Education Funding Council.

Note 42. National Health Service Pension Scheme

The NHS pension scheme is an unfunded, defined benefit scheme that covers NHS employers and is a multi-employer defined benefit scheme. This means that liabilities for benefits cannot be identified to the Council. The scheme is therefore accounted for as a defined contribution scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Public Health line within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable in the year.

In 2013/14 the Council's contribution in respect of former NHS staff pension costs was £189,000, the set contribution rate being 14%.

Note 43. Contingent Assets and Liabilities

There is the following contingent asset at the balance sheet date:

a) As part of the Plymouth Grove and Miles Platting PFI contracts the operators are able to earn income from the sale of properties. There is a profit share mechanism in place in relation to this income with the Council benefitting from a share of the profits. The scale of this profit share cannot be assessed.

b) As part of the Bowes Street Regeneration Scheme in Moss Side the Council has provided homebuyers, purchasing the renovated properties, equity mortgage loans for up to 30% of the property value. As these loans are repayable on the sale of the property or if the homebuyer decides to repay the loan before sale, the timing of the receipt cannot be assessed. Thus a debtor has not been recognised on the Council's balance sheet.

There are the following contingent liabilities at the Balance Sheet date:

a) Under the Equal Pay Act 1970 as modified by the Equal Pay Act (Amendment) Regulations 2003 employees have a right to claim compensation from their employer for failing to give equal pay for work of equal value.

The majority of potential claims have been settled and provision has been made for the assessed cost of known remaining claims. This is shown within known compensation provisions in note 35. There remains the potential for some further claims but the scale of any liabilities cannot be assessed.

Note 44. Related Party Transactions

The Code of Practice on Local Authority Accounting requires the disclosure of any material transactions with related parties to ensure that stakeholders are aware that these transactions have taken place and the amount and implications of such transactions.

All material related party transactions are disclosed below:

Income	2012/13 £000s	2013/14 £000s	
Central Government - revenue grants	813,822	1,039,957	a
Central government - business rates distribution	324,129	0	
Central Government - capital grants	39,318	53,752	a
Greater Manchester Combined Authority - capital contribution	10,065	3,531	b
Manchester Airports Holdings Ltd - dividend	11,065	25,548	c
Manchester Airports Holdings Ltd - repayment of interest	9,980	9,980	c
Manchester Airports Holdings Ltd - net rent	6,244	6,218	c
Manchester Clinical Commissioning Groups	11,099	16,165	f
Destination Manchester Limited - interest on loans	1,084	1,065	c
	1,226,806	1,156,216	

Whilst it appears from the table above the government grants received have increased this is due to the changes following the Local Government Resource Review and is more than offset by the reduction in business rates funding. More details are shown in note 12.

Expenditure	2012/13 £000s	2013/14 £000s	
Greater Manchester Combined Authority - levy	36,271	37,099	b
Greater Manchester Waste Disposal Authority - levy	28,064	33,378	b
Greater Manchester Police and Crime Commissioner - precept	18,157	13,873	b
Greater Manchester Fire and Rescue Authority - precept	6,623	5,355	b
Greater Manchester Fire and Rescue Authority - share of business rates	0	2,820	b
Central government - share of business rates	0	140,951	a
Greater Manchester Pension Fund - employer's contributions	48,800	51,090	d
Teachers' Pension Agency - employer's contributions	17,273	14,613	e
Manchester Clinical Commissioning Groups	8,324	8,795	f
	163,512	307,974	

Members and Chief Officers

Members of the Council have a direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2013/14 is set out in Note 14. Details of member's interest, both pecuniary and non-financial are recorded in the register of member's interest (available for public inspection). The executive directors are required on an annual basis to make any declaration of any related party transactions. During 2013/14 there were no reported material transactions with related parties advised by members or officers.

a. Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the framework within which the Council operates and provides the majority of its funding in the forms of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills and housing benefits).

The Council pays 50% of the estimated Business Rates due to Central Government.

Grant details are set out in Notes 12 and 13. Central Government debtors and creditors are set out in Notes 31 and 32.

b. Other Public Bodies

The council pays levies towards the services provided by Greater Manchester Waste Disposal Authority (for the management and disposal of household waste) and Greater Manchester Combined Authority (for public transport, economic development and regeneration activities). Police and Fire and Rescue Authorities set their own charge to council tax payers which is then included in the council tax bill. This is known as the precept.

The Council pays 1% of the estimated Business Rates due to the Greater Manchester Fire and Rescue Authority.

c. Entities controlled or significantly influenced by the Council

The Council has a number of subsidiaries over which it has control and associate and joint venture companies over which it exerts significant influence. Manchester Airports Holdings Ltd is a joint venture and Destination Manchester Ltd is a subsidiary; the Council and these organisations have related party transactions that are considered to be material.

Manchester Airports Holdings Ltd

The Council is a related party to Manchester Airports Holdings Ltd. MCC owns 35.5% of the share capital of the company. The principal activities of the Group during the year were ownership, operation and development of airport facilities. Cllr Sir Richard Leese and Cllr Bernard Priest are non-executive directors to Manchester Airports Holdings Ltd.

Destination Manchester Ltd (DML)

Destination Manchester Ltd's ultimate parent and controlling party is Manchester City Council. Destination Manchester Ltd owns and manages the Manchester Central Convention Complex, who hold major conferences and exhibitions. The directors who served the company during the year were Sir Howard Bernstein and Richard Paver.

d. Greater Manchester Pension Funds

The Local Government Pension Scheme is a fully funded defined benefits scheme. Pension details are set out in Note 40.

e. Teacher's Pension Agency

The pension costs charged are at the contribution rate set by the Department for Education on the basis of a notional fund. Teacher's pension details are set out in Note 41.

f. Manchester Clinical Commissioning Groups (CCG)

The objective of Manchester CCG is to ensure that people in Manchester have access to high quality, safe health services when they need them. Manchester CCG commissions healthcare services including community health services and mental health and learning disability services.

The transactions with the CCG relate to arrangements for integrative care projects, joint working and other contractual arrangements.

Note 45. Trust Funds

The Council administered several charitable trusts, joint committees and special funds during the year, which in the main represent funds that have been put in trust to achieve specific objectives. Each body has its own board of trustees or management committee from which further information can be obtained. The contact details for each Trust can be obtained from the Corporate Services Department, Town Hall, Manchester, M60 2LA.

Manchester City Council is sole trustee for Castlefield Heritage Trust. The Council administers the following trust funds: I Love Manchester (The Lord Mayor of Manchester's) Charity Appeal Trust; Manchester Immigration Needs Trust; Manchester Safeguarding Children Board.

These funds are not Council assets and are not included in the Council's Balance Sheet.

Note 46. Analysis of Bank Overdraft and Cash and Cash Equivalents

	31 March 2013 £000s	31 March 2014 £000s
Bank Overdraft and Cash and Cash Equivalents		
Cash in hand	62	125
Call accounts	9,239	28,506
Investments less than 3 months	0	21,001
Bank overdraft	(14,547)	(15,047)
Total	(5,246)	34,585

Note 47. Cash Flow Statement - Adjustments to net deficit on the provision of services for non-cash movements

	Restated 31 March 2013 £000s	31 March 2014 £000s
Depreciation of non current assets	(46,205)	(46,526)
Impairment of non current assets	(100,047)	(161,343)
Amortisation of intangible non-current assets	(406)	(426)
Pension fund adjustments	(26,200)	(46,892)
Movement in market value of investment property	25,389	45,920
Donated assets fair value	910	0
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	4,019	29
(Increase) in impairment for provision for bad debts	(6,957)	(7,585)
Contributions to provisions	(3,802)	(4,385)
Carrying amount of property, plant and equipment, investment properties and intangible assets sold	(42,436)	(39,343)
Amount by which council tax income and business rates adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulation	0	(40,066)
Other non-cash movement	18,720	(6,183)
(Decrease)/increase in inventories	(251)	191
Increase in debtors (less capital)	2,573	36,724
Increase in interest debtors	203	29
(Increase) in creditors (less capital)	(14,742)	(9,816)
(Increase)/decrease in interest creditors	3,821	(2,995)
Total	(185,411)	(282,667)

Note 48. Cash Flow Statement - Adjustments for items included in the net deficit on the provision of services that are investing and financing activities

	31 March 2013 £000s	31 March 2014 £000s
Proceeds from the disposal of property, plant and equipment, investment properties and intangible assets	13,403	23,160
Capital Grants credited to deficit on the provision of services	56,410	67,720
	69,813	90,880

Note 49. Cash Flow Statement - Operating Activities

The net cash flows from operating activities include the following items:

	2012/13 £000s	2013/14 £000s
Interest received	(11,471)	(7,014)
Interest paid	39,364	34,763
Dividends received	(11,565)	(27,346)
Net cash flows from operating activities	16,328	403

Note 50. Cash Flow Statement - Investing Activities

	2012/13 £000s	2013/14 £000s
Purchase of plant, property and equipment, investment property and intangible assets	148,767	196,454
Purchase of short term and long term investments	0	1,500
Proceeds from the sale of plant, property and equipment, investment property and intangible assets	(13,403)	(23,164)
Capital grants received	(39,317)	(47,023)
Other receipts from investing activities	(15,959)	(17,257)
Net cash flows from investing activities	80,088	110,510

Note 51. Cash Flow Statement - Financing Activities

	2012/13 £000s	2013/14 £000s
Repayments of long and short term borrowing	11,648	55,000
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	6,838	5,995
Cash receipts of long and short term borrowing	(15,000)	(39,555)
Net payments / (receipts) relating to preceptors element of council tax	6,642	(1,138)
Net payments / (receipts) relating to national non domestic rates	9,476	(22,327)
Net cash flows from financing activities	19,604	(2,025)

Note 52. Events after the Balance Sheet Date

On 11 April 2014 the Council entered into a limited partnership agreement with Kingfisher Property Partnerships Ltd (as managing trustee of the Greater Manchester Pension Fund (GMPF) Property Unit Trust) to establish a company called Matrix Homes which will construct new homes for market sale and rent. The Council and GMPF have each made a capital contribution of £200 and acquired shares of £50 in Matrix Homes.

The Council transferred land at Woodside Lane, Darley Avenue, Ossington Court and Clowes Street to the partnership plus procured the transfer of land owned by the Homes and Communities Agency (HCA) at Gorton Monastery. The value of the land will be converted into a technical loan by the Council to the partnership and the Council will secure investment returns against that loan, as well as a share of development surpluses.

The value of the four sites that the Council contributed to the partnership was £5.386m. These sites are held on the balance sheet as held for sale assets. In addition land at Gorton Monastery valued at £0.44m has been procured from the HCA and transferred to the partnership. This equates to a loan of £5.826m made by the Council to the partnership.

The following Community schools are planned to transfer to academy status after 31 March 2014:

Burnage High
Levenshulme High
Crossacres Primary
Cravenwood Primary

These were previously included within the Council's balance sheet but have been revalued to a nil value at 31 March 2014 to reflect the fact that there is no ongoing economic benefit to the Council from these school assets. The impairment charge to the Consolidated Income and Expenditure Statement was £55,253,000.

Note 53. Authorisation for Issue of the Statement of Accounts

The 2013/14 Statement of Accounts was authorised for issue by Richard Paver, the City Treasurer on 22 September 2014. All events after the Balance Sheet date until this date have been considered for disclosure as events after the Balance Sheet date.

Housing Revenue Account (HRA) Income and Expenditure Statement

The HRA reflects a statutory obligation to account separately for council housing provision. The HRA Income and Expenditure Statement shows the major elements of HRA expenditure and how they are met from rents, grant and other income. The account does not reflect all of the transactions required by statute to be charged or credited to the HRA for the year. The Movement on the HRA Statement gives details of the additional transactions which are required by statute.

Restated 2012/13 £000s		Note	2013/14 £000s
	Expenditure		
20,843	Repairs and maintenance		21,902
17,546	Supervision and management		15,280
285	Rents, rates, taxes and other charges		786
33,148	Depreciation and impairment of non-current assets	e,f	31,997
16	Debt management costs		15
1,823	Movement in the allowance for bad debts		496
163	Revenue expenditure funded from capital under statute	g	51
73,824			70,527
	Income		
59,324	Dwelling rents (gross)		60,725
518	Non-dwelling rents (gross)		554
3,451	Charges for services and facilities		1,973
8,562	Contributions towards expenditure		3,590
15,441	Private Finance Initiative Grant		17,110
5,500	Decent Homes Backlog Funding		10,000
39	Mortgage Repayments		35
92,835			93,987
(19,011)	Net (Surplus) of HRA Services as included in the Council's Comprehensive Income and Expenditure Statement		(23,460)
98	HRA services share of corporate and democratic core		98
5	HRA share of other amounts included in the Council's net cost of services but not allocated to specific services		82
(18,908)	Net (Surplus) of HRA Services		(23,280)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(2,387)	(Gain) on disposal of HRA non-current assets		(3,923)
9,746	Interest payable and similar charges		9,518
(162)	Interest and investment income		(132)
159	Pensions interest cost and expected return on pension assets		408
(5,438)	Capital grants and contributions receivable		(608)
(16,990)	(Surplus) for the year on HRA services		(18,017)

Movement on the Housing Revenue Account Statement

2012/13 £000s		2013/14 £000s
(56,539)	Balance on the HRA at the end of the previous year	(61,001)
(16,990)	(Surplus) for Year on the HRA Income and Expenditure Statement	(18,017)
	Adjustments between accounting basis and funding basis under statute	
1,328	Transfer to Major Repairs Reserve	1,329
(1,096)	Difference between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined in accordance with statute	0
0	Capital expenditure funded by the HRA	88
2,387	Gain on disposal of HRA non-current assets	3,923
0	Transfer to short term accumulating absences account	0
(344)	HRA share of retirement benefits per IAS19	(741)
139	HRA share of employer contribution to pension scheme	163
(21,709)	Impairment of non-current assets	(20,836)
(163)	Amortisation of Revenue Expenditure Funded from Capital under Statute	(51)
6,009	Reversal of PFI Charges	5,987
5,438	Capital grants and contributions receivable	608
15,000	Transfer to General Fund Reserve	0
5,500	Decent Homes Backlog Funding	10,000
39	Mortgage Repayments	35
(4,462)	Net (Increase) in Year on the HRA	(17,512)
(61,001)	Balance on the HRA at the end of the current year	(78,513)

Notes to the Housing Revenue Account

(a) Housing Stock

The Council was responsible for managing an average of 16,793 dwellings during 2013/14.

The stock at each year end was made up as follows:

	31 March 2013	31 March 2014
Houses and bungalows	9,692	9,553
Flats	7,186	6,990
Others	82	82
	16,960	16,625

The change in stock is as follows:

	2012/13	2013/14
Stock at 1 April	17,098	16,960
Sales	(61)	(91)
Demolitions	0	(242)
Transfers	(77)	0
Other	0	(2)
New buildings	0	0
Acquisitions	0	0
Stock at 31 March	16,960	16,625

The balance sheet value of the HRA's non-current assets was as follows:

	31 March 2013 £000s	31 March 2014 £000s
Operational		
Council dwellings	385,485	389,504
Other land and buildings	3,628	3,530
Vehicles, plant and equipment	77	72
	389,190	393,106
Non-operational		
Surplus properties	1,147	1,078
Assets under construction	149	88
	390,486	394,272

(b) Vacant Possession of Dwellings

The vacant possession value of dwellings within the Council's HRA at 1 April 2013 was £1,135,261,000. The difference between the vacant possession value and balance sheet value of dwellings within the HRA shows the cost of providing council housing at less than open market rents.

(c) Major Repairs Reserve

	2012/13 £000s	2013/14 £000s
Balance at 1 April	4,050	8,093
Transferred from capital adjustment account during year (equivalent to HRA depreciation)	11,438	11,162
Financing of capital expenditure on council dwellings	(14,223)	(23,274)
Decent homes backlog funding	5,500	10,000
Transfer from the HRA	1,328	1,329
Balance at 31 March	8,093	7,310

(d) Capital Expenditure, Funding and Receipts

	2012/13 £000s	2013/14 £000s
Expenditure		
Property, plant and equipment	19,335	24,124
Revenue expenditure funded from capital under statute	163	51
	19,498	24,175
Funded by		
Borrowing	0	0
Revenue contributions	0	88
Capital receipts	0	54
Major repairs reserve	14,223	23,274
Government grants	1,111	570
External contributions	4,164	189
	19,498	24,175
Receipts		
Council dwellings	5,271	6,419
Mortgage repayments	39	35
	5,310	6,454

(e) Depreciation

	2012/13 £000s	2013/14 £000s
Property, plant and equipment		
Council dwellings	11,336	11,058
Other land and buildings	97	99
Vehicles, plant and equipment	5	5
	11,438	11,162

(f) Impairment Charges

	2012/13 £000s	2013/14 £000s
Non-enhancing capital expenditure	10,910	8,824
Downward revaluation of assets	7,548	10,940
Damaged properties / demolitions	3,251	1,071
	21,709	20,835

(g) Revenue Expenditure Funded From Capital Under Statute

Revenue expenditure funded from capital under statute of £51,000 (£163,000 in 2012/13) has been charged to the HRA.

(i) Contribution from the Pension Reserve

The cost of the HRA has increased after the replacement of employer's pension contributions by current service costs and a share of the corporate items (pensions interest costs, expected return on pensions assets, past service costs, settlements and curtailments). The HRA share of the contribution from the pensions reserve in 2013/14 is £578,000. In 2012/13 it was £128,000. The overall amount to be met from rent payers remains unchanged.

(j) Rent Arrears

	2013 £000s	2014 £000s
Arrears at 31 March	12,680	11,102

	2012/13 £000s	2013/14 £000s
Provision at 1 April	7,745	9,778
Contributions in year	1,823	667
Amounts written (off) / back in the year	210	(2,408)
Provision as at 31 March	9,778	8,037

(k) Small Scale Voluntary Transfer

As part of its strategy to achieve the decent homes standard, the Council had a programme of transfers of part of its housing stock to registered social landlords. In 2013/14 there were no further transfers of properties.

In 2012/13 76 properties were transferred to registered social landlords. A further property was transferred to the Council's general fund.

(c) Calculation of the Council Tax Base

For 2013/14 there were 221,644 residential properties in Manchester which were placed in one of eight valuation bands, depending on their capital value, by the Listing Officer of the government's Valuation Office. There are 180,314 equivalent number of dwellings after taking account of discounts, exemptions and disabled relief. These equate to 137,823 equivalent Band D properties, which are used for the calculation of the tax base.

The table below shows the total number of equivalent properties after discounts, exemptions and disabled relief and the number of chargeable Band D equivalents.

Valuation Band	Total Equivalent Number of Dwellings after Discounts, Exemptions and Disabled Relief	Chargeable Band D Equivalents
A	105,485	70,296
B	29,900	23,256
C	25,985	23,098
D	12,118	12,118
E	4,399	5,377
F	1,726	2,493
G	649	1,081
H	52	104
	180,314	137,823

The number of chargeable Band D equivalents for 2012/13 was 136,780.

(d) Share of Fund Balance

The shares of the closing fund balances are shown in the tables below.

Business Rates	(Deficit) 2012/13 £000s	(Deficit) 2013/14 £000s
Central Government	0	(41,621)
Manchester City Council	0	(40,789)
Greater Manchester Fire and Rescue Authority	0	(832)
Total (Deficit)	0	(83,242)

Council Tax	Surplus 2012/13 £000s	Surplus 2013/14 £000s
Manchester City Council	3,769	4,489
Greater Manchester Police and Crime Commissioner	480	581
Greater Manchester Fire and Rescue Authority	175	211
Total Surplus	4,424	5,281

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Manchester City Council Group Accounts

Introduction

As a modern local authority Manchester City Council often chooses to conduct activities through a variety of undertakings, either under ultimate control of or in partnership with other organisations. The standard financial statements consider the Council only as a single entity, accounting for its interests in other organisations only to the extent of its investment, and not current performance and balances. Thus a full picture of the Council's economic activities, financial position, service position, accountability for resources and exposure to risk is not presented in the Council's single entity financial statements.

As a result, group financial statements are produced to reflect the extent of Manchester City Council's involvement with its group undertakings in order to provide a clearer picture of the Council's activities as a group. The group accounts contain core financial statements similar to those included in the Council's single entity statements, consolidated with figures from organisations considered to be part of the group.

A review of the materiality of the organisations included in the group accounts in 2012/13 and prior years has been undertaken; all but two organisation are considered to be immaterial to the group accounts. These organisations are Manchester Airports Holdings Limited and Destination Manchester Limited. Manchester Airports Holdings Limited is considered to be a joint venture and Destination Manchester Limited is considered to be a subsidiary.

Of the organisations consolidated into the published 2012/13 accounts, Manchester Mortgage Corporation plc, Northwards Housing Limited, One Education Limited, Manchester Working Limited and National Car Parks (Manchester) Limited have been removed from the group accounts and the prior year figures have been restated accordingly. The changes to the 2012/13 figures in the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cash Flow Statement are shown in Note 2.

The following pages include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Reconciliation of the Single Entity Deficit to the Group (Surplus) / Deficit
- Group Balance Sheet
- Group Cash Flow Statement.

The group financial statements are presented in accordance with the IFRS based Code.

Land and buildings in the Council's single entity accounts are valued at fair value (i.e. the amount that would be paid for an asset in its existing use). Where sufficient market evidence is not available, fair value is estimated at depreciated replacement cost, using the modern equivalent asset method (i.e. the market value of the land on which the building sits plus the current gross replacement cost of the building less an allowance for physical deterioration of the building).

Where group organisations use different accounting policies to the Council, their accounts have been restated to align their accounting policies with those of the Council where the effect of not doing so would be material to the reader's interpretation of the accounts.

Manchester Airport Holdings Limited (MAHL) accounts are prepared using deemed cost for land and buildings. Deemed cost is the cost or valuation of assets as at 1 April 2005. Consequently property, plant and equipment is included in MAHL's accounts at cost or deemed cost less accumulated depreciation. A valuation of MAHL's land and building assets has been undertaken in order to align the accounting policy with that of the Council. This valuation has been used for the Council's group accounts.

The land and building assets of the Destination Manchester Limited (DML), which is a subsidiary within the Council group, are included in DML's accounts at cost less accumulated depreciation and impairment. A valuation of DML's land and building assets has been undertaken in order to align the accounting policy with that of the Council. This valuation has been used for the Council's group accounts.

Manchester City Council Group

Inclusion in the Manchester City Council Group is dependent upon the extent of the Council's interest and control over the entity. An assessment of all of the Council's interests has been carried out to determine which of the following categories they fall under. Where an entity is considered to be immaterial, they are not included in the group accounts.

Subsidiaries – where the Council exercises control and gains benefits / exposure to risks arising from this control. Subsidiaries of the Council have been considered for materiality; Destination Manchester Limited is the only subsidiary consolidated into the Council's group accounts. The prior year figures have been restated to reflect the change to the group (Note 2).

Associates – where the Council exercises a significant influence and has a participating interest. Associates of the Council have been considered for materiality; there are no longer any associates consolidated into the Council's group accounts. The prior year figures have been restated to reflect this.

Joint Ventures - where the Council and another party exercise joint control with decisions relating to the organisation requiring unanimous consent of the parties sharing control. Those entities considered to be material are included in the group. Joint Ventures are accounted for on an equity basis, by including their net operating results in the group income and expenditure account. Investments in these entities are adjusted on the balance sheet for the Council's share of their results. The group contains one material joint venture which is Manchester Airports Holdings Limited.

Manchester Airport Group plc was a subsidiary of the Council until 28 February 2013. On 1 March 2013 a new company was incorporated – Manchester Airports Holdings Limited. The voting shares of the new company are split equally between the Council and Codan Trust Company Limited (acting in its capacity as a trustee of Industry Funds Management (IFM) Global Infrastructure Fund) with each party holding ten voting shares. Non voting shares in the capital of the company are allocated 35.5% to Manchester City Council, 35.5% to IFM and 29% split between the other 9 district councils within Greater Manchester. Future dividends will be payable pro rata to the non voting shares. The company owns and operates the following airports – Manchester, East Midlands, Bournemouth and Stansted.

At 28 February 2013 when the Council no longer had control of Manchester Airports Holdings Ltd all assets, liabilities and the minority interest were written out of the 2012/13 group accounts. On 1 March 2013 the value of the investment in the restructured company was introduced in the balance sheet under long term investments in associates and joint ventures. The minority interest at the date of loss of control was written out of the 2012/13 group accounts. The difference between the former subsidiary's net assets and the value of the investment in the joint venture was recognised as a gain on loss of control of the subsidiary in the 2012/13 group accounts. The value of the investment in the joint venture at 1 March 2013 was taken as the Council's equity share of the company. The value shown in the balance sheet is the value of the joint venture introduced, adjusted by the Council's share of the results of the joint venture since the date of formation of the joint venture.

Manchester Airports Holdings Limited audited accounts are available at the following website - <http://www.manchesterairport.co.uk/manweb.nsf/Content/AnnualReportsAndAccountsArchive>

Group Movement In Reserves Statement

This statement shows the movement in the year on the Council's single entity usable and unusable reserves, as well as the Council's share of the group reserves.

	Restated General Fund Balance	Earmarked GF Reserves	Restated Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Restated Total Usable Reserves	Revaluation Reserve	Available for sale Financial Instruments	Restated Pensions Reserve	Restated Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Short term Compensated Absences	Restated Total Unusable Reserves	Restated Council Share of Group Reserves ^a	Restated Reserves excluding Minority Interest	Minority Interest Reserve	Restated Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2012	(26,462)	(181,431)	(1,967)	(54,672)	(34,085)	(92,475)	(4,050)	(335,042)	(693,982)	(1,531)	647,900	(1,339,730)	(1,441)	7,560	(4,276)	7,409	(1,378,691)	(329,230)	(2,042,963)	(342,866)	(2,385,829)
(Surplus) / deficit on provision of services	66,635	0	(16,990)	0	0	0	0	49,645	0	0	0	0	0	0	0	0	0	(372,146)	(322,501)	6,581	(315,920)
Other comprehensive income and expenditure																					
(Surplus) on revaluation of non-current assets	0	0	0	0	0	0	0	0	(39,021)	0	0	0	0	0	0	0	(39,021)	0	(39,021)	0	(39,021)
Impairment losses on non-current assets charged to the revaluation reserve	0	0	0	0	0	0	0	0	12,473	0	0	0	0	0	0	0	12,473	0	12,473	0	12,473
(Surplus) on revaluation of available for sale financial assets	0	0	0	0	0	0	0	0	0	(198)	0	0	0	(62)	0	0	(278)	0	(278)	0	(278)
Actuarial losses on pension assets/liabilities	0	0	0	0	0	0	0	0	0	0	120,900	0	0	0	0	0	120,900	0	120,900	0	120,900
Share of other comprehensive income and expenditure of subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	144	0	144	0	144
Total comprehensive income and expenditure	66,635	0	(16,990)	0	0	0	0	49,645	(26,548)	(198)	120,900	0	0	(62)	0	0	102,074	(372,002)	(220,283)	6,581	(213,702)
Reversal of items debited or credited to the comprehensive income and expenditure statement	(155,869)	0	(1,516)	0	(13,704)	(11,411)	(4,043)	(186,543)	0	0	75,000	115,378	0	(4,345)	510	0	186,543	0	0	0	0
Insertion of items not debited or credited to the comprehensive income and expenditure statement	97,653	19,462	(956)	0	1,328	0	0	107,487	0	0	(48,800)	(59,460)	0	773	0	0	(107,487)	0	0	0	0
Other adjustments	(207)	0	0	0	9,025	0	0	8,818	21,404	0	0	(30,378)	156	0	0	0	(8,818)	0	0	0	0
Total adjustments between accounting basis and funding basis under regulations	(68,423)	19,462	(2,472)	0	(3,361)	(11,411)	(4,043)	(70,238)	21,404	0	26,200	25,540	156	(3,572)	510	0	70,238	0	0	0	0
Net (increase) / decrease before transfers to earmarked reserves	(1,789)	19,462	(19,462)	0	(3,351)	(11,411)	(4,043)	(20,593)	(5,144)	(198)	155,100	25,540	156	(3,654)	510	0	172,312	(372,002)	(220,283)	6,581	(213,702)
Transfers (to) / from earmarked reserves	(12,760)	(1,924)	(5,572)	20,572	0	0	0	316	0	0	0	0	0	0	0	(316)	(316)	0	0	0	0
Minority interest share of net assets on date of loss of control	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	336,285	336,285
(Increase) / decrease in year	(14,549)	17,538	(25,034)	20,572	(3,351)	(11,411)	(4,043)	(20,277)	(5,144)	(198)	155,100	25,540	156	(3,654)	510	(316)	171,996	(372,002)	(220,283)	342,866	122,583
Balance at 31 March 2013	(41,010)	(163,893)	(27,001)	(34,000)	(37,436)	(43,886)	(8,093)	(355,319)	(699,126)	(1,727)	802,400	(1,314,190)	(1,285)	3,906	(3,766)	7,093	(1,206,695)	(701,232)	(2,263,246)	0	(2,263,246)
Movement in reserves during 2013/14																					
(Surplus) / deficit on provision of services	61,488	0	(18,017)	0	0	0	0	43,471	0	0	0	0	0	0	0	0	0	(11,846)	31,625	0	31,825
Other comprehensive income and expenditure																					
(Surplus) on revaluation of non-current assets	0	0	0	0	0	0	0	0	(45,624)	0	0	0	0	0	0	0	(45,624)	0	(45,624)	0	(45,624)
Impairment losses on non-current assets charged to the revaluation reserve	0	0	0	0	0	0	0	0	16,203	0	0	0	0	0	0	0	16,203	0	16,203	0	16,203
(Surplus) on revaluation of available for sale financial assets	0	0	0	0	0	0	0	0	0	(71)	0	0	0	(83)	0	0	(154)	0	(154)	0	(154)
Actuarial losses on pension assets/liabilities	0	0	0	0	0	0	0	0	0	0	(113,317)	0	0	0	0	0	(113,317)	0	(113,317)	0	(113,317)
Share of other comprehensive income and expenditure of subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	142	0	142	0	142
Share of other comprehensive income and expenditure of joint ventures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(42,359)	0	(42,359)	0	(42,359)
Total comprehensive income and expenditure	61,488	0	(18,017)	0	0	0	0	43,471	(29,421)	(71)	(113,317)	0	0	(83)	0	0	(142,892)	(11,704)	(111,125)	0	(153,484)
Reversal of items debited or credited to the comprehensive income and expenditure statement	(232,029)	0	254	0	0	(3,383)	783	(234,375)	0	0	97,982	96,411	0	(84)	40,066	0	234,375	0	0	0	0
Insertion of items not debited or credited to the comprehensive income and expenditure statement	94,873	17,512	251	0	1,944	0	0	114,580	0	0	(51,080)	(63,166)	0	(324)	0	0	(114,580)	0	0	0	0
Other adjustments	407	0	0	0	(7,898)	0	0	(7,489)	13,608	0	0	(5,759)	(360)	0	0	0	7,489	0	0	0	0
Total adjustments between accounting basis and funding basis under regulations	(136,749)	17,512	505	0	(5,952)	(3,383)	783	(127,284)	13,608	0	46,892	27,486	(360)	(408)	40,066	0	127,284	0	0	0	0
Net (increase) / decrease before transfers to earmarked reserves	(75,261)	17,512	(17,512)	0	(6,952)	(3,383)	783	(83,813)	(15,813)	(71)	(66,425)	27,486	(380)	(491)	40,066	0	(16,608)	(11,704)	(111,125)	0	(153,484)
Transfers (to) / from earmarked reserves	75,329	(73,583)	374	(374)	0	0	0	1,746	0	0	0	0	0	0	0	(1,746)	(1,746)	0	0	0	0
(Increase) / decrease in year	68	(56,071)	(17,138)	(374)	(6,952)	(3,383)	783	(82,067)	(15,813)	(71)	(66,425)	27,486	(380)	(491)	40,066	0	(17,364)	(11,704)	(111,125)	0	(153,484)
Balance at 31 March 2014	(40,942)	(219,964)	(44,139)	(34,374)	(43,388)	(47,269)	(7,310)	(437,386)	(714,939)	(1,798)	735,975	(1,286,704)	(1,645)	3,415	36,300	5,347	(1,224,049)	(712,936)	(2,374,371)	0	(2,416,730)

*A breakdown of the Council's usable and unusable reserves can be found in the Council's accounts notes 6, 37 and 38.
a The Council's share of the group reserves includes accounting adjustments to aligning accounting policies for property, plant and equipment and government grants.

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Group Comprehensive Income and Expenditure Statement

This account summarises the resources that have been generated and consumed in providing services and managing the Group during the last year. It includes all day-to-day expenses and related income on an accruals basis.

Restated 2012/13 Gross Expenditure £000s	Restated 2012/13 Gross Income £000s	Restated 2012/13 Net Expenditure £000s	Note	2013/14 Gross Expenditure £000s	2013/14 Gross Income £000s	2013/14 Net Expenditure £000s
209,068	39,676	169,392	Continuing operations	191,641	32,226	159,415
16,365	8,729	7,636	Adult social care	13,914	10,122	3,792
662,471	440,439	222,032	Central services to the public	638,629	409,444	229,185
72,305	24,852	47,453	Education and children's services	97,292	24,110	73,182
40,608	11,161	29,447	Cultural and related services	41,796	11,846	29,950
52,872	16,520	36,352	Environmental and regulatory services	54,632	20,351	34,281
304,115	337,263	(33,148)	Highways and transport services	32,386	22,807	9,579
363,015	348,452	14,563	Planning services	332,610	298,055	34,555
73,824	92,835	(19,011)	Highways and transport services	70,527	93,987	(23,460)
7,066	34	7,032	Housing services	8,133	75	8,058
8,719	0	8,719	Housing Revenue Account	24,650	0	24,650
			Corporate and democratic core			
			Non-distributed costs			
1,810,428	1,319,961	490,467	Cost of services excluding acquired services	1,506,210	923,023	583,187
0	0	0	Acquired services	45,029	43,787	1,242
			Public Health			
1,810,428	1,319,961	490,467	Total cost of services	1,551,239	966,810	584,429
32,394	3,361	29,033	Other operating expenditure	20,639	3,923	16,716
64,693	0	64,693	Loss on disposal of non-current assets	70,802	0	70,802
1,328	0	1,328	Levies not included in net cost of services	1,944	0	1,944
			Payments to government housing capital receipts pool			
98,415	3,361	95,054	Total other operating expenditure	93,385	3,923	89,462
217,654	144,764	72,900	Financing and investment income and expenditure	191,821	205,815	(13,994)
0	388,385	(388,385)	(Gain) on loss of control of Manchester Airport Plc	0	0	0
0	613,612	(613,612)	Taxation and non-specific grant income	0	599,914	(599,914)
2,126,507	2,470,083	(343,576)	(Surplus) / deficit on provision of services	1,836,445	1,776,462	59,983
54,160	35,946	18,214	Share of operating results of joint venture	235,842	254,322	(18,480)
19,427	0	19,427	Tax expenses of subsidiary	27	0	27
0	9,985	(9,985)	Tax (credits) of joint venture	0	9,905	(9,905)
2,200,094	2,516,014	(315,920)	Group (surplus) / deficit on provision of services	2,072,314	2,040,689	31,625
			(Surplus) on revaluation of non-current assets			(45,624)
			Impairment losses on non-current assets charged to the revaluation reserve			16,203
			(Surplus) on revaluation of available for sale financial assets			(154)
			Remeasurements of the net defined benefit liability / (assets)			(113,317)
			Share of other comprehensive income and expenditure of subsidiaries			142
			Share of other comprehensive income and expenditure of joint ventures			(42,359)
			Total other comprehensive income and expenditure			(185,109)
			Total comprehensive income and expenditure			(153,484)

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Reconciliation of the Single Entity Comprehensive Income and Expenditure Statement (Surplus) / Deficit to the Group Comprehensive Income and Expenditure Statement (Surplus) / Deficit

This shows how the group entities have contributed to the overall (surplus) / deficit shown in the group income and expenditure account.

Restated 2012/13 £000s		Note	2013/14 £000s
49,645	Deficit on the Authority's single entity Income and Expenditure Account for the year		49,471
22,247	Distribution from group entities included in the Authority's single entity deficit on the Income and Expenditure Account	4	1,065
(396,042)	Add deficit / (surplus) attributable to subsidiaries	5	15,475
8,230	Add deficit / (surplus) attributable to associates and joint ventures (after corporation tax)	6	(28,386)
(315,920)	Group income and expenditure account (surplus) / deficit for the year		31,625

Group Balance Sheet

The balance sheet is fundamental to the understanding of the Group's financial position at the end of the financial year. The statement reports on the Group's balances on assets (non-current and current), liabilities (long and short-term) and reserves.

Restated 31 March 2013 £000s		Note	31 March 2014 £000s	
	Non-current assets			
2,105,076	Property, plant and equipment	9	2,053,643	
422,968	Heritage assets		431,191	
363,945	Investment properties		399,044	
1,190	Intangible non-current assets		1,121	
798,257	Long-term investment in joint venture	10	870,384	
2,308	Other long-term investments	10	2,579	
108,131	Long-term debtors	11	115,042	
3,801,875	Total non-current assets			3,873,004
	Current assets			
591	Inventories		819	
114,730	Short-term debtors	11	147,886	
9,301	Cash and cash equivalents	12	38,954	
5,748	Short-term assets held for sale		12,928	
130,370	Total current assets			200,587
3,932,245	Total assets			4,073,591
	Current liabilities			
(25,387)	Short-term borrowing		(9,217)	
(10,186)	Bank overdraft	12	0	
(140,774)	Short-term creditors	13	(144,429)	
(15,517)	Short-term provisions		(21,279)	
(7,911)	Short-term deferred liabilities	14	(8,561)	
(199,775)	Total current liabilities			(183,486)
3,732,470	Total assets less current liabilities			3,890,105
	Long-term liabilities			
(2,357)	Long-term creditors		(2,482)	
(4,746)	Long-term provisions		(50,478)	
(482,298)	Long-term borrowing		(512,182)	
(166,311)	Long-term deferred liabilities	14	(164,634)	
(11,112)	Capital grants receipts in advance		(7,624)	
(802,400)	Pensions liability		(735,975)	
(1,469,224)	Total long-term liabilities			(1,473,375)
2,263,246	Net assets			2,416,730
	Financed by:			
355,319	Usable reserves			437,386
1,206,695	Unusable reserves			1,224,049
701,232	Group income and expenditure reserve			755,295
2,263,246	Total reserves	15		2,416,730

Group Cash flow statement

The cash flow statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Restated 2012/13 £000s		Note	2013/14 £000s
(315,920)	Net (surplus) / deficit on the provision of services		31,625
95,267	Adjustments to net surplus / deficit on the provision of services for non-cash movements	19	(301,676)
93,634	Adjustments for items included in the net surplus / deficit on the provision of services that are investing and financing activities	20	120,352
(127,019)	Net cash flows from operating activities	21	(149,699)
139,456	Investing activities	22	111,885
28,639	Financing activities	23	(2,025)
41,076	Net decrease / (increase) in cash and cash equivalents		(39,839)
40,191	Cash and cash equivalents at the beginning of the reporting period		(885)
(885)	Cash and cash equivalents at the end of the reporting period	12	38,954

Notes To The Group Accounts

Note 1. Group Accounting Policies

The Group Accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom, issued in 2013 by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounting policies used in preparing the Group Accounts are generally those used by Manchester City Council in their single entity financial statements. In order to align group entities accounting policies to those used by the Council and ensure consistency of accounting treatment across the group, the following policies have been adopted:

Consolidation of Subsidiaries

Subsidiaries have been consolidated using the acquisition accounting basis. This is a full, line by line consolidation of the financial transactions and balances of the Council and its subsidiaries. To avoid overstating the figures within the group financial statements, all transactions and balances between members of the group (the Council and its subsidiaries) have been eliminated.

Consolidation of Joint Ventures

Joint Ventures have been consolidated using the equity method. An investment is brought into the group balance sheet and adjusted by the Council's share in the joint venture's net asset movement. The Council's share of the joint venture's operating results for the year is included within the group income and expenditure account.

Non-Current Assets

Non-current assets have been consolidated using the valuation basis specified by the Code, unless the entity has a distinct class of asset that the Council does not recognise. In this case the entity's valuation basis was used.

Land and buildings in the Council's single entity accounts are valued at fair value (i.e. the amount that would be paid for an asset in its existing use). Where sufficient market evidence is not available, fair value is estimated at depreciated replacement cost, using the modern equivalent asset method (i.e. the market value of the land on which the building sits plus the current gross replacement cost of the building less an allowance for physical deterioration of the building).

Where group organisations use different accounting policies to the Council, their accounts have been restated to align their accounting policies with those of the Council where the effect of not doing so would be material to the reader's interpretation of the accounts.

Manchester Airport Holdings Limited (MAHL) accounts are prepared using deemed cost for land and buildings. Deemed cost is the cost or valuation of assets as at 1 April 2005. Consequently property, plant and equipment is included in MAHL's accounts at cost or deemed cost less accumulated depreciation. A valuation of MAHL's land and building assets has been undertaken in order to align the accounting policy with that of the Council. This valuation has been used for the Council's group accounts.

The land and building assets of the Destination Manchester Limited (DML), which is a subsidiary within the Council group, are included in DML's accounts at cost less accumulated depreciation and impairment. A valuation of DML's land and building assets has been undertaken in order to align the accounting policy with that of the Council. This valuation has been used for the Council's group accounts.

International Financial Reporting Standards (IFRS)

The Council produces its financial statements in accordance with IFRS. Where UK GAAP is still being used by group entities, their financial statements are adjusted to reflect IFRS where any changes have a material effect on the presentation of the group financial statements.

Note 2. Reconciliation of the Group Comprehensive Income and Expenditure Statement

The table below shows a reconciliation of the Group Comprehensive Income and Expenditure Statement as published in the 2012/13 accounts, to the restated 2012/13 figures.

	Published 2012/13 Net Expenditure £000s	Council Restatements 2012/13 Net Expenditure £000s	Remove Subsidiaries Net Expenditure £000s	Remove Associates Net Expenditure £000s	Restated 2012/13 Net Expenditure £000s
Continuing operations					
Adult social care	169,392	0	0	0	169,392
Central services to the public	7,636	0	0	0	7,636
Education and children's services	221,166	0	866	0	222,032
Cultural and related services	47,453	0	0	0	47,453
Environmental and regulatory services	29,447	0	(22)	0	29,447
Planning services	36,374	0	0	0	36,352
Highways and transport services	(33,160)	0	12	0	(33,148)
Housing services	14,563	0	0	0	14,563
Housing Revenue Account	(19,411)	0	400	0	(19,011)
Corporate and democratic core	7,032	0	0	0	7,032
Non-distributed costs	8,719	0	0	0	8,719
Cost of services	489,211	0	1,256	0	490,467
Acquired services					
Public Health	0	0	0	0	0
Total cost of services	0	0	0	0	0
Other operating expenditure					
Loss on disposal of non-current assets	29,033	0	0	0	29,033
Levies not included in net cost of services	64,693	0	0	0	64,693
Payments to government housing capital receipts pool	1,328	0	0	0	1,328
Total other operating expenditure	95,054	0	0	0	95,054
Financing and investment income and expenditure	57,734	15,100	66	0	72,900
(Gain) on loss of control of Manchester Airport Plc	(388,385)	0	0	0	(388,385)
Taxation and non-specific grant income	(613,612)	0	0	0	(613,612)
(Surplus) on provision of services	(359,998)	15,100	1,322	0	(343,576)
Share of operating results of joint venture	17,874	0	0	340	18,214
Tax expenses (subsidiary)	19,633	0	(206)	0	19,427
Tax expenses (joint venture)	(9,790)	0	0	(195)	(9,985)
Group (surplus) on provision of services	(332,281)	15,100	1,116	145	(315,920)
(Surplus) on revaluation of non-current assets	(26,548)	(12,473)	0	0	(39,021)
Impairment losses on non-current assets charged to the revaluation reserve	0	12,473	0	0	12,473
(Surplus) on revaluation of available for sale financial assets	(278)	0	0	0	(278)
Actuarial losses on pension assets / liabilities	147,994	(15,100)	(3,994)	0	128,900
Share of other comprehensive income and expenditure of subsidiaries	226	0	(82)	0	144
Total other comprehensive income and expenditure	121,394	(15,100)	(4,076)	0	102,218
Total comprehensive income and expenditure	(210,887)	0	(2,960)	145	(213,702)

Note 2. Reconciliation of the Group Balance Sheet

The table below shows a reconciliation of the Group Balance Sheet as published in the 2012/13 accounts, to the restated 2012/13 figures.

	Published 31 March 2013 £000s	Subsidiary adjustments £000s	Associate adjustments £000s	Restated 31 March 2013 £000s
Non-current assets				
Property, plant and equipment	2,105,590	(514)	0	2,105,076
Heritage assets	422,968	0	0	422,968
Investment properties	363,945	0	0	363,945
Intangible non-current assets	1,340	(150)	0	1,190
Long-term investment in joint ventures	794,496	5,984	(2,223)	798,257
Other long-term investments	2,308	0	0	2,308
Long-term debtors	108,881	(750)	0	108,131
Total non-current assets	3,799,528	4,570	(2,223)	3,801,875
Current assets				
Short-term investments	3,000	(3,000)	0	0
Inventories	591	0	0	591
Short-term debtors	113,507	1,223	0	114,730
Cash and cash equivalents	23,191	(13,890)	0	9,301
Short-term assets held for sale	5,748	0	0	5,748
Total current assets	146,037	(15,667)	0	130,370
Total assets	3,945,565	(11,097)	(2,223)	3,932,245
Current liabilities				
Short-term borrowing	(25,387)	0	0	(25,387)
Bank overdraft	(14,547)	4,361	0	(10,186)
Short-term creditors	(143,972)	3,198	0	(140,774)
Short-term provisions	(15,706)	189	0	(15,517)
Short-term deferred liabilities	(7,911)	0	0	(7,911)
Total current liabilities	(207,523)	7,748	0	(199,775)
Total assets less current liabilities	3,738,042	(3,349)	(2,223)	3,732,470
Long-term liabilities				
Long-term creditors	(2,357)	0	0	(2,357)
Long-term provisions	(4,746)	0	0	(4,746)
Long-term borrowing	(482,240)	(58)	0	(482,298)
Long-term deferred liabilities	(166,311)	0	0	(166,311)
Capital grants receipts in advance	(11,112)	0	0	(11,112)
Pensions liability	(814,084)	11,684	0	(802,400)
Total long-term liabilities	(1,480,850)	11,626	0	(1,469,224)
Net assets	2,257,192	8,277	(2,223)	2,263,246
Financed by:				
Usable reserves	355,319	0	0	355,319
Unusable reserves	1,213,204	(6,509)	0	1,206,695
Group income and expenditure reserve	688,669	14,786	(2,223)	701,232
Total reserves	2,257,192	8,277	(2,223)	2,263,246

Note 2. Reconciliation of the Group Movement In Reserves Statement

The table below shows a reconciliation of the Group Movement in Reserves Statement as published in the 2012/13 accounts, to the restated 2012/13 figures.

	Published Total Group Reserves £000s	Council restatements £000s	Subsidiary adjustments £000s	Associate adjustments £000s	Restated Total Group Reserves £000s
Balance at 31 March 2012	(2,382,590)	0	(3,239)	0	(2,385,829)
(Surplus) / deficit on provision of services	(332,281)	15,100	1,116	145	(315,920)
Other comprehensive income and expenditure					
(Surplus) on revaluation of non-current assets	(26,548)	(12,473)	0	0	(39,021)
Impairment losses on non-current assets charged to the revaluation reserve	0	12,473	0	0	12,473
(Surplus) on revaluation of available for sale financial assets	(278)	0	0	0	(278)
Actuarial losses on pension assets/liabilities	147,994	(15,100)	(3,994)	0	128,900
Share of other comprehensive income and expenditure of subsidiaries	226	0	(82)	0	144
Total comprehensive income and expenditure	(210,887)	0	(2,960)	145	(213,702)
Reversal of items debited or credited to the comprehensive income and expenditure statement	0	0	0	0	0
Insertion of items not debited or credited to the comprehensive income and expenditure statement	0	0	0	0	0
Other adjustments	0	0	0	0	0
Total adjustments between accounting basis and funding basis under regulations	0	0	0	0	0
Net (increase) / decrease before transfers to earmarked reserves	(210,887)	0	(2,960)	145	(213,702)
Transfers (to) / from earmarked reserves	0	0	0	0	0
Minority interest share of net assets on date of loss of control	336,285	0	0	0	336,285
(Increase) / decrease in year	125,398	0	(2,960)	145	122,583
Balance at 31 March 2013	(2,257,192)	0	(6,199)	145	(2,263,246)

Group Cash flow statement

The cash flow statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

	Published 2012/13 £000s	Council restatements £000s	Subsidiary adjustments £000s	Associate adjustments £000s	Restated 2012/13 £000s
Net (surplus) / deficit on the provision of services	(332,281)	15,100	1,116	145	(315,920)
Adjustments to net surplus / deficit on the provision of services for non-cash movements	109,884	(15,100)	483	0	95,267
Adjustments for items included in the net surplus / deficit on the provision of services that are investing and financing activities	86,680	0	7,099	(145)	93,634
Net cash flows from operating activities	(135,717)	0	8,698	(0)	(127,019)
Investing activities	139,456	0	0	0	139,456
Financing activities	27,808	0	0	0	28,639
Net decrease / (increase) in cash and cash equivalents	31,547	0	8,698	(0)	41,076
Cash and cash equivalents at the beginning of the reporting period	40,191	0	0	0	40,191
Cash and cash equivalents at the end of the reporting period	8,644	0	(13,890)	0	(885)

Note 3. Financing and Investment Income and Expenditure

The table below analyses the figures included in the Comprehensive Income and Expenditure Statement.

	Restated 2012/13 £000s	2013/14 £000s	Note
Interest payable on debt	42,206	25,081	a
Interest element of finance leases (lessee)	312	284	
Interest payable on PFI unitary payments	10,205	10,018	
Net interest on the net defined benefit liability	31,171	36,596	b
Investment Interest income	(1,716)	(12,075)	c
Investment Properties Impairment	26,515	15,712	
Change in fair value of investment properties	(25,390)	(45,920)	
Dividends receivable	(500)	(27,346)	d
Dividends payable	8,946	0	e
(Gain) / loss on trading accounts (not applicable to a service)	243	(778)	
Rentals received on investment properties	(20,908)	(17,023)	
Expenses incurred on investment properties	1,816	1,457	
Total financing and investment income and expenditure	72,900	(13,994)	

a. Interest Payable

These figures represent the actual external interest payable by the group as follows:

	Restated 2012/13 £000s	2013/14 £000s
Manchester City Council	25,027	24,025
Destination Manchester Limited	1,073	1,056
Manchester Airport Plc	16,106	0
Total	42,206	25,081

b. Net interest on the net defined benefit liability

These figures represent the net interest on the net defined benefit liability of the group as follows:

	Restated 2012/13 £000s	2013/14 £000s
Manchester City Council	31,000	36,318
Destination Manchester Limited	171	278
Total	31,171	36,596

c. Investment Interest Income

	Restated 2012/13 £000s	2013/14 £000s
Manchester City Council	(11,673)	(12,052)
Manchester Airport Plc	10,000	0
Destination Manchester Limited	(43)	(23)
Total	(1,716)	(12,075)

The above figures include consolidation adjustments where transactions between the Council and the subsidiary are eliminated for the purpose of preparing the group accounts.

d. Dividends Receivable

The dividends receivable figure is entirely attributable to Manchester City Council.

e. Dividends Payable

The dividends payable figures include consolidation adjustments where transactions between the Council and its subsidiaries are eliminated for the purpose of preparing the group accounts.

Note 4. Exclusion of Distributions from Group Entities Included in Manchester City Council's Single Entity Accounts

Related party transactions between the Council and Manchester Airport Group for the period 1 April 2012 to 28 February 2013 have been removed from the group income and expenditure account on consolidation. The amount removed in 2012/13 was £21,163,000.

Related party transactions between the Council and Destination Manchester Limited have been removed from the group income and expenditure account on consolidation. In 2013/14 the amount removed was £1,065,000 (£1,084,000 in 2012/13).

Note 5. (Surplus) / Deficit Attributable to Subsidiaries

This figure represents the total group (surplus) / deficit attributable to Manchester City Council's subsidiaries including the adjustments made for intra group transactions. The share of operating results of subsidiaries are included within the service gross income / expenditure that they relate to.

	2012/13 £000s	2013/14 £000s
Manchester Airport Plc	(394,940)	0
Destination Manchester Limited	(1,102)	15,475
Total	(396,042)	15,475

Note 6. (Surplus) / Deficit Attributable to Joint Venture

This figure represents the total (surplus) / deficit attributable to Manchester Airports Holdings Limited:

	2012/13 £000s	2013/14 £000s
(Surplus) / deficit before tax	18,214	(18,480)
Tax credits	(9,985)	(9,905)
(Surplus) / deficit after tax	8,229	(28,385)

Note 7. Calculation of gain on loss of control of subsidiary undertaking in 2012/13

	£000s
Net assets of Manchester Airport Plc as at 31 March 2012	761,900
Loss attributable to subsidiary for the period 1 April 2012 to 28 February 2013	(14,600)
Net assets of airport on date of loss of control	747,300
Less minority interest share of net assets on date of loss of control	(336,285)
Manchester City Council's share of net assets removed from the balance sheet on date of loss of control	411,015
Manchester City Council's equity share value of Manchester Airports Holdings Ltd at 31 March 2013	(799,400)
(Gain) on loss of control	(388,385)

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Note 8. Segmental Reporting Analysis

The table below is a reconciliation of the 2013/14 internal management reports (monitoring and output) used by the Council's Executive to make decisions and the 2013/14 Group Comprehensive Income and Expenditure Statement. The segments identified in the subjective analysis are the same segments that are reported to Executive during the year. The management reports of group entities are not reported to the Council's Executive Committee therefore the subjective analysis will not differ to that in the Council's single entity statements.

Subjective Analysis	Chief Executives £000s	Children's Services £000s	Directorate for Adults £000s	Corporate Services £000s	Neighbourhood Services £000s	Housing Revenue Account £000s	Total £000s
Fees Charges and Other Service Income	(9,150)	(59,353)	(40,674)	(70,321)	(63,850)	(64,833)	(308,181)
Government Grants	(938)	(375,056)	(9,145)	(273,506)	(5,194)	(17,272)	(681,111)
Total Income	(10,088)	(434,409)	(49,819)	(343,827)	(69,044)	(82,105)	(989,292)
Employee Expenses	33,770	271,464	67,072	41,956	50,005	3,752	468,019
Other Operating Expenses	19,941	263,707	184,996	337,034	126,907	80,459	983,044
Support Services Recharges	(4,148)	2,320	4,990	(20,214)	(8,612)	755	(24,909)
Total Operating Expenses	49,563	537,491	257,058	358,776	168,300	64,966	1,436,154
Cost of Services	39,475	103,082	207,239	14,949	99,256	(17,139)	446,862

Reconciliation to net cost of services in the Group Comprehensive Income and Expenditure Statement (CIES)

Cost of services in service analysis	£000s
Add amounts not reported to management*	446,862
Remove amounts reported to management not included in net cost of services in CIES	189,400
	(51,833)
Net cost of services in comprehensive income and expenditure statement	584,429

Reconciliation to subjective analysis	Service Analysis as Reported to Executive £000s	Not Reported to Management*	Not Included in CIES Net Cost of Services £000s	Allocation of Recharges £000s	Net Cost of Services £000s	Corporate Amounts £000s	Joint Venture not in NCS £000s	Total £000s
Fees, charges & other service income	(308,181)	51,648	(4,821)	0	(261,354)	(167,097)	(9,905)	(438,356)
Share of operating income of associates and joint ventures	0	0	0	0	0	0	(254,322)	(254,322)
Interest and investment income	0	(2,043)	137	0	(1,906)	(42,641)	0	(44,547)
Income from council tax	0	0	0	0	0	(112,855)	0	(112,855)
Distribution from NINDR pool	0	0	0	0	0	(97,383)	0	(97,383)
Government grants and contributions	(681,111)	13,903	(36,342)	0	(703,550)	(389,676)	0	(1,093,226)
Total Income	(989,292)	63,508	(41,026)	0	(966,810)	(809,552)	(264,227)	(2,040,689)
Employee expenses	468,019	(137)	5,449	(1,437)	471,894	0	0	471,894
Other service expenses	993,044	(32,208)	8,384	(23,472)	945,748	17,694	0	963,442
Share of operating expenditure of associates	0	0	0	0	0	0	235,842	235,842
Support Services Recharges	(24,909)	0	0	24,909	0	0	0	0
Depreciation, amortisation and impairment	0	158,237	9,125	0	167,362	0	0	167,362
Interest payments	0	0	(387)	0	(387)	38,601	0	38,214
Pension interest costs	0	0	0	0	0	135,553	0	135,553
Precepts and levies	0	0	(33,378)	0	(33,378)	70,802	0	37,424
Payments to housing capital receipts pool	0	0	0	0	0	1,944	0	1,944
(Gain) or loss on disposal of non-current assets	0	0	0	0	0	20,639	0	20,639
Total operating expenses	1,436,154	125,892	(10,807)	0	1,551,239	285,233	235,842	2,072,314
(Surplus) / deficit on provision of services	446,862	199,400	(51,833)	0	584,429	(524,419)	(26,385)	31,625

*Items not reported to management include depreciation, impairment and IAS19 pension adjustments.

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Note 8. Segmental Reporting Analysis

The table below is a reconciliation of the 2012/13 internal management reports (monitoring and outturn) used by the Council's Executive to make decisions and the 2012/13 Group Comprehensive Income and Expenditure Statement. Segments are identified based on business units reported to Executive. The management reports of group entities are not reported to the Council's Executive Committee therefore the subjective analysis will not differ to that in the Council's single entity statements.

Subjective Analysis	Chief Executives £000s	Children's Services £000s	Directorate for Adults £000s	Corporate Services £000s	Neighbourhood Services £000s	Housing Revenue Account £000s	Total £000s
Fees Charges and Other Service Income	(70,389)	(113,631)	(63,041)	(23,358)	(53,160)	(72,716)	(391,275)
Government Grants	(3,114)	(384,216)	(4,418)	(321,526)	(4,346)	(15,441)	(733,063)
Total Income	(73,483)	(497,849)	(57,459)	(344,884)	(62,506)	(88,157)	(1,124,333)
Employee Expenses	62,366	323,750	54,767	26,655	54,120	2,359	524,059
Other Operating Expenses	63,976	304,908	177,423	342,854	122,924	65,251	1,081,336
Support Services Recharges	(18,070)	4,433	(12,322)	(3,071)	(10,700)	1,044	(38,686)
Total Operating Expenses	114,274	631,091	219,868	366,438	166,344	68,694	1,566,709
Cost of Services	40,791	133,242	162,409	21,554	103,838	(19,463)	442,371

Reconciliation to net cost of services in the Comprehensive Income and Expenditure Statement (CIES)

Cost of services in service analysis	442,371
Add analysis of subsidiaries not included in net cost of services	(52,154)
Add amounts not reported to management*	120,388
Remove amounts reported to management not included in net cost of services in CIES	(20,116)
Net cost of services in comprehensive income and expenditure statement	490,467

Reconciliation to subjective analysis	Service Analysis as Reported to Executive £000s	Analysis of subsidiary not included in service analysis (Restated) £000s	Not Reported to Management* £000s	Not Included in CIES Net Cost of Services £000s	Allocation of Recharges £000s	Net Cost of Services (Restated) £000s	Corporate Amounts (Restated) £000s	Subsidiary & Joint Venture not in NCS (Restated) £000s	Total (Restated) £000s
Fees, charges & other service income	(391,275)	(326,703)	0	131,829	0	(588,154)	(157,701)	(398,372)	(1,142,226)
Share of operating income of associates and joint ventures	0	0	0	0	0	0	0	(35,946)	(35,946)
Interest and investment income	0	0	(748)	497	0	(251)	(11,445)	21,022	9,326
Income from council tax	0	0	0	0	0	0	(144,170)	0	(144,170)
Distribution from MANDR pool	0	0	0	0	0	0	(324,129)	0	(324,129)
Government grants and contributions	(733,063)	0	(4,095)	3,602	0	(733,556)	(145,313)	0	(878,869)
Total Income	(1,124,338)	(326,703)	(4,843)	135,928	0	(1,319,961)	(782,759)	(413,295)	(2,516,014)
Employee expenses	524,059	99,671	3	617	(192)	624,158	0	0	624,158
Other service expenses	1,081,336	174,893	22,622	(118,492)	(86,494)	1,121,855	31,216	28,375	1,181,447
Share of operating expenditure of associates and joint ventures	0	0	0	0	0	0	0	54,160	54,160
Support Services Recharges	(38,686)	0	0	0	36,686	0	0	0	0
Depreciation, amortisation and impairment	0	0	102,596	(7,060)	0	95,506	0	0	95,506
Interest payments	0	0	0	(3,027)	0	(3,027)	38,851	17,178	53,002
Pension interest costs	0	0	0	0	0	0	121,300	171	121,471
Precepts and levies	0	0	0	(28,064)	0	(28,064)	64,683	0	36,629
Payments to housing capital receipts pool	0	0	0	0	0	0	32,394	0	32,394
(Gain) or loss on disposal of non-current assets	0	0	0	0	0	0	0	0	0
Total operating expenses	1,566,709	274,554	125,211	(156,046)	0	1,810,428	269,782	99,884	2,200,094
(Surplus) / deficit on provision of services	442,371	(52,154)	120,368	(20,116)	0	490,467	(492,976)	(313,411)	(315,920)

*Items not reported to management include depreciation, impairment and IAS19 pension adjustments.

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Note 9. Property Plant and Equipment

Movements on tangible non-current assets in the group during 2013/14 were as follows:

	Property, Plant and Equipment						Total £000s
	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	
Movement in 2013/14							
Gross book value brought forward	420,050	1,195,237	57,614	427,327	26,022	156,943	2,504,922
Accumulated depreciation and impairment brought forward	(34,565)	(240,702)	(21,015)	(67,585)	(123)	(5,549)	(399,846)
Net book value carried forward as at 31 March 2013	385,485	954,535	36,599	359,742	25,899	151,394	2,105,076
Additions	21,203	51,761	10,853	14,648	325	59,077	174,813
Revaluations recognised in revaluation reserve	15,894	23,976	0	0	0	0	37,403
Revaluations recognised in deficit on the provision of services	(4,037)	(51,360)	0	0	0	0	(69,186)
Derogation - disposals	0	(18,749)	(96)	0	0	0	(12,413)
Derogation - components	0	0	0	0	0	0	0
Transferred from held for sale	(2,496)	0	0	0	0	0	(10,889)
Other transfers	2,291	132,746	3,224	(901)	(160)	(136,814)	(683)
Other movements in cost or valuation - newly recognised leases	6,903	0	88	0	0	0	6,989
Depreciation	(11,058)	(23,472)	(6,358)	(7,357)	(1)	0	(48,675)
Impairments charged to the comprehensive income and expenditure statement	(16,798)	(72,172)	(1,866)	0	0	0	(92,426)
Impairments covered by the revaluation reserve	(7,883)	(7,531)	(734)	0	0	0	(16,203)
Reversal of prior year impairment	0	682	0	0	0	0	682
Net Book Value carried forward as at 31 March 2014	389,504	990,416	41,948	366,133	26,063	73,857	2,053,643
Gross book value carried forward	419,547	1,302,884	69,913	441,074	26,134	73,857	2,528,128
Accumulated depreciation and impairment carried forward as at 31 March 2013	(30,043)	(312,458)	(27,965)	(74,941)	(71)	0	(474,485)
Net Book Value carried forward as at 31 March 2014	389,504	990,416	41,948	366,133	26,063	73,857	2,053,643

Movements on non-current assets in the group during 2012/13 were as follows:

	Property, Plant and Equipment (Restated)						Total £000s
	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	
Movement in 2012/13							
Gross book value brought forward	449,809	1,841,479	47,136	404,177	25,945	167,060	3,117,783
Accumulated depreciation and impairment brought forward	(47,206)	(357,705)	(16,307)	(60,569)	(85)	(6,791)	(508,098)
Net book value carried forward as at 31 March 2012	402,603	1,483,774	30,829	343,608	25,860	160,269	2,609,685
Removal of asset values relating to loss of control of Manchester Airport Pic	0	(493,300)	0	0	0	0	(493,300)
Additions	19,288	27,913	9,229	23,149	46	60,514	14,643
Revaluations recognised in revaluation reserve	3,634	8,066	0	0	0	0	154,782
Revaluations recognised in deficit on the provision of services	(7,548)	(7,663)	(646)	0	0	0	(13,311)
Derogation - disposals	0	(32,393)	0	0	0	0	(2,044)
Derogation - components	0	0	0	0	0	0	(3,409)
Transferred from held for sale	(2,371)	(105)	0	0	0	0	(7,489)
Other transfers	(2,996)	41,000	162	0	13	(69,389)	29,547
Other movements in cost or valuation - newly recognised leases	(11,337)	(24,154)	(5,210)	(7,016)	(20)	0	(518)
Depreciation	(14,161)	(38,132)	(1,827)	0	0	0	(3,286)
Impairments charged to the comprehensive income and expenditure statement	(1,527)	(10,471)	0	0	0	0	(375)
Impairments covered by the revaluation reserve	0	0	0	0	0	0	0
Net book value carried forward as at 31 March 2013	385,485	954,535	36,599	359,742	25,899	151,394	2,105,076
Gross book value carried forward	420,050	1,195,237	57,614	427,327	26,022	156,943	2,504,922
Accumulated depreciation and impairment carried forward as at 31 March 2013	(34,565)	(240,702)	(21,015)	(67,585)	(123)	(5,549)	(399,846)
Net book value carried forward as at 31 March 2013	385,485	954,535	36,599	359,742	25,899	151,394	2,105,076

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Note 10. Long-term Investments

	31 March 2013 £000s	31 March 2014 £000s
Investments in organisations included in the group statements		
Manchester Airports Holdings Ltd	791,170	861,914
Investments in subsidiaries not included in the group statements		
Manchester Mortgage Corporation Plc Share Capital	5,984	6,067
Investments in associates not included in the group statements		
National Car Parks (Manchester) Ltd Share Capital	1,103	1,103
Eastlands Development Company Limited	0	1,300
	798,257	870,384
Other long-term investments	2,308	2,579
Total other long-term investments	2,308	2,579
Total Long-Term Investments	800,565	872,963

Further details can be found in the Council's accounts note 30.

Note 11. Debtors

As the balance sheet date represents the position at the end of the financial year, there are monies owed to the Group at that date which are yet to be received in cash. The following analysis shows the amounts owed to the Group which had not been received at 31 March 2014. Amounts owed to the Council by Destination Manchester Ltd have been removed as they are classed as intra-company transactions.

The Council also makes provision for outstanding monies which it is anticipated will not be recovered. These amounts are then deducted from the total value of debtors shown in the accounts.

	Restated 31 March 2013 £000s	31 March 2014 £000s
Short-term debtors - Manchester City Council		
Manchester City Council debtors and payments in advance	113,779	148,001
Adjustments for intra-company transactions	(1,309)	(3,358)
	112,470	144,643
Short-term debtors - Destination Manchester Limited		
Trade debtors	1,701	1,726
Prepayments and accrued income	438	1,422
Other debtors	121	95
Total	114,730	147,886

Further details can be found in the Council's accounts note 31.

These are amounts that are owed to the Group which are being repaid over various periods longer than one year. Long-term debt which has become due in less than twelve months has been reclassified as short-term debt. Long-term debt owed to the Council by Destination Manchester Ltd has been removed from the group accounts as it is classed as an intra-company transaction.

	Restated 31 March 2013 £000s	31 March 2014 £000s
Long-term debtors		
Mortgages		
Housing Revenue Account	149	118
General Fund	125	96
Manchester Airports Holdings Limited	83,168	83,168
Ex GMC debt	191	167
PFI prepayments	9,640	9,908
Private Sector Loans - soft loans	292	262
Private Sector Loans - embedded derivatives	7,768	8,016
Equity Mortgages	2,849	3,038
Eon Reality	2,200	2,200
Bluethorn Developments Ltd / Blueindale Ltd	0	3,468
Greater Manchester Loans Fund	0	1,258
Other	1,749	3,343
Total	108,131	115,042

Further details can be found in the Council's accounts note 31.

Note 12. Analysis of Bank Overdraft and Cash and Cash Equivalents

	Restated 31 March 2013 £000s	31 March 2014 £000s
Bank Overdraft and Cash and Cash equivalents		
Cash at bank and in hand	4,423	(10,553)
Call accounts	9,239	28,506
Investments less than 3 months	0	21,001
Bank overdraft	(14,547)	0
Total	(885)	38,954

Note 13. Short-Term Creditors

As the Group's Balance Sheet represents the financial position at the end of the financial year, these are monies owed by the Group at that date which have yet to be paid. There are also amounts which the Council has received before the end of the financial year which relates to services which have not yet been provided. This analysis shows the amounts owed which had not yet been paid and the amounts received in advance as at 31 March 2014. Amounts owed by the Council to Destination Manchester Ltd have been removed as they are classed as intra-company transactions.

	Restated 31 March 2013 £000s	31 March 2014 £000s
Manchester City Council	135,064	139,684
Adjustments for intra-company transactions (trade creditors)	0	(382)
	135,064	139,302
Destination Manchester Limited		
Trade Creditors	944	959
Accruals and deferred income	4,177	4,430
Corporation tax	216	28
Other taxes and social security costs	373	495
Adjustments for intra-company transactions with the Council	0	(785)
Total	140,774	144,429

Note 14. Deferred Liabilities

	31 March 2013 £000s	Repaid in year £000s	Write down of finance lease deferred liability £000s	Additions in year £000s	31 March 2014 £000s	Short Term 31 March 2014 £000s	Long Term 31 March 2014 £000s
Ex GMC debt	19,484	(1,724)	0	0	17,760	1,811	15,949
Finance leases	4,320	(1,468)	(96)	86	2,842	1,178	1,664
Private Finance Initiatives	148,600	(4,728)	0	6,903	150,775	5,572	145,203
Deferred taxation (Destination Manchester Ltd)	1,818	0	0	0	1,818	0	1,818
	174,222	(7,920)	(96)	6,989	173,195	8,561	164,634

Note 15. Group Reserves

	31 March 2013 £000s	31 March 2014 £000s
Usable Reserves		
Manchester City Council *	355,319	437,386
Unusable Reserves		
Manchester City Council *	1,206,695	1,224,049
Group Income and Expenditure Reserve (restated)		
Manchester Airports Holdings Ltd	678,816	749,560
Destination Manchester Ltd	22,416	5,735
Total Group Income and Expenditure Reserve (restated)	701,232	755,295
Total	2,263,246	2,416,730

* Further detail can be found in the Council's accounts notes 37 and 38.

Note 16. Contingent Liabilities of Associates and Joint Ventures

Manchester Airports Holdings Ltd has a contingent liability in respect of claims that have been made from individual property owners in respect of alleged loss of property value arising from the development and use of new or extended airport runways. Manchester Airports Holdings Ltd will defend any proceedings in respect of these claims and whilst the outcome of these claims is currently uncertain, it is the directors' opinion based on legal and property advice that no further material cost will be incurred.

Note 17. Capital Commitments

Manchester Airport Holdings Ltd have contracted capital expenditure which has not been accounted for in the financial statements. The Council's share of these capital commitments amounts to £12.7m in 2013/14 (£7.9m in 2012/13).

Note 18. Related Party Transactions

As at 31 March 2014 the amount of loans outstanding owed by Manchester Airports Holdings Limited to Manchester City Council was £83.2m.

Destination Manchester Limited purchased goods and services from Manchester City Council during 2013/14 to the value of £0.393m and had outstanding loans to the Council of £22.4m.

The directors of Destination Manchester Limited are Richard Paver, the City Treasurer of the City Council and Sir Howard Bernstein, the Chief Executive of the City Council.

There are two non-executive directors on the board of Manchester Airports Holdings Limited who are representatives of the City Council. These are Cllr Sir Richard Leese, Leader of the City Council, and Cllr Bernard Priest, Deputy Leader of the City Council.

Note 19. Cash Flow Statement - Adjustments to net surplus or deficit on the provision of services for non-cash movements

	Restated 2012/13 £000s	2013/14 £000s
Depreciation of non current assets	(112,485)	(48,676)
Impairment of non current assets	(100,047)	(177,194)
Amortisation of intangible non-current assets	(406)	(426)
Pension fund adjustments	(25,833)	(46,892)
Movement in market value of investment property	22,088	45,920
Donated assets fair value	910	0
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	4,019	29
(Increase) in impairment for provision for bad debts	(6,957)	(7,585)
Contributions to provisions	(3,802)	(4,385)
Carrying amount of property, plant and equipment, investment properties and intangible assets sold	(42,436)	(39,343)
Amount by which council tax income and business rates adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulation	0	(40,066)
Other non-cash movements	374,965	(7,121)
Increase / (decrease) in inventories	(241)	228
Increase / (decrease) in debtors (less capital)	(3,598)	38,089
Increase in interest debtors	203	29
(Increase) / decrease in creditors (less capital)	(14,934)	(11,288)
Decrease in interest creditors	3,821	(2,995)
Total	95,267	(301,676)

Note 20. Cash Flow Statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

	Restated 2012/13 £000s	2013/14 £000s
Proceeds from the disposal of property, plant and equipment, investment properties and intangible assets	11,661	23,160
Capital Grants credited to surplus or deficit on the provision of services	56,410	67,720
Purchase of property, plant and equipment	51,944	0
Purchase of intangible assets	9,167	0
Other adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities	(35,548)	29,472
Total	93,634	120,352

Note 21. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	Restated 2012/13 £000s	2013/14 £000s
Interest received	(1,471)	(7,014)
Interest paid	57,231	35,681
Dividends received	(500)	(27,346)
Taxation	13,658	170
Total	68,918	1,491

Note 22. Cash Flow Statement - Investing Activities

	Restated 2012/13 £000s	2013/14 £000s
Purchase of plant, property and equipment, investment property and intangible assets	209,876	197,829
Purchase of short term and long term investments	0	1,500
Proceeds of plant, property and equipment, investment property and intangible assets	(15,145)	(23,164)
Capital grants received	(39,317)	(47,023)
Other receipts from investing activities	(15,959)	(17,257)
Total	139,456	111,885

Note 23. Cash Flow Statement - Financing Activities

	Restated 2012/13 £000s	2013/14 £000s
Repayments of long and short term borrowing	11,648	55,000
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	6,838	5,995
Equity dividends paid	9,035	0
Cash receipts of long and short-term borrowing	(15,000)	(39,555)
Net payments / (receipts) relating to preceptors element of council tax	6,642	(1,138)
Net payments / (receipts) relating to national non domestic rates	9,476	(22,327)
Total	28,639	(2,025)

Audit Status

The City Council's accounts are subject to audit in accordance with the Audit Commission Act 1998 (formerly part of the Local Government Finance Act 1982) and the Code of Audit Practice.

GLOSSARY OF FINANCIAL TERMS

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

Agency Services

Services that are performed by or for another authority or public body, where the authority responsible for the service reimburses the authority carrying out the work for the cost of that work.

Amortisation

A charge to the comprehensive income and expenditure statement spread over a number of years.

Assets

Items of worth that are measurable in terms of value. Current assets are ones that may change in value on a day-to-day basis (e.g. inventory). Non current assets are assets that yield benefit to the Council for a period of more than one year (e.g. land).

Balances

The reserves of the Council, which include the accumulated surplus of income over expenditure.

Capital Expenditure

Expenditure on the acquisition or enhancement of property, plant and equipment that have a long-term value to the Council. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own property, plant and equipment.

Capital Receipts

Money received from the sale of property, plant and equipment or repayment of a capital advance.

Collection Fund

The fund maintained by the Council into which are paid the amounts of Council Tax and Business Rates that it collects, and out of which are to be paid precepts issued by precepting authorities, its own demands and share of business rates to Central Government and the Fire and Rescue Authority.

Community Assets

These are assets that the Council intends to hold in perpetuity, which have no determinable finite useful life and may have restrictions on their disposal (e.g. parks).

Contingent Assets

Sums due from individuals or organisations that may arise in the future but which cannot be determined in advance.

Contingent Liabilities

Sums due to individuals or organisations that may arise in the future but which cannot be determined in advance.

Core Cities

Core Cities are a unique and united local authority voice to promote the role of cities in driving economic growth, representing the councils of England's eight largest city economies outside London - Birmingham, Manchester, Liverpool, Leeds, Sheffield, Bristol, Newcastle and Nottingham.

These cities drive local and underpin national economies. Working in partnership, they aim to enable each City to enhance their economic performance and make them better places to live, work, visit and do business.

Corporate and Democratic Core

This comprises the activities that all local authorities engage in because they are elected multi-purpose authorities. The cost of these activities is over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services.

Creditors

Amounts owed by the Council for goods and services provided by the balance sheet date, where payment has not been made at that date.

Current Service Cost

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

Curtailments

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

Debtors

Sums of money owed to the Council at the balance sheet date but not received at that 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.

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or 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.

Depreciated Replacement Cost

A method of valuation that provides a proxy for the market value of specialist properties.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of property, plant and equipment.

Exceptional Items

Material items which derive from effects or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expenditure

Amounts paid by the Council for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment - expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arms length transaction.

Fees and Charges

Income arising from the provision of services, e.g. the use of leisure facilities.

Finance Lease

A finance lease is one that transfers substantially all the risks and rewards of ownership of items of property, plant and equipment to a lessee.

General Fund

The total services of the Council except for the Housing Revenue Account and the Collection Fund. Council Tax, Government Grants and Business Rates meet the net cost of this.

Impairment

A reduction in the value of a property, plant and equipment below its carrying amount in the balance sheet.

Income

Amounts due to the Council for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve cash being received - income is deemed to have been earned once the goods or services have been supplied even if the cash has not been received.

Infrastructure Assets

These are inalienable assets, expenditure on which is recoverable only by continued use of the asset created. Examples of such assets are highways and footpaths.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities that arise from the passage of time.

International Financial Reporting Standards (IFRS)

These are statements prepared by the International Accounting Standards Board to ensure consistency in accountancy matters. Many of these standards now apply to local authorities and any departure from these must be disclosed in the published accounts.

Inventory

Raw materials and consumable items the Council has purchased to use on a continuing basis and has not used by the end of the financial year.

Investment Properties

These are property or land that is held solely to earn rental income or for capital appreciation or both.

Liabilities

Amounts due to individuals or organisations that will have to be paid at some time in the future. Current liabilities are payable within one year of the balance sheet date.

Long-term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or service where the time taken to complete the contract is such that the contract activity falls into different accounting periods.

Minimum Revenue Provision (MRP)

This is the amount that is charged to an authority's Movement in Reserves Statement each year and set aside as a provision for credit liabilities.

National Non-Domestic Rate (NNDR)

All non-domestic properties have been valued and the Government determines a national rate poundage each year, which is payable to all local authorities. Local authorities collect the national non-domestic rate and pass 50% to the Government.

Operating Lease

A lease other than a finance lease.

Past Service Cost

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

Precept

The amount levied by the various joint authorities (e.g. fire and rescue authority), which is collected by the Council on their behalf.

Provisions

These are sums set aside to meet liabilities or losses that have been incurred but where the amount and/or timing of such costs are uncertain.

Public Works Loan Board (PWLB)

A Government agency that lends money to local authorities. Local authorities are able to borrow some or all of their requirements to finance capital expenditure from this source.

Residual Value

The net realisable value of property, plant or equipment at the end of its useful life.

Reserves

These are sums set aside to meet possible future costs where there is no certainty about whether or not these costs will be incurred.

Revenue Contributions

The method of financing capital expenditure directly from revenue.

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

These are items of capital expenditure that do not result in, or remain matched by, the Council's property, plant and equipment.

Revenue Support Grant (RSG)

A grant paid by the Government to each local authority to help to finance its general expenditure.

Settlement

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligations and the assets used to effect the settlement.



**MANCHESTER
CITY COUNCIL**

Manchester City Council
Annual Governance Statement 2013/14

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1. Scope of Responsibility

- 1.1 Manchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.
- 1.2 In discharging these responsibilities, the Council must put in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes arrangements for the management of risk. The Council first adopted a Code of Corporate Governance in June 2008. This Code is included in the Council's Constitution (part 6 section G). It sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose.
- 1.3 The Code of Corporate Governance and the Council's Constitution are reviewed annually to ensure they remain consistent with the principles of the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) joint framework for delivering good governance in local government (2012).
- 1.4 This Annual Governance Statement (AGS) explains how Manchester City Council has complied with the Code of Corporate Governance. The AGS also meets the requirements of the Accounts and Audit (England) Regulations 2011 regulation 4(3) which requires all relevant bodies to prepare an Annual Governance Statement (AGS).
- 1.5 Further details on any areas of particular interest can be accessed by clicking on the hyperlinks (highlighted and underlined throughout the document).

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, cultures and values by which the Council is directed and controlled, and through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives as set out in the Community Strategy, and to consider whether those objectives have led to the delivery of appropriate, cost effective services. These objectives are underpinned by the corporate values of People, Pride and Place.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control identifies and prioritises risks; evaluates the likelihood of those risks being realised and the impact should they be realised; and aims to manage them efficiently, effectively and economically.

3. Context of 2013/14 AGS

- 3.1 The Annual Governance Statement forms part of the Council's Annual Statement of Accounts. The Statement of Accounts includes a foreword from the City Treasurer which sets out the legislative and policy changes over 2013/14 which have shaped how the Council functions. The key changes are summarised here and set out in detail in the foreword to the Statement of Accounts.

The Greater Manchester Strategy 2013 – 2020

- 3.2 The circumstances in which the Greater Manchester Combined Authority operates have changed drastically since publication of the first GMS in 2009. The economy has now returned to growth following the downturn. However, reduced public sector funding and the impact of welfare reform will mean the delivery of GM's ambitious economic growth objectives will continue to be challenging. In light of this a refreshed strategy, Stronger Together – Greater Manchester Strategy 2013 - 2020, was published during 2013. This outlined the following key priorities
- Creating the conditions for growth;
 - Delivering an integrated approach to employment and skills, to prevent and reduce youth unemployment;
 - Supporting business growth and
 - Building independence and raising aspirations through public service reform.

Greater Manchester City Deal

- 3.3 In March 2012, Government announced a bespoke City Deal with Greater Manchester Combined Authority empowering the city region to make its own decisions on maximising economic growth, based on the unique needs and opportunities of the area's economy. The City Deal Implementation Plan sets out the delivery programme for the different elements of City Deal including the Earnback mechanism for funding transport infrastructure, the creation of a City Apprenticeship and Skills Hub and work with government on devolution of transport funding.

The Manchester Way – Manchester's Community Strategy 2006 – 2015

- 3.4 The Manchester Way sets out the vision for the city. Since 2006 there have been major financial and policy changes which bring new challenges for the city and its communities. Because of this the Manchester Partnership set out a strategic narrative shaping the priorities for the remaining years of the Community Strategy around Growth, People and Place. The refreshed strategy provides a framework for the Council's budget setting, supporting alignment of budget decisions with priorities: supporting growth and investing in people to build personal and community resilience, to reduce demand on high cost public services. The Manchester Partnership is now working on a successor to the Community Strategy.
- 3.5 During 2013/14 the Manchester Partnership reviewed its governance arrangements and agreed to replace the Manchester Board with the Manchester Leaders' Forum. The Forum will include leaders from a range of sectors and will enhance the partnership's leadership capacity and ability to drive forward strategic priorities. It will play a key role in developing the successor to the Community Strategy.

Transformation of Council Services

- 3.6 The directorates for Children and Commissioning and Families, Health and Wellbeing were brought together in a new single Directorate for Children and Families from April 2014. This supports the integration of health and social care provision based on a whole family model. It will also provide a solid infrastructure to continue new ways of delivering services such as Troubled Families, Early Years and Health and Social Care integration. The new Directorate will be led for a two year period by the Deputy Chief Executive (People), working alongside the statutory Directors of Children's Services and Adult Social Services.
- 3.7 A new Growth and Neighbourhoods Directorate has also been created bringing together the neighbourhood delivery and economic development functions from within the previous Neighbourhood Services Directorate and Regeneration Division. The creation of this new directorate will better align the Council's leadership and operational capacity around local areas, and with the city's growth priority. The new Directorate is led by the Deputy Chief Executive (Growth and Neighbourhoods).

Public Service Reform

- 3.8 Building on progress made last year, the Council continues to roll out and monitor the effectiveness of several major public service reform programmes designed to support people into independence;
- The integration of Health and Social Care
 - Transforming the Justice System
 - Increasing work and skills
 - Providing early intervention through integrated service delivery between health and local authorities for 0 – 4 year olds
 - Reducing the number of 'Troubled Families'.

Living Longer, Living Better

- 3.9 Across Greater Manchester a programme entitled "Healthier Together" has been designed to reconfigure hospital services to address the inconsistent outcomes from hospital services and their uncertain financial sustainability. Across Manchester new models of primary medical care are being developed with three key aims; increase the scope of services delivered through primary care, bring consistency as part of the system and introduce a representative provider voice to primary care. The goal for Manchester is for the population to be living longer and living better, which is the name given to the integrated health and social care programme. This is part of the growth and reform plans within health and social care being led by the Health and Wellbeing Board.

Influencing Behaviours

- 3.10 A key component of the Council's approach to people based reform is influencing behaviour. A programme of work is being undertaken to understand what behaviours the Council needs to influence and change, be they behaviours of local residents, such as not littering, having a good attendance record at school, or accessing services online, or behaviours of staff or partners, such as working together more efficiently or improving motivation and engagement.

Financial Settlement 2013/15

- 3.11 During the year 2013/14 the Council has implemented changes to save the £80m required by the 2013/15 settlement. Staffing levels have fallen by approximately one third between December 2010 and December 2013, a total of £24m of the £80m has been saved through staff leaving the organisation. Workforce reductions during this budget period have been enabled through a Voluntary Early Retirement and Severance Scheme which has supported workforce reductions aligned to the organisation's objectives and transformation. Central to the operation of the scheme was the objective of ensuring that the skills needed for the future were not lost and transition well managed whilst savings were delivered. Delivery of these workforce savings in this context has been underpinned by a focus on skills development, succession planning, career pathways and the work to influence behaviours as outlined above.
- 3.12 Government has now published the local government finance settlements for 2014/15 and provisional settlement for 2015/16. The Council will need to make almost £100m of savings over 2015/16 and 2016/17. This combined with the increased cost of the levies for Waste Disposal and Transport has led to a 40% reduction in resources available to support directorates' net revenue budgets. There have also been considerable changes to how local government is funded including the partial re-localisation of business rates; localisation of council tax support and associated reduction in funding and the transfer of responsibility for public health. Together these bring more volatility and uncertainty to the level of resource the Council will receive.

Welfare Reform

- 3.13 The Welfare Reform Act 2012 has fundamentally changed the administration of and entitlement to welfare benefits and the process of getting people ready for work. Claimants who are losing entitlement to benefits as a result of the reforms may be in need of additional support from the Council and other organisations, and this has been seen in applications to discretionary funds such as the Local Welfare Scheme. The Council is also subject to new duties in its council tax collection and benefits administration role, such as the operation of the Council Tax Support Scheme. Through the Welfare Reform Programme Board, the Council is monitoring the impact of welfare reform and how best to support local citizens.

Education Reform

- 3.14 Legislation, such as the Academies Act 2010, has led to considerable change in education policy and the role of local authorities. A major change has been a significant number of schools have converted to academies which are directly accountable to the Secretary of State, rather than the local authority. To respond positively to the changes, The Council has appointed a Director of Education and Skills to provide strategic direction by strengthening partnership working, and linking education and skills to the city's growth strategy. Against this background a Strategic Education Partnership (SEP) has been developed, to agree and connect educational, skills and employment priorities for Manchester. A school-led organisation, the Manchester Schools Alliance has also been formed which will ensure that the SEP can deliver the vision for the development of education and skills in the city.

4. The Governance Framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. The Council operates to a Code of Corporate Governance. The Code was updated in 2013 to ensure it reflected the Council's current governance arrangements. It was approved as part of the refreshed Constitution, at the Council meeting in May 2013. The Code was last reviewed in January 2014 and was found to be fit for purpose. The table below includes examples of the how the Council has adhered to its governance commitments set out in the Code and includes hyperlinks to sources of further information which include more detail about how the Council has implemented its commitments.

Principle 1: Focussing on the Council's purpose and outcomes for the community and on implementing a vision for the local area.		Where you can see Governance in action
Commitment to Good Governance	How the Council meets these principles	
<p>The Council will exercise strategic leadership by developing and clearly communicating its purpose and vision and its intended outcome for citizens and service users.</p>	<p>The Council and its partners have set out their objectives in the 'Manchester Way', Manchester's Community Strategy. A revised approach to achieving these objectives has been defined in a new strategic narrative. The Council and its partners' focus here supports the objectives for Greater Manchester described in the recently updated Greater Manchester Strategy 2013 - 2020. Progress towards these objectives is set out in the annual State of the City report.</p> <p>The Council's strategic and financial approach to delivering the vision for the city is set out in 'Budget 2015/17 – A Strategic Response' and the Medium Term Financial Plan for 2015/16 – 2016/17. Directorate Business Plans set out how the three Council directorates support this approach. Last year the Council consulted with local people and businesses on its budget for 2014/15, including through a video giving local people an overview of the budget setting process and how they can contribute their views.</p> <p>Elected members led on the development of ward plans and local plans setting the vision for addressing the needs of their local areas. The Council continues to communicate its purpose and performance through a number of channels including its website, social media, local and business specific media partners and online publications such as its Annual Report.</p> <p>The Council leads the Strategic Education Partnership, which works with schools and business to promote economic growth, reduce dependency, and create a skilled workforce able to access a range of economically rewarding jobs.</p>	<p>Greater <u>Manchester Strategy</u></p> <p><u>The Manchester Way</u></p> <p><u>Strategic Narrative</u></p> <p><u>State Of The City Report</u></p> <p><u>Budget 2015/17 Strategic Response</u></p> <p><u>Business Plans Annual Report</u></p> <p><u>The School Governance Strategy</u></p>

	<p>The School Governance Strategy sets out the Council's approach to securing effective governance of schools and its role in supporting this within the context of local and national developments that are shaping the role of school governance. The School Governance Unit manages the Council's statutory responsibilities and partnership working with key stakeholders to support the development of the Council's strategy for effective governance.</p>	
<p>The Council will ensure that service users receive a high quality of service.</p>	<p>A Performance Management Framework enables the Council and its Committees to access timely and accurate information about service delivery. This supports service managers to intervene to address any barriers to good performance. Workforce Plans are in place for each directorate. These plans include details of development activity to support staff in improving their skills to provide a high quality service and meet service and team objectives. This is key to the 'Golden Thread' linking the Community Strategy to service and team plans, and individual appraisals. Grievances against the Council can be reported directly to the Council's Corporate Complaints team, local Councillors or the Local Government Ombudsman. Staff policy and procedural guidance on complaints handling is also available. At quarter 3, 14% of complaints referred to the Ombudsman had been upheld.</p>	<p><u>Performance Management Framework</u> <u>The Complaints Procedure</u></p>
<p>The Council will make best use of resources and ensure that taxpayers and service users receive value for money.</p>	<p>A policy statement has been produced which sets out the pivotal role reducing dependency, and therefore demand on high-cost services will play in the Council's strategy to achieve value for money. It sets out how value for money is monitored and the role of Audit and Finance Scrutiny Committee in overseeing mechanisms to control expenditure. The Council has a Revenue Gateway process, to ensure resources are allocated in a way which is consistent, clear, and transparent. The Revenue Gateway Board reviews funding proposals to make sure they are aligned to the Council's objects and are sustainable. m people is the Council's approach to developing and deploying its people. It enables the flexible movement of staff across the organisation, with the aim of ensuring skills and capacity are aligned to organisational priorities and can be moved at pace to meet need.</p>	

<p>Principle 2: Having clear responsibilities and arrangements for accountability.</p>	
<p>Commitment to Good Governance</p>	<p>How the Council meets these principles</p>
	<p>Where you can see Governance in action</p>

<p>The Council's governance processes will provide visible, accountable and effective leadership to the community.</p>	<p>The Council's Constitution sets out and describes the functions, responsibilities and lines of accountability that the Council operates within. The Constitution is reviewed at least annually to ensure it reflects legislative and policy changes at a national and local level. The Constitution has been updated and was presented to full Council in May 2013 to adopt. Several revisions were made to the Constitution during 2013/14 to reflect changes in the senior management structure of the Council such as the creation of the new Growth and Neighbourhoods Directorate.</p>	<p><u>The Council's Constitution</u> <u>Member Officer Relations Protocol</u></p>
<p>The Council will ensure that it has effective governance arrangements in place for partnership working, and that they are clearly communicated.</p>	<p>The Council has revised and published its Partnership Governance Framework which standardises the approach to managing partnerships to strengthen accountability and financial security. The framework includes clear guidance on the roles and responsibilities of Members and Officers in partnerships in line with the Council's Leadership Framework. Partnership Governance is led by the Audit Committee. The Council maintains a Register of Significant Partnerships to assess the risk governance arrangements pose to the Council's reputation, objectives and financial position. Developing the skills and behaviours for collaborative working, including around governance, is a core component of the Council's Leadership Framework with a number of elements of the framework including modules and activities focused on this. As part of the Council's strategy to support economic growth, it conducts its activities in partnership with other major organisations, which are collectively known as the Manchester City Council Group. As well as the Council itself, the Group consists of Manchester Airport Holdings Ltd (MAHL) and Destination Manchester Ltd (DML). MAHL is a joint venture, which means Codan Trust Company Limited (acting in its capacity as a trustee of Industry Funds Management (IFM) Global Infrastructure Fund) and the Council exercise joint control, with decisions relating to the organisation requiring unanimous consent of both parties. The Council is represented on the board of directors by the Leader of the Council who is a non-executive director. As at the time of production of the Accounts to year end 31 March 2014, the Council owned 35.5% of the share capital of the company. MAHL has a comprehensive system of internal control, including clearly defined organisational structures and lines of responsibility, regular board meetings, performance monitoring and an internal audit function. DML is a subsidiary of the Council, so the Council is considered to exercise control over the organisation. The directors are the Chief Executive and City Treasurer. DML owns and manages the Manchester Central Convention Complex. As well as through a partnership board, scrutiny is provided by periodic reports to Finance Scrutiny Committee. Bi-monthly</p>	<p><u>Partnership Governance Framework</u> <u>Register of Significant Partnerships.</u></p>

<p>The Council will meet the responsibilities placed on it by health and safety law, and will seek to protect the wellbeing of employees and residents.</p>	<p>performance reporting is provided to stakeholders, and Ernst and Young LLP provide the external audit function.</p> <p>To ensure that its health and safety responsibilities are met, the Council identifies hazards and controls risks to health and safety by risk assessment and suitable risk control procedures. The Chief Executive ensures that health and safety is given the same prominence as the Council's other management functions. This includes the provision of adequate resources including staffing time and finance to maintain the health and safety of the Council's employees. To ensure effective health and safety performance, regular audit, inspection and statistical reporting is carried out.</p> <p>In October 2012, the Council agreed a proactive and engaging approach in this area, set out in the Employee Health and Wellbeing Strategy which is now being implemented.</p>	<p><u>Health and Safety Policy</u></p>
<p>Principle 3: Promoting the values of the Council and demonstrating high standards of conduct and behaviour.</p>		
<p>Commitment to Good Governance</p>	<p>How the Council meets these principles</p>	<p>Where you can see Governance in action</p>
<p>The Council will ensure its values are put into effective practice.</p>	<p>The Council's values are People, Pride, Place. These values are effectively communicated and are taken into account in the development of the organisation's strategies and business plans. Assessing the demonstration of these values is a key component of the m people approach to supporting internal movement.</p>	<p><u>The Council's Values</u></p>
<p>The Council will ensure Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.</p>	<p>The Localism Act 2011 requires councils to adopt a local Code of Conduct for elected and co-opted Members of the Council together with arrangements for dealing with allegations that a Member has breached the Code of Conduct. This requires that elected members record their interests in a register, which is published on-line including any "disclosable pecuniary interests" (as defined by The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012. Failure to comply with regulations relating to "disclosable pecuniary interests" is potentially a criminal offence. The Council has a Standards Committee to champion high standards of ethical governance from elected members and the Council as a whole. During 2013/14 it championed good practice amongst members in areas such as information protection, declaration of interests and use of social media. The organisation's Competency Framework has been reviewed to articulate the key behaviours required within the workforce to support Public Service Reform, these behaviours are aligned to those being supported to develop across the city.</p>	<p><u>Local Code of Conduct for Members</u> <u>Members' Register of Interests</u> <u>Whistle Blowing Procedures</u></p>

Principle 4: Taking informed and transparent decisions that are subject to effective scrutiny and managing risk	How the Council meets these principles	Where you can see Governance in action
<p>Commitment to Good Governance</p>	<p>The decision making process is defined in the Council's Constitution. All Council and Committee meetings are held in public and agenda and reports are available in paper form and on-line. The Council publishes a Forward Plan of Key Decisions to notify the public of the most significant decisions it is due to take.</p> <p>The Council has six scrutiny committees which play a key role in ensuring that public services are delivered in the way residents want. For example, the Environmental Sustainability Subgroup monitored the implementation of recommendations designed following research by elected members and engagement with interest groups on how economic growth can be supported while limiting the impact on the environment. Scrutiny Committees also hold decision makers to account through the call in process.</p> <p>To promote transparency and wider engagement with Council decisions, residents can use social media to get updates and interact with the Council. Council meetings are also now available to view as videos on the Council's website.</p> <p>The Council's City Solicitor undertakes the role of the Monitoring Officer. The Monitoring Officer ensures that Council decisions are taken in a lawful and fair way, correct procedures are followed, and that all applicable laws and regulations are complied with.</p> <p>The Monitoring Officer is a member of the Council's Strategic Management Team and is therefore able to ensure the Council's direction and strategies comply with law and regulations. Reports providing evidence to inform decisions taken by the Executive and Council Committees include full details of legal considerations in accordance with the advice of the Monitoring Officer.</p> <p>The Council has agreed a Pay Policy Statement which acts as the overarching framework to ensure transparency of decision making and operation in relation to Pay and employment and, in particular, senior pay.</p>	<p>Constitution Social Media Updates Online Videos of Council Meetings Forward Plan of Key Decisions Scrutiny Committees Environmental Sustainability Sub Group</p>
<p>Decision makers will have good-quality information, advice and support to ensure that the</p>	<p>The Council's Performance Management Framework provides accurate, relevant and timely information to Council and Committees through performance reports and dashboards, to inform effective and efficient decision making.</p> <p>The Council works within the Code of Recommended Practice for Local Authorities on Data Transparency and publishes data on performance in a timely manner and in a clear</p>	<p>The Intelligence Hub Open Data State of the City Reports</p>

<p>Council delivers services effectively to meet community needs.</p>	<p>format and complies with requests to publish data whenever this is in the public interest. The Council also maintains an Intelligence Hub, an online interactive tool for accessing ward-level statistics about the city.</p> <p>The Council has ensured that it complies with its obligations under Section 149 of the Equality Act 2010. A robust Equality Impact Assessment (EIA) framework that informs decision making and budget considerations is in place. Equality Assessments have been carried out in a range of areas including changes to Indoor Leisure provision, the localised Council Tax Scheme 2013 – 14 and Active Lifestyles where proposed decisions have been shown to be relevant to equality.</p> <p>The Council publishes all decisions taken by Council, the Executive and Committees, the reasons for them and the alternatives considered, online.</p>	<p><u>Joint Strategic Needs Assessments</u> <u>Equality Impact Assessment Framework</u></p>
<p>The Council will be transparent about how decisions are taken and recorded.</p>	<p>The Council publishes all decisions taken by Council, the Executive and Committees, the reasons for them and the alternatives considered, online.</p>	<p><u>Council meetings and minutes</u></p>
<p>The Council will operate a risk management framework that aids the achievement of its strategic and business outcomes and priorities, protects the Council's reputation and other assets and is compliant with all applicable laws and regulations.</p>	<p>Effective risk management is an integral part of robust performance management; managing identified risks and mitigating their potential negative impact helps to ensure the effective delivery of projects to deliver the Council's objectives. Risk management is a key tool in ensuring maximum value for money and effective deployment of available resources.</p> <p>The Council's risk management methodology can be summarised as follows;</p> <ol style="list-style-type: none"> 1. Identify the risk 2. Record existing controls 3. Evaluate the risk 4. Assess acceptable levels of risk 5. Identify responses to risk 6. Identify risk owners 7. Create risk register and record actions 8. Report and review <p>A comprehensive toolkit is available for officers to ensure consistency; this is supplemented by training with an e learning module under development. The Executive Member for Finance and Human Resources leads on risk management and champions the risk management programme. The Audit and Finance Scrutiny Committees have consistently championed the need for effective risk management strategies, practices and support. Scrutiny of the risk process and progress against organisational risk objectives is undertaken by Audit Committee members. Elected Members oversee work to identify and mitigate risks to directorate's objectives through scrutiny of business plans.</p> <p>In late 2013 Manchester's Corporate Risk Register was compared with that of other Core Cities. This identified a range of different practices, including different sorts and different volumes of risks included. Manchester's register detailed more risks than most other Core</p>	<p><u>Corporate Risk and Resilience Strategy 2014/15</u></p> <p><u>Corporate Risk Register</u></p>

	<p>Cities and included a clear articulation of risk themes and mitigating actions, whereas most other core cities had adopted a broader generic approach. The exercise provided assurance that Manchester's Register was robust and thorough.</p>	
<p>Principle 5: Developing the capacity and capability of Members and Officers to be effective</p>		
<p>Commitment to Good Governance</p>	<p>How the Council meets these principles</p>	<p>Where you can see Governance in action</p>
<p>Ensuring Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles.</p>	<p>The People Strategy provides a framework for ensuring staff skills are developed and an effective infrastructure is in place to support the workforce in meeting the Council's priorities. This is supported by an Organisational Development Board and a Skills Development Board which work to drive the delivery of the People Strategy objectives. The Skills Development Board includes workforce development leads for each directorate and oversees approaches to developing skills informed by current and future need and workforce intelligence. Workforce Plans have been developed for each directorate and more detailed Workforce Development Activity plans are in place setting out the activity which will be commissioned in the coming year aligned to Corporate and Directorate priorities. Current focus is on succession planning, including career pathways and a range of programmes acting to ensure key skills are both retained and developed from entry level (apprentices) to senior management (the Leadership Development Framework). New members receive an Induction which includes training throughout the year. Development opportunities are available for all members throughout the year such as training opportunities, including courses with the North West Employers Organisation; Online e-learning and training and in-house briefing sessions.</p>	<p><u>People Strategy 2013/15.</u> <u>Business plans</u></p>
<p>Develop the capability of people with governance responsibilities and the organisation's understanding of governance</p>	<p>An Annual Members' Assurance Statement is compiled to identify governance challenges relating to the roles of elected members. This year's statement did not identify any issues to be addressed as part of the Annual Governance Statement. In accordance with their public service contracts elected members submit cyclical reports on their activities, which are available for public inspection. The Handbook for Leaders has been refreshed and rebranded as the 'Council Handbook'; it includes guides for staff and elected members on all aspects of the Council's governance arrangements in plain, clear terms. The Handbook has been actively promoted to all staff.</p>	

<p>To ensure people can engage with the work of the Council and have opportunities to seek election to the Council.</p>	<p>The Council communicates its work through a wide range of channels including social media, its website and consultations. The Council organises briefings prior to elections for people interested in standing for election to the Council. The Council has continued to support and develop a Youth Council to ensure young people can become involved with the work of the Council.</p>	<p><u>Consultations portal.</u> <u>Manchester Youth Council Facebook page</u></p>
<p>Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.</p>		
<p>Commitment to Good Governance</p>	<p>How the Council meets these principles</p>	<p>Where you can see Governance in action</p>
<p>To exercise leadership through a scrutiny function that engages local people and partnerships and develops constructive accountability.</p>	<p>The Council communicates the outcomes of its scrutiny process, described under principle four above, through regular online updates and news bulletins. The Council continues to maintain an effective internal audit function operating in accordance with the 'Code of Practice for Internal Audit in Local Government' issued by CIPFA and the Public Sector Internal Audit Standards. A self-assessment against these requirements has been carried out as part of the annual review of the effectiveness of the system of Internal Audit.</p>	<p><u>Scrutiny Committee news bulletins</u></p>
<p>The Council will take an active and planned approach to dialogue with, and accountability to, the public to ensure effective and appropriate service delivery whether directly, in partnership or by commissioning.</p>	<p>The Council uses a wide range of social media to enable residents to keep up to date with what is happening in their local area, to interact with the Council, and share their views. A quarterly telephone survey is carried out to understand residents' perceptions of issues in their area. Results are publicly available via the Intelligence Hub. Consultations with residents are undertaken when major service changes are proposed. This ensures residents have the opportunity to inform decisions. Consultations this year included developments at the Christie hospital and the local Council Tax Support Scheme. The Annual Report provides a concise and clear summary of the Council's activity over the previous year. Residents can see where money has come from, where it has been spent and what this has achieved. A summary of the Annual Accounts is provided in the report, this summarises the Council's spending in an accessible format for non-specialists. The Ward Co-ordination process continues to facilitate direct communication between residents and their elected Councillors on service improvement at a neighbourhood level.</p>	<p><u>The Intelligence Hub</u> <u>Consultations Hub</u> <u>Annual Report</u></p>
<p>To meet consultation and engagement responsibilities to</p>	<p>The Council maintains a clear and consistent policy on consulting staff and their representatives on proposals concerning changes to services and employment policies and procedures. The Council has continued to communicate to staff the challenges facing</p>	

<p>staff, and agree and enact policies which make best use of human resources.</p>	<p>the organisation and the changes being implemented to meet those challenges. Consistent practices are in place for communicating to staff and their representatives through the service redesign process, including an opportunity for the Trades Unions to comment on any proposals submitted to the Personnel Committee. Effective engagement with the workforce takes place through a range of channels and activities including the appraisal and 1-to-1 process and the staff magazine 'Cascade'. Feedback from staff has been gained through a rolling programme of assessment against the Investors In People (IIP) framework.</p>	
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5. Annual review of effectiveness of the governance framework

- 5.1 The Council has a legal responsibility to conduct an annual review of the effectiveness of its governance framework, including the systems of internal control. After conducting this review the Council has assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance. This section explains what arrangements were reviewed, and how this assurance was arrived at.

Summary of the process of challenge and scrutiny by Council and its Committees

- 5.2 The Council has four bodies jointly responsible for monitoring and reviewing the Council's governance:
- The Executive - proposes the budget and policy framework to Council and makes decisions on resources and priorities relating to the budget and policy framework;
 - Audit Committee - approves the Council's Annual Accounts, responds to External Auditors' recommendations and oversees the effectiveness of the Council's governance, risk management and internal control arrangements;
 - Finance Scrutiny Committee - considers the implications of financial decisions and changes to corporate, partnership and city region governance arrangements;
 - Standards Committee - promotes high standards of ethical conduct, advising on the revision of the Codes of Corporate Governance and Conduct for Members.
- 5.3 There is provision for Councillors (minimum of five or the Chair of the relevant Scrutiny Committee) to 'Call In' decisions taken by the Executive (or Senior Officers under delegated authority), for consideration by the relevant Scrutiny Committee. The Committee will then consider the reasons for calling the decision in and either confirm the decision, refer it to the decision maker for reconsideration, or refer it to full Council if the Committee believes that the decision runs contrary to the budget or policy framework. One decision was subject to the 'Call In' process during 2013/14, relating to a Day Care report which was examined by the Health Scrutiny Committee. The outcome of the call in was that, after full consideration of the issues, it was not necessary to refer the matter back to the decision maker for re-consideration.

Head of Internal Audit and Risk Management Annual Opinion 2013/14

- 5.4 The Public Sector Internal Audit Standards (PSIAS) are the agreed professional standards for internal audit in local government which the Internal Audit Service operated under during 2013/14. In conformance with PSIAS requirements the Head of Audit and Risk Management reports an annual assurance opinion on the adequacy and effectiveness of the Council's internal control arrangements. The report for April 2013 to March 2014 highlights matters for consideration and refers to plans for further assurance activity in areas of concern. The extent and direction of audit coverage is driven by an assessment of risk and, by necessity, available resources.
- 5.5 Overall, the Head of Audit and Risk Management can provide **substantial** assurance that the Council's governance, risk and control framework is generally sound and operated reasonably consistently other than in respect of a small number of significant control issues identified. The opinion is based on delivery of planned Internal Audit work and reliance on some other assurances available in the period. The key issues identified were as follows:

- Given the scale and range of data and information assets held by the Council there remain inherent risks of loss or leakage of sensitive information that requires a sound system of risk management and control. This risk is increased by the nature of social care, health partnership and reform work requiring substantial volumes of data sharing between the Council and other organisations. During 2013/14 there were a small number of incidents that emphasised the need for controls to be strengthened. Actions were taken in a number of key areas and there is a corporate commitment to deliver on a focused improvement plan during 2014.
- There have been a number of positive steps taken to strengthen the Council's ICT arrangements and 2013/14 was a year of further progress with major programmes of improvement delivered including the Town Hall Extension fit out and the establishment of the new data centre at The Sharp Project which, while not due to complete until August 2014, is operational with some key services such as the SAP system already established in the new facility. Nonetheless there remain key challenges to be addressed in terms of security, resilience, bringing more applications to the latest upgrade versions and the prioritisation of business projects with ICT interdependencies to provide the capacity to support transformation to the scale of the Council ambitions.
- A second limited assurance opinion was issued in respect of safeguarding casework compliance operated for the Council by Manchester Mental Health and Social Care Trust. This has accelerated a programme of improvement activity and will be subject to further audit starting in July 2014. A report will be presented by senior management to the Council's Audit Committee in October focusing on actions being taken to respond to recommendations made through the audit.

- 5.6 The challenge from an audit perspective, as recognised by management and Members, remains the financial context and the impact of delivering a continuous programme of substantial savings continues to impact on all areas of the business. Savings plans are well established and being delivered for 2013-2015 and planning for 2015 onwards is underway which will have further significant impact on the way the Council operates. Whilst the Council remains well placed to respond, the scale and pace of required savings remains a fundamental risk.
- 5.7 In a Council of Manchester's size and complexity, with its significant ambitions, change agenda and savings requirements, there is an inherent risk of breakdown in the systems of control particularly where roles, responsibilities and systems are changing. Internal Audit has worked actively with management to identify and examine these areas of potential risk and support them in anticipating future risks and challenges for 2014/15 and beyond. Where audit work has highlighted areas for improvement recommendations have been made to address the risk and management action plans agreed.
- 5.8 Schools remained an area of focus for Internal Audit. The Council gave moderate assurance for the majority of schools audited but found examples of good practice in others. The Council provided limited assurance for a small number and will target follow up work to ensure recommendations are implemented. The Council has responded to a number of requests for audits of schools experiencing difficulties or where audit involvement could add most value. Key risks continue to be around procurement and purchasing controls including the engagement of governors in decision making. Cash handling and dinner money also remained key themes. The Council continues to engage effectively with schools, and the Manchester Schools Alliance as well as school cluster

group conferences and events, to develop new ways of supporting head teachers, business managers and governors.

Annual Review of the System of Internal Audit 2013/14

- 5.9 In accordance with the requirements of the Accounts and Audit Regulations 2003 (Amended 2006 and 2011) an annual review of the effectiveness of the system of internal audit was undertaken as part of the Council's governance assurance processes. The 2013/14 review demonstrated there was an effective system of internal audit in place including a policy framework, internal audit function, Audit Committee and effective management engagement. Internal Audit operates in conformance with PSIAS and codes of ethics for the delivery of audit work. The Internal Audit Team delivered its audit plan on time, had a sound base for carrying out audit activity and met its overall objectives of providing audit assurance and advisory support to the Council. The external auditor's planning risk assessment for 2013/14 concluded that the Internal Audit function forms an effective part of the Council's control environment.

External Auditor's Review of the Effectiveness of Governance Arrangements

- 5.10 The Council's external auditor, Grant Thornton, produces an Annual Audit Letter which summarises the key issues highlighted by the work they have carried out. The Annual Audit Letter 2012/13 was reported to Audit Committee on 28 November 2013. The main conclusions of the Audit Letter regarding the key assessment areas were:

Value for Money and Financial Resilience;

"On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013."

"The Council's strong arrangements for financial governance, planning and control position it well to respond to the significant challenges arising from continuing financial austerity."

Annual Governance Statement;

"The Council updated the format and contents of its Annual Governance Statement for 2012-13 and we concluded this was consistent with our knowledge of the Council and met the requirements of the CIPFA/SOLACE "Delivering Good Governance in Local Government" framework."

The Annual Accounts;

"Our opinion confirms that the Council's single entity accounts gave a true and fair view of the Council's financial position and of its income and expenditure and that the Council's group accounts gave a true and fair view of the group's financial position and of its income and expenditure, except for the effects of the non-alignment of group accounting policies for land and buildings ."

- 5.11 In response to the qualified audit opinion on the Council's 2012/13 Group Accounts relating to the non-alignment of group accounting policies the Council has, in liaison with Manchester Airports Holdings Ltd (MAHL), commissioned valuations of the land and building assets for Manchester, Bournemouth and East Midlands Airports. Discussions are being held with the valuers commissioned and Grant Thornton to ensure that all parties are aware of the method of valuation of each type of assets. The Council is also

in the process of commissioning updated valuations in relation to Stansted Airport from the company who undertook this work as part of the purchase of Stansted by MAHL. All valuations will be available to be used in the Council's 2013/14 Group Accounts.

- 5.12 The Annual Audit Letter for 2013/14 is due to be reported to Audit Committee in September. As part of the 2013/14 audit, Grant Thornton will provide its opinion on the Annual Accounts 2013/14, and a value for money conclusion that will take account of key risk areas including financial resilience.
- 5.13 The Council monitors the implementation of external audit recommendations. Assurance reports are presented to Audit Committee and Grant Thornton bi-annually summarising the Council's performance in implementing recommendations effectively and within agreed timescales. The latest assurance report was presented to Audit Committee on 20 March 2014 and the next report will be in October 2014.

Annual Review of the role and responsibilities of the Senior Finance Officer

- 5.14 As part of its work on governance and financial management across public services, CIPFA issued its Statement on the role of the Chief Financial Officer in Local Government (the Statement) in 2010. The Council has undertaken a review of the role and responsibilities of its Chief Financial Officer (CFO) against the five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.
- 5.15 The review concluded that the CFO meets the responsibilities of the Senior Finance Officer in full and is ideally placed to develop and implement strategic objectives both within Manchester City Council and the Greater Manchester Combined Authority, given his role as the City Council's Section 151 Officer, City Council Treasurer and Greater Manchester Combined Authority (GMCA) Treasurer. He reports directly to the Chief Executive and is a Member of the Council's Senior Management Team. The CFO influences all material business decisions and oversees corporate governance arrangements, the audit and risk management framework and the annual budget strategy and planning processes. The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Assessment of the robustness of corporate governance in business planning, including analysis of findings from the Governance Self Assessment Questionnaire

- 5.16 The annual business planning process includes a questionnaire about the extent to which high governance standards are embedded in each directorate. In 2013/14 the questionnaire was amended to align with the Council's Code of Corporate Governance. Responses have been analysed to identify areas of governance which can be strengthened. The assessment identified that whilst staff across the organisation have a good understanding of the Code, further work is required in three areas:
- Arrangements for communicating processes and policies should be strengthened. There is an inconsistent level of understanding of whistle blowing, Anti-fraud, Anti-Corruption policies, the Council's Constitution and Financial Regulations.
 - Ensuring staff understand essential practices in protection of information. Mandatory learning and development in this area will support practical improvements.

- Responding to recommendations from internal and external auditors within deadlines.

Evaluation of the effectiveness of processes to gain reassurance about the robustness of governance arrangements in the Council's Significant Partnerships

- 5.17 Since 2008 the Council has maintained a Register of Significant Partnerships. It lists all partnerships considered to be of the highest significance to the financial position and reputation of the Council and to achieving its objectives. There are a variety of partnership arrangements involving the Council in place, ranging from joint ventures, statutory groups and Private Finance Initiatives (PFIs). Governance structures in place across partnerships differ depending on their legal status. A number of improvements were made in 2013/14 to strengthen the Council's assessment of partnership governance arrangements, and to support officers and stakeholders in ensuring good practice is understood and embedded.
- 5.18 The partnership governance self-assessment forms which are completed annually have been reviewed to include more effective questions which support objective analysis. The assessment process is as follows:
- An officer with a detailed knowledge of the partnership provides a self assessment risk recommendation
 - The self assessment forms are reviewed by a panel of officers with expertise in governance, audit, financial regulations and applicable legal regulations, who assess whether there is sufficient evidence provided to justify the recommended risk rating, request further evidence where necessary to justify the risk score and amend the rating where satisfactory evidence justifying the recommendation cannot be provided.
 - Strategic Management Team Leads have oversight and approval of the assessment summary, to ensure it reflects their knowledge of the operation of the partnerships gained as a result of their board membership.
- 5.19 The Audit Committee has led work to raise partnership governance standards. In 2013 the Committee recommended that the assessment process be strengthened by verifying that assessments were an accurate reflection of governance arrangements. In January 2014 the Committee reviewed the significant partnerships register and requested a further report in six months detailing the improvements to governance arrangements that had been made in those partnerships whose governance arrangements had been rated as a medium or high risk through the assessment process. This will ensure continued focus on the promotion of good partnership governance standards.
- 5.20 The Council's Partnership Governance Framework was updated in 2013 and published on the Council's website. The Framework has been reviewed to improve the quality and clarity of guidance and will assist in embedding a consistent understanding of risk, and good governance practices especially in new and emerging partnerships.
- 5.21 Developing the skills and behaviours for collaborative working is a core component of the Council's Leadership Framework with a number of elements of the framework including modules and activities focused on this. The Collaborative Leadership Programme is the flagship development programme for leaders and working in partnership is the key focus of this.

- 5.22 In 2014/15 the partnership assessment process will be reviewed to ensure it fully encompasses partnerships responsible for delivering services according to new delivery models designed as part of the Council's Public Service Reform programme and partnerships established to commission and monitor delivery of services. As transformation resulting from public service reform continues it is likely that new delivery models will become more widespread, therefore ensuring good governance of these models will be critical.

The Council's internal governance and internal control management groups

- 5.23 Responsibility for internal governance and internal control lies with the Chief Executive and Strategic Management Team (SMT). The SMT Use of Resources Sub-Group is responsible for evaluating the effectiveness and fitness for purpose of the Council's corporate governance arrangements and for leading the development and implementation of changes necessary to bring about improvement. The Annual Governance Statement (AGS) Working Group is responsible for supporting the work of the SMT Use of Resources Sub-Group and developing this AGS.

Manchester City Council's 2012/13 Local Accounts

- 5.24 The Care Quality Commission (CQC) is the regulatory body responsible for the quality of health, mental health and adult social care in England. The CQC publish information of the standards of residential, nursing and home care. Until 2009/10 the CQC produced an annual assessment (Capturing Regulatory Activity at a Local Level - CRILL) of how each local authority commissions services for people in their local area. However, changes to the role of the CQC means Councils are now advised to produce 'local accounts'. This is not a statutory requirement but good practice in demonstrating accountability and transparency. Local accounts must demonstrate how the Council has safeguarded and maintained personal dignity, put people first and achieved value for money, judged against the health and social care outcomes for their area. The conclusions from both the 2012/13 and 2013/14 Local Accounts will be available in August 2014. Audit Committee will review the Local Accounts once available, and they will also be available for consideration by the Health Scrutiny Committee.
- 5.25 Currently, across the north-west region, Councils are working on a sector led improvement programme to raise standards in adult social care through peer support, challenge and review. A suite of performance measures are being developed to support benchmarking of social care provision.

The Office for Standards in Education, Children's Services and Skills (Ofsted)

- 5.26 Ofsted inspects and regulates services which care for children and young people and those providing education and skills for learners. As of 31 March 2014, Ofsted inspection reports were published for 62 schools for 2013/14. Ofsted concluded that 41 or 66% of schools inspected were good or better for overall effectiveness, 17 or 27% required improvement and 4 or 6% were inadequate, 2 of which are in special measures. 79% of schools in Manchester are judged to be good or better in their most recent inspection, 17% are judged to require improvement and 4% are judged to be inadequate with 3% in special measures. 77% of all children in Manchester schools attend an outstanding or good school, 18% a school that requires improvement and 5% a school that is inadequate. All school inspection reports are published on the Ofsted website.

- 5.27 The last Safeguarding Children Ofsted judgement of the Council took place in November 2010. Manchester was judged as 'Adequate'. A more recent Safeguarding Peer Review took place in March 2013. The findings are currently being acted upon and progress is regularly monitored. An Ofsted Inspection of the Council's Fostering Service in March 2013 judged it to be 'Good'. Ofsted have introduced a new inspection framework for inspection of services for children in need of help and protection, children looked after and care leavers, which came into effect in November 2013. To ensure compliance with the standards of the new framework, the Council has carried out a self assessment and is monitoring progress against required actions. For example, an action plan is being prepared to address operational data quality issues.

6 Progress on governance challenges identified from last year's (2012/13) Annual Governance Statement

- 6.1 This section summarises the activity against each of the governance improvement actions identified in the 2012/13 AGS.

Monitoring the Impacts of Organisational Change – Context

- 6.2 The 2012/13 AGS acknowledged that in light of new directorate structures, workforce reductions, closer partnership working, transformation, public service reform and welfare reform it has become increasingly important to monitor the effect of changes using real-time, or as up-to-date information as possible. This was found to be crucial for budget monitoring and the evaluation of new ways of working. As regards budget monitoring up to date data supporting budget monitoring and forecasting and tracking progress towards savings was identified as a priority. A robust evaluation and reporting framework in support of each of the Public Service Reform (PSR) workstreams is a crucial part of this, to support decision makers in their strategic planning.

Monitoring the Impacts of Organisational Change – The Performance Management and Evaluation Framework

- 6.3 Budget monitoring at both a directorate and a corporate level has been strengthened by submitting savings trackers regularly to directorate management teams, SMT and its subgroups. These show progress towards savings targets and assign a RAG (Red, Amber or Green) risk rating based on the level of likelihood and the impact of the saving not being achieved. Internal Audit have reviewed the governance of savings and continue to provide positive assurance. Financial monitoring activity includes, for example, work to mitigate against the risk of £200k of Facilities Management savings not being met, and a predicted Learning Disability overspend for 2013/14, which is being mitigated by other funding sources, and will continue to be closely monitored in 2014/15.
- 6.4 There is a strong focus on collecting accurate and meaningful data in the implementation of new PSR workstreams. This enables evaluation of new workstreams on a regular basis to understand the impact new models are having and the difference between them and the existing or previous delivery models. As an example findings from regular evaluations of the Troubled Families programme have been submitted to the Manchester Investment Board to provide a common understanding of the outcomes and financial impact of the programme to inform the direction of the programme and the development of investment agreements. A key part of the improved support provided to the Council's SMT and the Manchester Partnership is the development of a PSR

Dashboard. This reports the latest available data for the Troubled Families, Early Years, Health and Social Care and Transforming Justice workstreams. This measures the outcomes for recipients of services and is being developed to show the financial impact on the Council and its partners.

- 6.5 Place based reporting, for example of Welfare Reform, has been expanded to measure the effect of changes in service delivery on different areas. Changes can be monitored to ensure required outcomes are achieved, and where issues are identified they are addressed quickly by targeted multi-agency actions, before they become more complex and costly to solve. Directorates receive budget information at monthly management meetings, so where necessary there can be intervention to ensure savings targets are met.
- 6.6 Work is underway to improve the quality, reliability and clarity of data held on the Council's integrated information system, SAP. This includes work to better align human resource data and financial data for reporting and operational management purposes. This will lead to a strengthened evidence base for the identification of workforce and financial risks and issues and improved assurance supporting future workforce planning and savings tracking.

Monitoring the Impact of Organisational Change – Responsibilities of Staff in Partnerships

- 6.7 Following the reduction in resources for public services, it has become even more important that maximum value is obtained from the total public resources available for the city. In recognition of this, the Council has put greater emphasis on partnership working to ensure that cohesive services are delivered across organisational boundaries. The volume of staff, at all levels of the organisation, involved in partnership working has increased significantly. To support an effective understanding of the roles, responsibilities and expectations of staff working in partnerships as well as to support them in maximising the benefits of collaborative working a range of measures and activities have been put in place, these include:
- Developing the skills and behaviours for collaborative working is a core component of the Council's Leadership Framework
 - As part of work on influencing behaviour change a set of core values have been developed for the workforce. These will help to embed the behaviours which, as an organisation we expect our staff to embody when working on partnership and which are key to Public Service Reform.
 - Workforce Development Plans are in place for each directorate which set out the key activity required to support delivery of the Directorate's priorities.
 - A template secondment policy has been developed to both simplify the process for seconding staff from the Council to partner agencies (and vice versa) and to ensure that the governance around this process is improved.
 - The process for recording gifts and hospitality has been strengthened and re-enforced to managers. This improvement supports the Council's anti-corruption policy in general, as well as partnership governance specifically.
- 6.8 The Chief Executive has taken on a focused role to assure multi-agency safeguarding arrangements. The Chief Executive meets quarterly with the Independent Chair of the Children's and Adult's Safeguarding Boards and commissioned from him an Independent Review of safeguarding for adults and children in the context of reform arrangements. The key recommendations from this review were accepted by Personnel

Committee in January 2014, and include the following changes to improve safeguarding arrangements;

- Separation of Safeguarding Delivery and Quality Assurance functions.
- Creation of an Integrated Safeguarding Unit.
- Strengthening the Safeguarding Boards.
- Establishment of a Multi-Agency Safeguarding Hub
- Strengthening the Capacity and Coordination of Domestic Abuse services.

The proposals will be implemented using a phased approach. Progress made will be monitored by an internal group chaired by the Chief Executive, consisting of Executive Members, Strategic Directors and the Independent Chair of the Safeguarding Boards.

Monitoring the Impact of Organisational Change – Governance of the Commissioning Hub

- 6.9 It was highlighted in the 2012/13 AGS that there is a need to ensure that sound governance arrangements are in place for the management and operation of the Commissioning Hub. A management structure has now been implemented for the Hub. The Commissioning Hub Manager reports to the Head of Strategic Commissioning and works closely with the Assistant Chief Executive (Finance and Performance). The Head of Strategic Commissioning reports to the Strategic Director, Children and Commissioning. This arrangement allows for sufficient oversight from senior officers with responsibility for both financial management and operational delivery.
- 6.10 A Strategic Commissioning Board has been established to make decisions relating to services within Children and Families and to oversee all commissioning activity across the Council. The board includes senior representation from finance, legal and performance to ensure legal, regulatory and financial arrangements are adhered to and that commissioning activity is aligned to the council's strategic objectives. Current arrangements are being reviewed by a panel of officers and elected members to ensure they work effectively in the new organisational and partnership structure.

Information Governance

- 6.11 In the 2012/13 AGS it was highlighted that evidence based decision making, a key part of Public Service Reform, relies on the availability of accurate data. In light of the increasing volumes of personal and sensitive data held by the Council to achieve this, robust security and governance arrangements need to be in place to safeguard the control of this data. The points below summarise actions taken to strengthen governance in this area.
- 6.12 The City Solicitor's division have ensured that information sharing aspirations across public sector partners are in line with the Data Protection Act and other relevant legislation and good practice. Although the Council was amongst the first Local Authorities to achieve Public Services Network (PSN) accreditation, the evolving PSN standards have required that the Council make considerable further investment and enhancements to the current ICT Infrastructure to maintain this ongoing compliance. The Council is in constant dialog with the Cabinet Office to ensure compliance continues. This in turn will provide assurance that the most sensitive data being communicated between Manchester and other PSN connected organisations is secure.

- 6.13 The Corporate Information and Risk Group (CIARG) has increased the frequency of its meetings, and the Terms of Reference are being reviewed to ensure that the most benefit can be gained from the group. The group reviews risks to information security and ensures mitigating actions are implemented. The group is attended by the Directorate Senior Information Risk Officers (SIROs), who take responsibility for the governance of information security in each directorate.
- 6.14 Work in the year has also included a '12 Golden Rules' communications campaign with associated e-learning and guidance for all staff and managers. Given inherent risks around information security and information sharing this remains an ongoing high priority area of focus across all Directorates.
- 6.15 The Council has established a Data Quality Forum chaired by the Assistant Chief Executive (Finance and Performance) and a Data Governance Team to oversee and drive the Data Quality Programme. A number of measures are being implemented to improve data quality:
- The Council is currently implementing a Master Data Management system to ensure customer name and address records are recorded accurately, and in a standard way, across all systems. This will improve its usability for performance analysis purposes. Reports and action plans for data owners, and an awareness campaign for managers and staff will ensure progress this year.
 - In line with Internal Audit recommendations, the process to administer information access rights for staff is being reviewed and strengthened to ensure that employees may only access the information that is essential to their role. This will be completed during 2014 and will focus on three areas: new starters, staff transfers and leavers. Security has also been improved by the introduction of "Two Factor Authentication" (2FA) for staff remotely accessing the Council's network. Security is greater as the system requires a code generated by an electronic "token", in addition to a password. During 2014 this will be extended to review the access requirements for external organisations.

Review of Public Health Expenditure

- 6.16 The AGS 2012/13 identified a governance action focused on the transfer of responsibility for public health to the Council. It identified that the whole programme of public health spend should be reviewed during 2013/14 to ensure that it was spent on delivery of services with a strong evidence base of success, aligned to delivering public health outcomes, supported the integration of health and social care and would achieve the best possible efficiency and value for money through integration and reduction of duplication with other areas of Council and NHS spend.
- 6.17 The programme of public health spend has now been fully identified and established with detailed contracts and service specifications for every commissioned service. There is a high volume of services (over 100) and considerable spend (c. £40 million) and so prioritisation has taken place based on size of contract and potential for savings. Detailed reviews of priority services are underway, with further services to follow during 2014/15.
- 6.18 Work is underway to ensure that all public health commissioned services are on a robust contractual footing, and provide a solid base on which to build future contract monitoring

and review. This will strengthen governance practices in this area and support broader reform objectives.

ICT

- 6.19 Key areas of focus for ICT in 2013/14 identified in the last AGS where progress has been made are;
- Risk management throughout ICT is currently being strengthened, led by the ICT Policies, Standards and Governance Manager.
 - Incident management arrangements and decision making for major ICT change has been strengthened, including the establishment of a revised gateway process for the assessment, approval and funding of ICT projects.
 - Funding streams have been put in place to improve resilience within the data centre, network and telephony systems.

7 Significant governance challenges identified during 2013/14

- 7.1 The following challenges were identified as ways to manage possible risks to the resilience of the Council's governance arrangements and/or systems of control, after the publication of the last AGS , through a four stage process:
- Preparation for Business Planning documents, which incorporate the Annual Governance Self Assessment Questionnaire;
 - Analysis of key performance documents, such as the Budget Monitoring Reports and Risk Reports;
 - Discussions with the Council's external auditor, Grant Thornton, and an analysis of external audit recommendations reports;
 - A meeting of key SMT Leads to identify and discuss any potential emerging governance issues.

Impact on Resources of the Financial Environment – Financial Settlement Response and the Volatility of Business Rates

- 7.2 The requirement to reduce the Council's expenditure by up to £100m during 2015/16 – 16/17 will pose significant challenges and require strong governance processes to implement effectively. Announcements regarding the financial settlements are monitored, as an integral part of the budget process, and analysis is provided to officers and members as soon as possible to allow decisions to be made in a timely manner. A formal response to the settlement from senior officers and members is also submitted to the Department for Communities and Local Government (DCLG).
- 7.3 Councils continue to receive an element of Revenue Support Grant. This means government will retain the ability to reduce spending in line with Comprehensive Spending Reviews. The impact of the Local Government Financial Settlement 2013/15 was included in the revenue budget report considered by Executive on 12 February 2014. The Executive also received a report on the provisional financial settlement for 2015/16 and the proposed approach to the budget challenges for 2015/16 and beyond.
- 7.4 The 2013 Local Government Resources Review (LGRR) brought major changes to how Councils are funded primarily relating to the partial re-localisation of business rates. New monitoring arrangements have been put in place for the Business Rates Retention Scheme so that the impact of the introduction can be assessed. This monitoring includes

an estimate of the likely effect on business rates due to outstanding appeals against rateable values and this is included in the Global Monitoring Report to Executive. The final position for the year has resulted in a claim against the Safety Net. This is mainly due to the level and volume of appeals as well as an increase in the amount of empty property relief granted.

- 7.5 This is an extremely volatile area and there is a lack of guidance. The Council meets its Relationship Officer at the Valuation Office to discuss the information that is provided about outstanding appeals to the Council. Whilst a prudent approach is taken, the Council has included a reserve in its 2014/15 budget to mitigate against business rate risks.

Partnership Working with Health, Social Care, Mental Health and PSR Investment Agreements

- 7.6 As part of Greater Manchester's (GM) health and social care reforms, the GM Healthier Together programme has been set up to improve health and care provision in the region. The programme has three elements; Integrated Care and Primary care (which together make up "Out of Hospital" care) and "In Hospital" care. Manchester's Health and Wellbeing Board, in partnership with the NHS, leads on the local development and implementation of plans to ensure integrated community health and social care services in line with the GM Integrated Care Programme. A consultation relating to the Integration of Health and Social Care will be carried out from June 2014.
- 7.7 The Council's Living Longer Living Better (LLLB) programme to transform health and social care services is extensive, and involves partnership working with eight statutory bodies. The Health and Wellbeing Board (HWB) is the main body accountable for the delivery of the programme. The Board will;
- Approve the vision and direction for health and social care integration across Manchester.
 - Support the implementation plans, and seek assurance that they are delivering the intended outcomes for Manchester residents.
 - Define behaviours that will shape a collaborative culture to foster effective partnership working.
 - Provide transparency relating to progress with service integration, and potential impacts on hospital services.
- 7.8 The HWB has statutory responsibility for allocating money from the Better Care Fund. This fund was announced by Government in June 2013, and is a pooled budget to support health and social care services to work more closely together in local areas. Additional funding will come from the Local Development Fund which is made up of investment from Clinical Commissioning Groups and Public Health. Funding will be used, for example in;
- Co-ordination and commissioning of LLLB developments across Manchester.
 - Service and resource shifts supported by evidence based joint commissioning.
 - Recyclable investment, and scaling up of integrated out-of-hospital care.
 - Enabling innovation and testing of new delivery models.
- 7.9 So that there is effective oversight of the implementation of LLLB, and the allocation of resources from the Better Care Fund (BCF), the Council's external auditors have been provided with details of the governance structure of LLLB, a breakdown of the BCF

funding allocation for 2014/15 and 2015/16, the BCF submission in February 2014 and feedback on the submission received from NHS England in April 2014.

- 7.10 A 20% shift from acute to out-of-hospital care over the next five years is required, which means change at significant scale. Challenging performance targets have been developed to monitor progress over this period.
- 7.11 Reporting to the Health and Wellbeing Board is the Executive Health and Wellbeing Group. This provides a forum for close joint working of the Chief Executives of the partner organisations. The Group's remit includes;
- Shaping decisions for integrated working for recommendation to the Health and Wellbeing Board, and ratifying vision proposals and implementation plans.
 - Delegating key tasks to a Citywide Leadership Group to deliver the programme of work required to implement the agreed vision.
 - Monitoring progress against programme milestones and delivery of intended outcomes.
- 7.12 The Mental Health Improvement Programme (MHIP) Partnership Board has been established to have responsibility for the work of the MHIP until the end of March 2015, in line with the Joint Manchester Clinical Commissioning Groups and the Council's Commissioning Intentions for Mental Health Services in Manchester 2015-2018. The Board is responsible for ensuring strategic alignment of the programme with Living Longer Living Better, with specific focus on residents whose needs are most complex. It will also ensure that the MHIP aligns with the City's priorities as set out in the refreshed Community Strategy and the Greater Manchester Strategy, with particular reference to sustained economic growth and reform of public services, to improve access to work through the complex dependency programme, e.g. Work Leavers Programme and Troubled Families.
- 7.13 The contractual relationship between the Council and Manchester Mental Health and Social Care Trust is underpinned by a section 75 agreement (NHS Act 2006), which sets out the delegated duties. This is monitored through monthly contract meetings and a Quarterly Board.

Strengthening Arrangements for Communication of Processes and Policies in the Context of Significant Internal Movement

- 7.14 Directorates' governance self-assessment questionnaires consistently identified a need for improved communication to all staff of key policies and procedures. Two focus groups, held in August 2013, to review how the organisation was being communicated to, suggested that the organisation had improved its internal communications, especially around the budget position. The IIP assessments process has also provided initial feedback that staff feel that they are being communicated with, that they have a good understanding of their service's business plan, and understand how their role contributes to its delivery.
- 7.15 Corporately, communication and engagement is delivered through the organisational management structure via a Wider Leadership Team and Senior Managers Forum and Directorate management structures. This is supported by a range of regular activities including the employee magazine 'Cascade', weekly employee broadcasts and the intranet supplemented by specific activity to communicate key messages. Although each directorate currently has its own communication strategies for ensuring messages reach

those parts of their workforce without intranet access, work is underway to provide a larger volume of employees with access to the City Council intranet and email as a minimum.

- 7.16 With regard to communicating key messages around organisational change in particular, all transformation projects include at least two 'Dialogue Events' for all staff involved.
- 7.17 The importance of providing an effective induction for staff who are both new to the organisation or who are moving across service areas was a priority within the 2013/14 HROD and Transformation Service Plan. This is of particular significance given the high volume of internal movement aligned to *m people*.
- 7.18 In support of the above, an updated induction process and guidance toolkit for managers has been agreed which makes clear to managers the importance of and expectations around induction for staff who move internally. Additionally, movement check lists have been updated to ensure Disclosure and Barring Service (DBS) requirements for roles are clear from the outset.

Low uptake of Key Essential E-Learning Modules around Core Issues such as Data Governance

- 7.19 Directorates' governance self-assessments revealed that although a broad range of essential E-Learning modules are available, take up of modules relevant to particular services could be improved.
- 7.20 The Council is increasingly utilising E-Learning to deliver learning and development activities, some of which is mandatory for all staff, or for specific groups. It is made clear to all staff that they should take personal responsibility for ensuring they complete all mandatory activity, with line managers acting to provide assurance of this.
- 7.21 To improve the quality of reporting on E-Learning, which will support managers and course sponsors, training has been delivered to staff who will have responsibility for reporting on participation. There are also plans to utilise a scheduled reporting procedure to automatically generate information which will support assurance in this area. A suggested governance and administration structure for e-learning has been developed. This clearly articulates the roles and responsibilities of staff, managers, HROD, the Shared Service Centre and the course commissioner / sponsor.

Information Governance, including Data Quality and Freedom of Information Requests

- 7.22 The importance of focus on information governance is highlighted by Directorates' self assessments which indicate a challenge in ensuring all staff fully understand procedures and their responsibilities in this area.
- 7.23 There is a risk that poor data quality will lead to ill-informed decisions at a case, managerial or strategic level. High quality data is reliant on accurate data entry and effective system functionality across an array of systems and involving significant numbers of staff. As data quality remains a key issue, the Council is continuing to progress a programme of data quality improvement, which involves a review of policies and procedures, action plans for individual systems to assess and improve data quality where required and investment in system changes which will enhance the accuracy of

data capture. The programme of activity is being overseen by the Assistant Chief Executive (Finance and Performance).

- 7.24 The Council continues to receive a high level of requests for information, and work is underway to embed responsibility for dealing with such requests within the appropriate Council Directorate. Support on complex requests is being maintained as needed by specialists based centrally. Work will be undertaken to review and update Information Governance policies and guidance. Training relating to information security and governance remains a high priority, targeting for example take up of corporate e-learning training modules particularly as part of induction procedures. The Council has recently agreed to a consensual audit by the Information Commissioner's Office in relation to the Council's data protection practices. The audit, which is scheduled for December, will provide an opportunity for the Council to review its areas of good practice and consider in the light of the Information Commissioner's audit recommendations where improvements might be appropriate.

ICT Security and Resilience

- 7.25 ICT improvements remain a high priority for the Council in 2013/14. The reason for this is that historic underinvestment had led to reliance on out of date infrastructure and systems. Essential work was required to move towards a reliable service which can meet the needs of the business, its stakeholders and residents. Due to the extensive nature of the programmes of work started following a major review of ICT Strategy in October 2011, progress was ongoing in 2013/14.
- 7.26 Infrastructure investment includes the Telephony Project, which delivers an integrated modern telephony system. Benefits to this include reduced outages, and the ability for users to be able to login to any phone irrespective of location. Also, the Council's Wide Area Network (WAN) is currently being upgraded to bring greater speed and reliability to the data connections between Council premises, which means that a failure of one site cannot cause multiple site failures.
- 7.27 A significant part of the fragility of ICT was due to the data centre environment where the Council's servers and applications were located, leading to ICT failures which posed increasing risk for the organisation. The investment made has been critical to reduce impact of ICT issues on citizens, officers and Members. To solve the issues with the data centre environment, a new centre has been built at The Sharp Project to replace the existing data centre at Daisy Mill. The facility is currently operational with some key services functioning and completion of the migration to Sharp is due in August 2014 when the decommissioning of the old facility in Daisy Mill will commence. Advantages of the new site are backup of power, applications and services, increased capacity, modernised servers, and disaster recovery via a connection to Salford Council's data via a connection to Salford Council's data centre.
- 7.28 Business continuity plans are in place to identify, and mitigate against risks involved with the complex infrastructure changes which are being made. Significant planning work is carried out for each major ICT change, which is overseen by the Business Continuity Change Board to ensure robust continuity arrangements are in place.
- 7.29 The infrastructure improvements will allow the introduction in 2014 of a modern software suite, in the form of Microsoft Office 365. New features will be added each year at no

additional cost. Mobile working for staff will be easier, as services will be accessible on smart phones, tablets and mobile devices.

- 7.30 ICT will need to enhance and continue to ensure security of service by implementing controls to protect against security threats including virus attacks, spam emails and service attacks. ICT also undertakes, and needs to continue to deliver, external penetration testing activities, so that no vulnerabilities in any of the Council's security controls are exposed. ICT will continue to make regular updates to the ICT infrastructure with recommended vendor patches, to mitigate the risk of any vulnerability. ICT continues to address challenges concerning the limited capacity of the security team resources through a review of roles and responsibilities.
- 7.31 To improve the security measures governing the granting of ICT access, a process has been introduced which means all new access requests must be approved by HROD, to confirm they are an employee, and to the Directorate SIRO to ensure that the level of access is proportionate to the role the individual is undertaking.

Impact on Resources of Welfare Reform

- 7.32 The Council set up a Welfare Reform Programme Board in September 2012 to provide strategic direction for the response in Manchester, and to coordinate a programme of work across the Council and key partners. The Board monitors intelligence on the cumulative impacts at a local level, identifying existing and emerging areas of need and gaps in resources as well as ensuring that practical issues and actions are coordinated across the Council.
- 7.33 The Council's response has focussed on reducing dependency on services and promoting independence and responsibility, ensuring that residents have the information and advice they need to make informed decisions. Channelling communications and targeting those residents most affected by the reforms has been a key priority for the board. For those who are out of work and able to work, the priority is to support them into employment.
- 7.34 Initiatives with partner organisations and stakeholders, to provide the most cohesive response to affected residents, have been vital to avoid duplication of effort and resources. Effective neighbourhood level intelligence has allowed targeted cross-agency action including employment and IT support, budgeting advice, and joint Council and housing provider working to support households in the social sector affected by under-occupancy and the benefit cap.
- 7.35 The Council has also ensured that relevant staff have been trained on the impact of welfare reform. A presentation has been produced for circulation to all Council staff and partners. Information is regularly shared via ward coordination meetings and Members briefings have been carried out in all of the SRF areas.
- 7.36 The Council will continue to plan for the ongoing changes in terms of communications, engagement with residents and responding to the impacts, many of which have only just started to be understood as the cumulative impact is felt within households and communities, including the household benefit cap from August 2013.
- 7.37 The Council's focus over the next year will include;

- Explore the longer term effects of welfare reform on neighbourhoods across the city, such as the movement of households and the impact on family poverty and children.
- Monitor and where possible support and respond to the early impacts of the household benefits cap.
- Develop the Council's role in relation to the implementation of Universal Credit including the Local Support Services Framework, IT skills and budgeting support and communication with residents.
- Review and administer any discretionary areas in accordance with Council priorities with a focus on independence and the journey into sustained employment where possible.
- Work with partners to provide relevant and timely employment support.
- Commission advice services in accordance with Council priorities.
- Delivery of the second year of the Council Tax Support Scheme and delivery of associated work to support vulnerable residents.
- Roll out of Universal Credit from September 2014.

8 Future actions for further improvements to governance arrangements


8.1 The review of governance arrangements has identified seven main areas where the Council will need to focus its efforts during 2014/15. These are set out in the action plan below. Completion or substantial progress against these objectives is due by the end of the financial year, in March 2015.

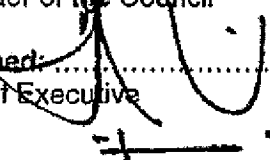
What action is to be addressed	Who is responsible for delivery
Supporting the implementation of the Growth and Reform Plan by working with partners to help people become more resilient, develop valuable skills and access employment opportunities.	Deputy Chief Executive (Growth and Neighbourhoods)
Establishing successful partnerships to deliver reform work including complex dependency and Healthier Together / Living Longer, Living Better at a sustainable level and at the scale and pace required.	Deputy Chief Executive (People)
Designing savings proposals for 2015/16 and 2016/17 in tandem with partners to make best use of the resources available to public services in the city.	Chief Executive
Ensuring high standards of partnership governance: mental health and new ways of working.	Strategic Director (Families Health and Wellbeing)
Protecting information and outcomes of the Information Commissioner's Office (ICO) audit.	City Solicitor
ICT security, resilience and capacity to support transformation.	Assistant Chief Executive (Communications and ICT)
Internal communications, training and support.	Assistant Chief Executive (People)

- 8.2 Progress against the areas listed in the action plan above will be reported to Finance Scrutiny Committee in January 2015.
- 8.3 The Council assesses potential impacts of new legislation coming into force, to ensure that it can implement new responsibilities in a way which supports its objectives. Work is underway to assess the local effects of the Local Audit and Accountability Act 2014, which will extend the Council tax referendum provisions included in the Localism Act, and introduce a new regime for the auditing of public bodies. In May 2014, the government published the Local Government Transparency Code 2014, part of which is due to become mandatory subject to parliamentary approval in August 2014. The purpose of the code is to make more data held by the Council openly available to residents and stakeholders, so that they can participate fully in the local democratic process, and hold the Council to account.
- 8.4 The Care Bill will change how local authorities assess and fund adults' care needs and introduce new duties based on individual wellbeing, and is designed to mitigate pressures on self-funders and carers. Financial implications of the Bill, from April 2015, will largely arise from additional duties to provide assessment, care, and support planning for people who currently fund their own care, people in prison and carers. Some of the costs will be met from the Better Care Fund. Financial modelling of the potential impact of the Care Bill is in the early stages and much more work is required to effectively project the impact.

Conclusion

- 8.5 The governance arrangements as described above have been applied throughout the year and have provided an effective framework for identifying governance issues and taking mitigating action. Over the coming year the Council will continue the operation of its governance framework and take steps to carry out the actions for improvement identified in the review of effectiveness to further strengthen its governance arrangements.

Signed: 
Leader of the Council

Signed: 
Chief Executive