MANCHESTER
CITY COUNCIL

Annual Report Incorporating Statement of Accounts 2014/15

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This document contains the 2014/15 Annual Report and the 2014/15 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 2014/15 in relation to value for money and performance indicators. The Annual Report summarises what the Council spent money on in 2014/15 and how that money was raised. It also includes the simplified summary accounts.

MANCHESTER
CITY COUNCIL

Annual Report 2014/15

Incorporating the Summary of Accounts

1. Introduction

This Annual Report summarises what we spent in 2014/15, how we spent it and what we have achieved as we work towards our goals of happier, healthier and wealthier lives for Manchester people.

We have also included a summary of our Annual Accounts. By law, we must produce a Statement of Accounts every year. This is approved by our Audit Committee and is audited by our external auditors, Grant Thornton. Although the Annual Report and Summary of Accounts are not statutory requirements, we produce them to inform residents about how and where we spend money.

As last year, we have included a summary of our Annual Governance Statement. This section describes our standards for how we will conduct ourselves and sets out the key governance challenges we will address to ensure we continue to operate in an open, accessible and transparent way.

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 60,000 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.

Since the emerging from the recession which followed the banking crisis of 2008, driven by a thriving private sector, the city continues to grow its economy and is now strongly supporting sustained growth across the UK economy. Meanwhile Manchester’s population also continues to grow; with the Office for National Statistics 2013 mid –year population estimate showing the city is home to nearly 515,000 people. Projections forecast an increase to over 540,000 by 2020.

A number of exciting developments over the past year have highlighted the pace of change across the city and will bring continued economic growth and new opportunities for Manchester citizens;

- The new £25m HOME cultural centre at First Street opened in spring 2015, providing an outstanding venue for contemporary theatre, visual art and film. This is part of the major development continuing at the site, which also includes the recently opened four-star Melia hotel.
- The new Metrolink line extension to Manchester Airport opened ahead of schedule in November 2014, and construction of the second city crossing from St Peter’s Square to Victoria is in progress. This new line will improve

transport infrastructure by allowing more frequent and reliable tram services through the city centre.
- A £44m redevelopment of Victoria station includes a redesigned Metrolink stop as well as a new mezzanine level and roof, alongside restoring and preserving the building's Victorian heritage. The transformation of the station will boost capacity, providing more seats, on more trains, more often.
- Manchester Metropolitan University's (MMU) new flagship campus has opened at Birley Fields in Hulme. As well as providing a new world class centre for Education and Health Professionals, there will be open access across the site for the public, and facilities for use by the community.

About Greater Manchester

In April 2011 the ten authorities in Greater Manchester were the first in the country to develop a statutory Combined Authority (GMCA) 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.

The strategy for Greater Manchester, 'Stronger Together', was updated in 2013. 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 tax raised and resources spent on public services. This is being done by delivering services differently, more efficiently and by reducing the level of demand for those services, by bringing more people into higher quality work.

By prioritising projects on the basis of economic and employment benefits, GMCA has been awarded funding to better support the growth of GM businesses. As a result of this, Airport City was 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 were secured. The UK's first Low Carbon Hub is pioneering 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.

A new Growth Deal was agreed with central government in July 2014. Through the Growth Deal process, Local Enterprise Partnerships were invited to seek freedoms, flexibilities and influence over resources from Government; and a share of the Local Growth Fund to target their identified growth priorities. The deal will see £476.7m invested in Greater Manchester, projects will start in 2015/16 and help to create 5,000 jobs, support over 75,000 people learning new skills and generate up to £80m in public and private investment. The main areas of investment will include public transport and roads, development of the local Life Sciences industry, and further reform of public services to support vulnerable people by providing targeted employment support.

In November 2014 the Chancellor of the Exchequer and the leaders of GMCA signed a ground-breaking devolution agreement, which will result in new powers and responsibilities for Greater Manchester. These will open up new opportunities for increasing economic growth and improving the quality of life of Greater Manchester residents by replacing an over-centralised national model with greater local control over certain budgets and powers. For example, they will unlock huge public transport improvements and help tens of thousands of Greater Manchester residents into work. As part of the settlement, a directly elected Mayor for Greater Manchester will be created.

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 was 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 was set out in the Strategic Narrative for the city, which concludes in 2015. Work is underway to set out the priorities for the city over the next decade which will form the new strategy for 2015 - 2025, with the Manchester Leaders' Forum providing leadership for development of the strategy. The forum brings together leaders from across the city with experience and expertise in many different fields, and will drive forward delivery of the city's priorities.

Along with our public sector partners, we have experienced significant reductions in funding over the past five years. Public services are being delivered in new ways to make the most of their reduced resources. We 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. We will work with our 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 we can reduce our 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 reduce 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 our 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.

Our Values

We foster a culture of behaviour based on shared values, ethical principles and good conduct. These values underpin everything we do, including how we work with partners and serve our local communities. Our values are People. Pride. Place.

• **People** - Every day our employees will go further to make a difference to the lives of Manchester people. Our employees will treat colleagues, partners and customers with the respect they deserve and believe only their best is good enough

• **Pride** - Our employees are proud of the role they play in making Manchester a success. Our employees accept the responsibility invested in them and rise to meet the challenges they need to overcome

• **Place** - Our employees celebrate all things Manchester and strive to make Manchester's streets, neighbourhoods and city an even greater place in which to live, work and visit.

2. 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, together they have the authority to make a range of decisions affecting the city and the public services delivered across it. We employ officers to deliver services on our behalf and to carry out our decisions.

We appoint a Leader at our annual Council meeting in May, who in turn appoints eight other elected members to form an Executive. They take a range of decisions to implement our 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 our committees. Only the most significant decisions are taken at the Council meeting, such as agreeing our budget. We have 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.

We have responsibility for a wide range of functions, and take 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 our 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 our services or other public services are delivered are also subject to scrutiny. We have set up six scrutiny committees to do this, and in these meetings Councillors hold decision makers to account and consider how public services are meeting the needs of local residents.

We maintain a Constitution which sets out which officers or committees have responsibility for exercising the authority’s different functions. Our Code of Corporate Governance, included in the Constitution, sets out the standards of good governance we will meet.

The Council consists of three directorates:

Children and Families
The priorities for this directorate are to ensure that more residents develop the education and skills they need to succeed in work and life, live healthier, longer and fulfilling lives, and are employed and able to progress within their jobs. The directorate helps people who have to rely on our services to make the changes which will enable them to become more independent. Underpinning these aspirations is our commitment to continue to robustly safeguard vulnerable children and adults.

Growth and Neighbourhoods
This directorate provides the leadership and focus for the sustainable growth and transformation of the city to retain our international competitiveness. This means identifying and promoting opportunities to develop the city's fabric, infrastructure, business and skills base, and connecting local communities to the employment opportunities. It also recognises the importance of getting the basics right - working with our partners and in neighbourhoods - so that the city is clean, safe and green and communities take pride in and ownership of their area and lives.

Corporate Core
The Core directorate provides the leadership, governance and support that enables the organisation to achieve Manchester’s ambition to be a world class city, with sustained economic growth and better lives and opportunities for residents. It includes many services which provide support to our other directorates, such as Human Resources, Finance, Legal, ICT and the Customer Service Centre.

3. Our standards; how we are governed

We are committed to ensuring good governance of our affairs. Our Code of Corporate Governance (“the Code”) sets out the standards we will meet to ensure we are 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;
We 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 our Constitution who can take which decisions.
- Behave in ways that reflect our values and high standards of conduct.
- Ensure our decision makers have access to accurate information to help them take decisions in the best interests of Manchester people.
- Record and publish the decisions we take and the reasons for them. Wherever possible, the most important decisions will be taken in public.
- Carry out effective scrutiny of our 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 we produce 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 we have done to identify and respond effectively to governance challenges, and what new challenges have been identified where we will need to focus our efforts in the coming year.

An example of how we have met our governance commitments was our major resident consultation to inform our budget setting plans for 2015/16. We clearly set out different options for making the savings required, and asked for comments and suggestions. We used a number of ways to communicate and explain these options, including an online survey and videos, public meetings, press and social media, to ensure we engaged as many people as possible. This enabled us to listen to and incorporate thousands of residents’ views in our decision making process.

We also publicise our objectives, how well we are doing in delivering them, what we are spending money on and why, in clear and easily accessible ways. Examples of this include a wealth of information on our website, such as news broadcasts, Business Plans and this Annual Report. A leaflet is also sent to all residents with their Council Tax bill, which provides a concise and helpful overview of our services, how to access them, where our funding comes from and what it is spent on.

Some of the key processes we have in place to make sure we efficiently monitor and improve our governance arrangements are as follows;

Internal and External Audit – Our 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 our external auditors, Grant Thornton, assess the Internal Audit function to make sure it forms an effective part of our control environment. The external auditor also assesses other areas, such as how effectively we ensure value for money in our use of resources.

Register of Significant Partnerships –Partnership working is becoming increasingly important to enable us to adapt and innovate, ensuring that we continue to achieve our objectives and deliver effective services for residents. We have 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 our reputation, objectives and financial position.

Performance Management Framework – We have 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 – We have 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 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 our decisions, all meeting papers and minutes are available on our website, and the meetings can be watched as webcasts.

Part of the AGS looks at what governance challenges we have experienced, and what has been done to strengthen processes where necessary. It also looks forward to what the main areas are where we will need to focus our efforts in the coming year. 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.

We have identified a number of challenges to be addressed in 2015/16. These include;

- We must ensure effective delivery of the requirements of the Care Act which came into force in April 2014. As well as modernising existing social care law, this legislation will place new duties on Councils, for example to provide information and advice and support for carers with eligible needs.
- Continuing our work on modernising our ICT equipment, so that we have systems that support us to deliver our services to residents in an efficient way.
- To make improvements to our social care services for both adults and children, taking into account recommendations from external agencies, for example Ofsted.

4. Reforming public services

During the year 2014/15 we continued to make changes to achieve the remaining balance of the £78million savings required by the 2013/15 financial settlement. The Government has now published the settlement for 2015/16. We will need to make up to £70million of savings over 2015/16 and 2016/17. Combined with the increased cost of the levies for waste disposal and transport, this has led to a 37% reduction in available resources for our services. Our public and voluntary sector partners are also facing similar challenges through funding reductions that require collaboration and strong leadership to address while making progress towards the vision for the city.

Public service reform is a key element of how we and our partners in the city will address the challenges of continued financial reductions, demographic changes, the opportunities of economic growth, and the Greater Manchester Devolution Agreement with Central Government.

Public service reform in Manchester is based on the following principles:
- Delivering services in a way which is based on a family's needs, not restricted to the specialism of the agency they are in contact with
- Delivering services to change behaviour of our families
- Using those services that we've tested and know work well
- Developing new approaches to investing and aligning resources from a range of partners on joint priorities, and
- Robust evaluation of what works to reduce demand on public services

The Devolution Agreement signals a significant opportunity to work with Government to overcome some of the barriers to join together public services in the city, particularly for those groups of residents and communities who can most benefit from a joined up response from public services.

Confident and Achieving Manchester
We have developed with our partners an organised, whole-family approach to support families with complex needs towards independence. This has involved applying the principles above, with dedicated Key Workers to support families. The approach involves working with the whole family and the full range of issues they face in a co-ordinated way. Confident and Achieving Manchester is the programme that will expand and join together areas of public service reform relating to complex needs that public services in the city strive to meet. The initial focus has been the

second phase of the national Troubled Families programme and the new Early Help strategy.

We aim to significantly reduce demand on public services, supporting more residents to become independent and helping them obtain the job opportunities resulting from economic growth. This includes reducing levels of unemployment, particularly long-term unemployment, tackling low skills, improving health outcomes, educational attainment and attendance, addressing drug and alcohol misuse and domestic abuse, and reducing the need for social care.

This involves a clear focus on employment and progression at work, as a way of helping our communities gain greater independence. For some people, entering employment will seem a distant goal, but a joined up approach to tackling the barriers to work, with services provided in the right order and at the right time, will help many to overcome broader issues in their lives, for example, health, offending, drug and alcohol and debt issues. It includes early intervention with groups at risk of having complex problems in future, reducing future demand by dealing with the early signs of issues before they escalate.

Early Help means identifying needs within families early, and providing preventative support and intervention before problems become complex and deep-rooted. It involves offering support to very young children early in life, and to children and families early after the emergence of particular need. Early Help allows for support to be put in place at the right time to meet family’s needs prior to issues reaching crisis point. Three Early Help Hubs are being established in North, Central and South Manchester in 2015 which will provide easy access to support and advice for families, bringing together a wide range of frontline professionals to provide a preventative support at the earliest stage, helping to reduce the number of cases that require statutory intervention. A new Early Help Strategy has been developed in response to concerns raised by Ofsted in their inspection of children’s services in June 2014. The national Troubled Families programme in Manchester is part of our approach to Early Help.

Working Well builds on the experience of Troubled Families. The programme currently works 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 that more effectively addresses the underlying issues affecting their ability to find sustained employment. The two main differences introduced in Working Well are the intensity of support with key workers with lower caseloads, more regular contact with clients, as well as joined up support from other public services. The Greater Manchester Devolution Agreement announced that Working Well will go through a staged expansion, to reach 50,000 Greater Manchester residents who face multiple barriers to work, such as Job Seekers Allowance claimants who have left the work programme and those in work with low pay. The Working Well expansion provides the opportunity to have a much greater and longer-term impact beyond the current programme.

The Manchester Fit for Work project provides integrated health and community services for those at risk of long-term sickness absence from work or unemployment due to ill health. The project aims to improve health and wellbeing, to help clients manage their own health problems and improve their confidence so that they feel able to return to work and manage social and psychological factors related to their health. By getting involved early, with the right support, the project ensures that clients are more likely to continue to lead productive lives and minimise their demand on expensive public services.

We are also working with our partners on a programme called transforming justice and rehabilitation through better, more co-ordinated support for offenders at the points when they are arrested, sentenced and released. This focuses on young people, as intelligence shows the peak age of offending is 19, and women offenders, as there are often significant costs to families and society when women are given custodial sentences when an alternative community sentence is appropriate.

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. Following a Pilot, citywide delivery of the Early Years new delivery model began in April 2015, which will ensure that children aged 0–4 across Manchester have regular interactions with health visitors and that they 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, while parents can access parenting classes or support to develop skills and access work. Through the Devolution agreement a further Early Years Pilot will see Government working with Greater Manchester to improve the school readiness and attainment of children ensuring they are given the best possible start in life.

Integrated health and social care

The Devolution Agreement for Health and Social Care will give Greater Manchester control over the £6bn health and social care resources for the region. Proposals will be developed during 2015/16 to give full devolution from 1 April 2016. This will include the development of a Strategic Plan setting out how resources will be best used within the local authority areas to improve the health of people in the region. During 2015/16 changes will begin to be made including 7 day access to GP surgeries.

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: to increase the scope of services delivered through primary care, to bring consistency as part of the system, and to ensure the voice of primary care service providers is heard. 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.

The Living Longer, Living Better vision can only be achieved by bringing together all community based services to provide proactive joined up care as 'One Team', working toward shared outcome goals and which keep people well enough not to need reactive and expensive hospital or long term social care. The One Team – Place Based Care model proposes that twelve place based teams are established in Manchester which will connect with their communities, focusing on the place they serve, and provide the best care to their population.

5. Our neighbourhoods

We are committed to providing a high standard of core services that 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 that are clean and safe and high-quality culture and leisure facilities.

Manchester remains ambitious about its future residential growth and has adopted the residential growth prospectus to meet the housing challenge by 2027. Close to 3,000 homes have already been completed since it began in 2013, with an additional 30 schemes set to start on site in 2015/16 delivering in excess of 2,500 units. Our main rationale remains to accommodate significant population growth in the core of the city, developing a number of new and existing residential neighbourhoods in close proximity to key employment areas. Manchester Place, a strategic partnership between us and the Homes & Communities Agency, will seek to accelerate the delivery of new sustainable residential development across the city in collaboration with landowners, developers and investors. The creation of the £300m GM Housing Investment Fund provides the opportunity to invest in locally prioritised schemes, offering the flexibility required to stimulate the market and increase housing supply.

Our investment in Manchester Airport gave us a one-off cash boost of over £14 million to create a cleaner, greener Manchester. A citywide programme of works is currently being delivered to ensure sustainable improvements are undertaken across Manchester parks, district centres and neighbourhoods, including the city centre, to deliver a citywide clean up. The Clean City programme enables residents and communities to apply for funding to tackle environmental problems in their local areas. This provides a unique opportunity for communities to engage with and influence initiatives that can make real and lasting improvements to their neighbourhoods, tackling the issues most important to them.

Manchester Central Library successfully re-opened in March 2014 following a 48 million pound transformation and welcomed over 1.4 million visitors in its first year. Manchester Central Library contributes to the city continuing to be a cultural destination of choice and provides 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.

In the last year Sport and Leisure have completed and opened East Manchester and Hough End Community Leisure Centres which have been both developed in partnership with Sport England, British Swimming, and in the case of East Manchester also with Manchester City Football Club. Both sites are now making valuable contributions to the mix of activities available within their neighbourhoods and growth in participation in healthy activity. Additionally we are progressing the build of the new Arcadia Library and Leisure centre in Levenshulme district centre which will be completed in February 2016, a national Basketball Centre at Belle Vue Sports Village in Longsight and the National Taekwondo Centre at Ten Acres Lane Sports Complex in Newton Heath. Sport and Leisure are continuing to work closely with Sport England and are currently developing options to provide strategic football hubs in Manchester, which will provide modern changing facilities, educational spaces, high quality grass and 4G synthetic pitches to meet the needs of all users and programmes.

6. Case studies

A HOME for Creative Manchester

Spring 2015 saw the opening of HOME, Manchester's latest cultural centre, funded by the Council with a contribution from Arts Council England. HOME's vision is to be an international production and exhibition centre of outstanding provocative contemporary theatre, visual art and film and an axis of experimentation at the point where they meet. By achieving this vision HOME will attract audiences from Manchester, the region, nationally and internationally supporting Manchester to be an internationally recognised cultural city.

HOME is the largest combined arts centre in the UK outside London which houses a 500-seat theatre, a 150-seat flexible theatre space, a flexible gallery space, five film screens, digital production and broadcast facilities, a bar, café bar and cinema bar plus a bookshop.

However HOME is much more than an arts centre. It was also a catalyst for the First Street development, a recently regenerated area in Manchester which also houses office space, retail and hotels. HOME was critical in achieving a transformational change in the area providing amenities, jobs, footfall and, crucially, the “sense of place” required to ensure that First Street has a dynamic and sustainable future as one of Manchester's city centre districts.

HOME's ongoing commitment to the economic growth of the city is demonstrated through their year round programme of international quality theatre, film and art exhibitions attracting private investment from the UK and abroad as well as attracting visitors and tourists to the city. There will be employment opportunities for local residents including apprenticeships and internships for young people, as well as delivery of a great volunteering programme.

HOME is also dedicated to the city's green agenda and has committed to reducing waste, joining a carbon reduction programme and also training its entire staff in carbon literacy.

The final strand to HOME's role in the city and crucial to achieving their vision is their engagement activity. Whether it's through artist-led participatory projects, workshops, learning and study sessions, courses, Q&A's, fresh interpretation, residencies, commissions, talent development projects or work-based learning -

everything they do links to their wider artistic programme. HOME sets out to achieve a range of learning and skills based outcomes and support priorities such as getting more people into work. HOME connects with an exceptionally diverse mix of Manchester people who see and shape the programme by telling their own stories through their own artistic creations.

HOME epitomises what culture can do for a city ranging from being a driving force in developing a new district, providing employment opportunities, attracting investment, providing international profile and working with local residents to develop skills.

Library Live Programme – Manchester Central Library

Manchester Central Library successfully re-opened in March 2014 following a 48 million pound transformation and welcomed over 1.4 million visitors in its first year.

In 2014 Arts Council (England) funding was awarded to support a year long programme of cultural activity in Central Library with the aim of establishing the library as a key cultural venue within the city. Alongside Arts Council funding, the Library Live programme was also supported by The Central Library Development Trust and The Zochonis Charitable Trust.

The programme, entitled ‘Library Live’ included the following highlights:

- Manchester After Hours – music performance by the Montgolfier Brothers in the Reading Room
- Manchester Jazz Festival – featuring a premiere performance of an original piece, 'Article X', from Anton Hunter
- Culture Camps – summer holiday activity for young people under 16 based on drama and digital media
- Manchester Literature Festival
- Kino Film Festival

The programme culminated in a week long residency at the library curated by Mercury Prize shortlisted band Everything Everything. Entitled Chaos to Order, this multi arts event consisted of music, poetry, dance, comedy and spoken word and also saw both Radio 3’s In Tune and Radio 6’s Radcliffe and Maconie shows broadcasting live from the library.

The second phase of Chaos to Order, entitled Echo Trace, saw some of Manchester’s most cutting edge artists and creative organisations going out to libraries across the city to co-create new art works with members of local communities. Key venues for Echo Trace were North City Library, Longsight, Wythenshawe, Beswick and Withington library to inspire creative activity across the city. The multi-arts programme which was created was successfully showcased in Central Library at the end of May 2015.

Overall Library Live was a tremendous success and welcomed over 4,500 people to a diverse range of cultural activity, exceeding our Arts Council target by 2,700.

The Library Live programme firmly established Central Library as a new cultural venue in the city and in the coming year there is a bumper programme to look forward to consisting of jazz, literature and science festivals, film screenings, opera, music and author events. Full details of this exciting offer can be found at Library Live (www.librarylive.co.uk)

A year in the Archives - Manchester

Archives+ in Manchester Central Library offers a wonderful, purpose-built showcase and repository for the region's archive and family history. For the first time, thousands of the region's records are together under one roof to create an unrivalled collection and first rate customer access and engagement services. The main partners in Archives+ are:

- Greater Manchester County Record Office (Association of Greater Manchester Authorities).
- Manchester Libraries, Information and Archives (Manchester City Council).
- North West Film Archive (Manchester Metropolitan University).
- Ahmed Iqbal Ullah Race Relations Resource Centre and Trust (The University of Manchester).
- Manchester and Lancashire Family History Society.
- BFI Mediatheque.

With the help of the Heritage Lottery Fund Archives+ has created exciting interpretive exhibition spaces to provide new ways for more people and new audiences to discover the richness and relevance of archives, share their own stories and have a personalised experience of the city region's history.

Manchester Central Library reopened on 22 March 2014 and has welcomed 1.4 million visitors in its first year. Approximately 70% of these have visited the Archives+ exhibition. 90% of young people have found Central Library young people friendly.

> *"I am proud to see my family documented in the history of Manchester, and that my father was the first person to bring Sikhi to Manchester. Waheguru je khalsa, waheguru je ke fateh!!!"*
>
> *"It's great to see representation of the Polish community here in Manchester."*
>
> *"The archives section is amazing. The technology really brings it all to life and I really loved watching the old footage of King George V opening Central Library."*

A new learning and outreach programme has helped people learn about and enjoy this nationally important collection. In 2014-2015 the programme delivered over 300 events and activities to over 24,000 people including 2,500 families, 2,300 young people and 4,000 school pupils. A young people volunteers programme has helped support events and create content for the blog and exhibition.

"I love history. We don't do anything like this at school, it's all about wars not local stuff"

"Through the activities hold by Archives, I have known this city deeper from all kinds of experience."

"I feel that since volunteering with Archives+, my confidence has grown greatly, particularly in my ability to communicate with other people. I have learned how to interact with members of the public and how to demonstrate activities to children."

Archives+ has enabled new and greater levels of collaborative working across the partner organisations, including shared events and joint promotion/publicity thereby providing our different audience groups with improved access and information about all our collections. Archives+ has also played a significant role in enabling the development of both formal and informal professional network and training opportunities across the partnership and with external bodies. Through our deliberate signposting of other museums, archives and cultural sites across Greater Manchester, Archives+ has become a place in which local people and visitors can find out about the larger heritage offer across the city-region.

Improving the city's green spaces – Alexandra Park

We understand the importance of investment in the city's 'green and blue spaces' - the waterways, parks, green spaces and more, which are sometimes called 'green infrastructure'. These spaces are crucial to each resident's quality of life and health, to attracting and keeping new residents, and to making Manchester a world class city for business and tourism.

The successful restoration and transformation of this Victorian park in Whalley Range, which originally opened to the public in 1870, highlights our commitment to this priority. The park and its historic buildings had fallen into disrepair, with young families rarely visiting.

A total of £5m funding was secured for the restoration, to restore the park's Victorian heritage, and provide essential play and sporting facilities of local people. The Heritage Lottery Fund provided £2.2m, match funded by us, with further contributions from Sport England, the Lawn Tennis Association and the England and Wales Cricket Board.

Prior to the restoration, a widespread consultation took place to gather local peoples' thoughts and ideas. Workshops took place in the community, local schools were engaged, and the Friends of Alexandra Park supported the process throughout by organising volunteering events.

Since re-opening in August 2014 a wealth of new and restored facilities have been available for the local community;

- The park's two original buildings – Chorlton Lodge and the Pavilion have been restored to their former glory, with a cafe and community spaces. The Pavilion has been used for classical concerts and as an exhibition space.

- A network of grand sweeping paths have re-instated the original park design, with open views from the Victorian promenade, lined with new flower beds and shrubs.
- Sporting facilities include a brand new flood lit all-weather tennis court, and cricket square.
- The newly refurbished lake has a fishing platform, and a pond dipping area for school use, with a pair of swans having become resident there for the first time.

The local community now have a beautiful landscape to walk, run and play in, and the rapid growth in numbers of users of the park since it reopened is testament alone to its success.

7. Promoting equality and tackling inequality

We improve equality outcomes for the city's communities by working as a cohesive whole, embedding equality activity across a broad range of our services and functions and aligning it with organisational, city and regional priorities. This makes equality 'everybody's business' in the Council. Regardless of whether it is delivering a front line social care service or a back-office benefits service, our commitment to equality has helped to build its strong and long-standing reputation in this area. Our work to reduce inequalities in the city has surpassed all expectations and has narrowed the gap between Manchester and its comparator cities at an astonishing rate.

We participate in the use of the Equality Framework for Local Government (EFLG), which helps us to measure how well we are performing in terms of equality activities and outcomes, and helps us to drive forward improvements. In 2015 the Council was assessed against this framework and achieved its objective of being rated as "Excellent". This means that we have been able to demonstrate;

- Knowledge of our communities
- Leadership, partnership and organisational commitment
- Community engagement and satisfaction
- Responsive services and customer care
- A modern and diverse workforce

A new approach to disability

Building on established research about disabled people's issues and life outcomes, the our 2014 report "A Strategic Approach for Disabled People in Manchester" set out our intention to develop a new approach to disability, to encompass all disabled children and adults living in the city and not just those in receipt of social care support. The aim of the emerging "Manchester All-Age Disability Strategy" is that disabled people should have the same life opportunities and achieve the same outcomes as their non-disabled peers, across key areas such as; choice and control, health, employment, housing and cohesive communities.

During 2014/15, we undertook comprehensive engagement work with disabled residents and relevant organisations, to gain a deeper understanding of the disabled population in Manchester and the opportunities and challenges that they experience. This ensures that the strategy is informed by the real life experiences and ideas from disabled adults, young people and carers, currently living in the city. Further development and implementation of the strategy will continue during 2015/16, leading to improved coordination and delivery of services and improved outcomes for the city's disabled residents and visitors.

Celebrating Manchester's diversity

Manchester Pride will be celebrating its 25th anniversary in 2015, with a programme of events throughout the year leading up to 'The Big Weekend' when lesbian, gay, bisexual and trans communities, their families and friends enjoy the city's biggest party whilst raising money for charities. Manchester Pride is just one example in a rich calendar of events in Manchester which celebrate and express our pride in the city's diverse population. By providing support throughout 2014/15 to events such as Holocaust Memorial Day, International Women's Day, Disability History Month, LGBT Question Time, Manchester Mega Mela, Black History Month, World AIDS Day and others, we have demonstrated our commitment to, and investment in the wide range of communities that make up this wonderfully diverse city.

8. How we performed in 2014/15

Economic growth

Manchester is one of the fastest-growing cities in the UK, in terms of population, jobs and gross value added (GVA). This growth is being driven by core and emerging sectors, increasing numbers of international visitors, an expanding business base, retention of highly skilled residents and a buoyant city-centre commercial market. Manchester is recognised as a major international centre for cultural, creative and digital industries, and has recently benefited from investment in the refurbished Whitworth Art Gallery and the new HOME cultural hub developed at First Street. The city continues to attract a growing number of domestic and international visitors who boost the economy and come to take advantage of the city's multiple cultural, sporting and retail assets. Manchester is also home to the largest concentration of commercial and retail floorspace in the UK outside of London, as well as the Airport City Enterprise Zone, Manchester Airport and Corridor Manchester.

Manchester's economy has shown great resilience throughout the recession and subsequent recovery, which has demonstrated that the economic foundations of the city are much stronger than in the past, with no overreliance on any single employment sector. Investor confidence has been high and this has been evidenced by a record year for office take-up and a return of speculative commercial development, such as numbers One and Two St Peter's Square.

In 2013, Manchester's economy, combined with that of the four other GM South districts (Salford, Stockport, Tameside and Trafford), generated an economic output of £38.8billion – over a quarter of the north west region's output. This is an increase of 11% on the previous year, indicating strong performance outstripping the national growth rate (ONS, Regional Gross Value Added, December 2013).

Figures for 2013 show that GVA per head in Greater Manchester South, which comprises Manchester, Salford, Stockport, Tameside and Trafford, has risen by 5% since 2012 (ONS, Regional Gross Value Added, December 2014). Greater Manchester South continues to outperform national and regional comparators. Greater Manchester South outperforms the national average in terms of GVA per head of the resident population. The GVA for Manchester South was £25,950 in 2013, compared to £23,755 nationally.

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 334,000 – an increase of 5.1% since the previous year. 16,300 more people were employed in Manchester in 2013.

The Manchester Employer Suite is one of a number of initiatives which ensures that residents benefit from employment growth across the city. It is a partnership between us and Jobcentre Plus that provides Manchester businesses with a central point of employer interviewing facilities, matching pre-screened, job-ready candidates to vacancies. It has enabled us to support employers, whatever their size, sector and needs to find local people to meet their recruitment needs through a single, quality-driven service. The Suite is now based within the Town Hall Extension which has allowed for better integration with business support services, including the business library and the opportunity to promote the service to residents and employers visiting the Extension. Over the last year 195 recruitment campaigns have been supported, with over 2,500 residents attending the suite, and 1,350 going on to either obtain employment or cease to claim benefits.

Manchester has notably higher proportions of people working in education; administration and support services; and financial, professional and scientific. This is due to the cluster of large universities and research businesses along the Oxford Road Corridor and the high number of service sector jobs within the city centre.

Manchester's economy, in keeping with many other cities, has developed an hourglass shape which is characterised by a larger number of higher-paid and lower-paid jobs, with a reduction or hollowing out of the intermediate paid roles in between. This structure is unlikely to change in the short-term, meaning that there are always likely to be lower-paid entry-level, part-time or temporary vacancies to be filled. The gap between Manchester's workplace wages (the wages of those who work in the city but may live elsewhere) and resident wages (those who live in the city but may work elsewhere) is narrowing but remains the highest of England's Core Cities, at £78 per week. Manchester's median workplace wage of £460 is the highest of all the Core Cities, but Manchester's resident wage of £382 is the joint fourth lowest. (ONS, Annual Survey of Hours and Earnings 2014).

The causes of this gap are complex and long term. The recent recession and subsequent economic recovery has led to an imbalance between inflation and wage increases. As the cost of living has increased, many workers have seen their real take-home pay reduce. Recent analysis has shown that between 1998 and 2008 increases in median full-time weekly earnings outstripped inflation. However, this reversed between 2009 and 2013 (ONS Annual Survey of Hours and Earnings, Consumer Price Index). This trend, coupled with a rise in flexible working practices such as part-time work and zero-hours contracts, has led to an increase in the number of people finding themselves in in-work poverty and an increase in the amount of Working Tax Credit and Housing Benefit being paid to working households.

Measures to address it include improving the skill levels of Manchester residents and ensuring that Manchester comprises attractive neighbourhoods where higher earners working in the city want to live. Raising the wages of the lowest-paid workers also remains a local priority, we have now increased the Manchester Minimum Wage to £7.85 an hour, which is the same rate as the current UK Living Wage – calculated annually by the Centre for Research in Social Policy. The Government recently approved an above-inflation increase in the National Minimum Wage to £6.50 an hour, and has committed to increasing this to £8 an hour by the end of the decade. However, this will still lag some way behind the Living Wage.

The city is strategically placed at the centre of an emerging Northern Powerhouse which the Government hopes will become a counterweight to the dominance of London and the south east. Further devolution of power and budgets offers Manchester, as part of the Greater Manchester Combined Authority (GMCA), the opportunity to realise its full economic potential.

People

We and our partners continue to expand 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 – The delivery of Troubled Families provision will continue through Phase 2 of the troubled families programme targeting over 8,000 families in Manchester over the next 5 years. Phase 2 of the Troubled Families Programme has specific criteria around the health outcomes for children and parents.

Supporting people into employment – In November 2001, a total of 66,050 Manchester residents were claiming an out-of-work benefit. By November 2014, this had fallen to 51,090, a reduction of 14,960 (22.6%). In 2001, almost one in four (23.9%) of Manchester's working-age population was claiming an out-of-work benefit. Working Well is an example of the public service reform approach to tackling worklessness, which builds on the experience of the Troubled Families Programme and initiatives such as the Ardwick City Region Pilot. The programme works with Employment Support Allowance Work Related Activity Group claimants who have left the Work Programme without moving into sustainable employment.

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 4,300 starting in 2013/14, compared to 1,320 in 2005/06.

Getting more young children (0–5s) off to the best start

Achieving a good level of attainment in the Early Years Foundation Stage (EYFS) is vital for children so they are ready for school, and they are also more likely to be independent and less reliant on public services in the future. The 2014 result of 53.1% of children achieving a good level of development was an improvement on the 2013 result of 47%. However, it is still below the national average of 60%. 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 – It should be noted that absence figures for 2012/13 and 2013/14 are across the full 6 half terms – the entire school year. School absence has improved over the last few years with absence in Manchester schools now in line with the national averages in both primary and secondary phases. Manchester had the country’s highest rate of absence in secondary schools in 2007/08 but latest available figures from 2013/14 now show absence just 0.1 percentage points above the national average. The percentage of pupils classified as being persistent absence pupils has decreased in secondary schools from 2011/12 when the new threshold for persistent absence was brought in. This is a significant improvement on the position six 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. Since 2010 the results of Manchester pupils have improved at a faster rate than the national average and have remained the same as nationally for the last 2 years. 79% of pupils attained Level 4, an increase of 4 percentage points from last year. There have been major changes in the way in which Key Stage 4 results are calculated and published therefore, 2014 results are not directly comparable with previous years' figures. English Baccalaureate results are less affected by these changes and so comparisons between years are more suitable than other performance measures.

The percentage of pupils achieving five or more A*–C grades including GCSE English and Maths in Manchester is lower than the England average in 2013/14, although the gap has narrowed to 2 percentage points, from 6.1 percentage points in 2012/13.

- **Reducing reoffending –** Reducing offending is an important part of achieving the city’s ambitions of improving resilience, supporting independence, and reducing spending on high-cost services. ‘Spotlight’ was established in Greater Manchester in 2010 with a remit around Integrated Offender Management (IOM). This multi-agency approach brings together statutory organisations in formal partnership to reduce reoffending and protect the public. Spotlight delivers intensive supervision to ensure that offenders who have had the biggest impact on the local community receive close monitoring and support to affect change in their behaviour and manage the risks they present. The ability to swiftly enforce criminal justice sanctions when required is an important aspect of public protection and crime reduction. Timely and accurate enforcement enables this function to be achieved. Recalls or breaches are to be processed within an appropriate timescale and the

Manchester IOM teams have achieved a 98% year-to-date success rate.

- **Supporting people to improve their health** – We have a role in educating, informing and involving the community in the improvement of their health and wellbeing. Between 2011 and 2013, there were around 940 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 75% higher than that of England as a whole (319.7 compared with 183.9). The rate was higher for men (409.1 per 100,000) than for women (235.2 per 100,000). Both Manchester and England have been experiencing a downward trend over the past ten years. In Manchester, the rate of deaths from causes considered preventable has fallen from 396.4 in 2001–03 to 319.7 in 2011–13 – a reduction of 19.4%. Over the same period, the rate across England as a whole has fallen from 248.4 to 183.9 – a reduction of 26.0%. A key aim of the Health and Wellbeing Strategy for Manchester is to address the range of factors that underpin the wide gap in health outcomes that continues to exist between Manchester and the rest of England as a whole.

Place

So that residents can make the most of the opportunities available in Manchester, it is crucial that neighbourhoods are created that 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, 79% of respondents were satisfied with their local area as a place to live – a slight increase on the previous year of 77%.

We are 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 rates increased significantly during 2012/13, but in 2013/14 and 2014/15 the rate fell to 33.3. This was due to changes in processing of street cleansing waste in 2013/14 and an upturn in the economy in 2014/15. Kerbside refuse service tonnages increased by 2.25% in 2014/15 compared to 2013/14 – this is thought to be due to economic growth. However, the overall recycling rate fell, as the increase in residual waste tonnage was a greater volume than the increase in recycling tonnage.

While Manchester has made significant reductions in crime and antisocial behaviour over recent years, 2014/15 has seen an increase in a number of crime types, particularly some kinds of acquisitive crime. Welfare reforms and reductions in public resources have been cited as contributing towards these increases. The overall decreases in crime over the long term have happened at a time when the population of Manchester increased more rapidly than the rest of Greater Manchester. Between mid-2005 and mid-2013, Manchester's population rose by 13%, compared with a 4% increase in the rest of Greater Manchester. The rate of victim-based crime per 1,000 head of population reduced from 167 in Manchester in 2005/06 to 90 in 2013/14, a drop of 77, while across the rest of Greater Manchester the rate fell by 47, from 100 to 53.

A total of 49,385 victim-based crimes were reported across Manchester between April 2014 and March 2015. Victim-based crime is a broad category that includes offences of violence against the person (including homicide, violence with injury, and violence without injury), sexual offences (including rape and other sexual offences), robbery, theft (including theft from a person, domestic burglary and vehicle crime) and criminal damage. While this is a 7% increase compared to the same period the previous year, over the past ten years victim-based crime recorded by Greater Manchester Police (GMP) has reduced by almost 37%, from 78,068 in 2005/06

Over these past ten years, some types of crime saw much higher reductions, including vehicle crime (down by 68%), criminal damage and arson (down by 62%) and robberies (down by 54%). Many experts have linked the dramatic falls in the number of vehicles being targeted to improvements in security features.

Higher levels of theft from the person have mainly been caused by an increase in the number of mobile phones being stolen. Technological advances may have helped to reduce vehicle offences, but in other areas they have opened up new criminal opportunities, with multifunctional, expensive and easily portable gadgets being a particularly attractive target.

Manchester's vision is to be a world-class green city, with successful neighbourhoods whose prosperity is environmentally sustainable. These include 88% of state schools being eco schools, 38 Sites of Biological Importance, and more than 1,600 carbon literate citizens in Manchester.

Manchester's progress against its target to reduce carbon emissions by 41% by 2020 is measured using data from the Department of Energy and Climate Change (DECC).1 The latest local-authority-level data available from 2012 showed that Manchester achieved a 10.2% reduction in CO2 levels against the 2005 baseline (table 7.1). A 20.3% reduction by 2014 has been estimated by the MACF CO2 Monitoring Group using available national datasets.

Value for Money

The vision for Manchester is to be a world class city; to grow and sustain the economy of the city, and to translate that growth into better lives for Manchester residents. Manchester has always been a city of innovation and change but achieving this vision in times of austerity requires even greater emphasis on improving the way we work to deliver better services and the best possible value for money. This means redesigning services to make better use of resources: in essence, 'doing more with less'.

We have an established track record of achieving savings by developing and adopting more efficient ways of providing services whilst maintaining prudent levels of reserves and maintaining low Council tax increases.

[1] DECC Local Authority CO_2 Emissions Estimates 2005–12[1]

Public Service Reform remains at the heart of Manchester's commitment to secure the best possible outcomes from public spending. We have designed and rigorously tested new delivery models for public services designed to reduce dependency on high-cost public services and help Manchester people gain greater independence. This will realise savings both for us, our local partners and the public purse more broadly.

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

- Analysed benchmarking data in detail, showing how our 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 295,000 by March 2015, reducing costs and emissions. Sharing premises and capital with partners has been an important factor in achieving this, supporting effective partnership working as well as reducing overheads.
- Carried out more of its transactions online, enabling people to report issues, request services and make payments when most convenient to them at the same time as saving money by reducing the number of more expensive interactions, such as face-to-face or on the telephone. There were 376,215 online transactions in 2014/15, an increase of 15% on the previous year. The value of online financial transactions increased by 9.8% to almost £21.5 million. Visits to our web site also increased 10% to 6,669,688.
- Procured a new combined street cleansing and waste and recycling service through competitive tendering. The new service will operate from autumn 2015 and enable work to be carried out more efficiently, as a single consistent team of workers will now be responsible for collecting waste and recycling as well as keeping our streets clean.
- 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.

9. Putting the customer first

The Customer Service Organisation (CSO) comprises the Customer Service Centre (CSC) and Contact Manchester, our centralised Corporate Contact Centre.

The CSC handles enquiries from those customers who require face-to-face support and assistance. It is situated on the ground floor of the newly refurbished Town Hall Extension and interconnects with the Central Library. Key partner organisations including Job Centre Plus, Citizens Advice Bureau, Greater Manchester Police, Connexions and Avanta work alongside the Customer Service Centre, providing a 'One Stop Shop' to key support services for our residents.

Contact Manchester provides support to residents, businesses and partners who wish to access services by telephone. Services delivered through Contact Manchester include our main Switchboard, Council Tax & Benefits, Neighbourhood Services, Social Care, School Admissions, Elections and a dedicated Out of Hours emergency service. In addition to telephone contacts, it handles online, email and SMS customer enquiries across the majority of our key services.

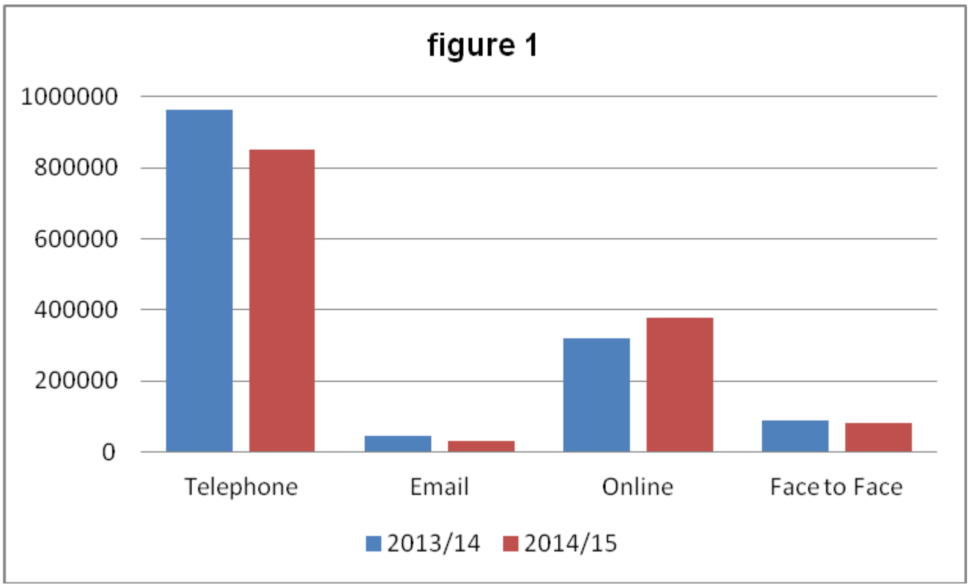
During 2014/15 94% of customers surveyed stated that they were either satisfied or very satisfied with the level of service provided by the CSO.

As a result of work being undertaken to implement our Digital and Channel Shift Strategy, there has been a continued increase in the number of customers transacting online through 2014/15. During 2014/15, 376,215 online transactions were made, an increase of 17% when compared to 2013/14 and a 34% increase when compared to 2012/13. Visits to our website also rose to 6.67m during 2014/15, an increase of 10% when compared to 2013/2014. Consequently this switch in customer behaviour and increase in customer self-service has resulted in a 12% reduction in calls made to Contact Manchester during 2014/15 in comparison to the previous year.

Customer Service Organisation Performance

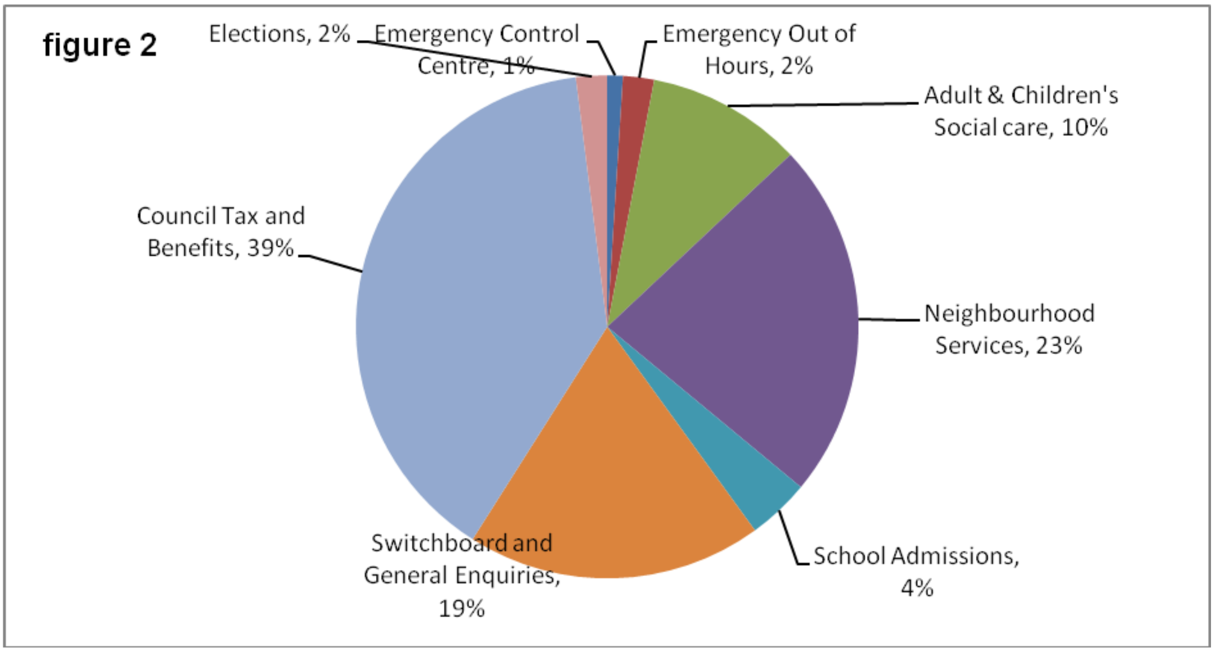
Contact Manchester Corporate Contact Centre and Customer Service Centre

Figure 1 shows the impact of our Digital and Channel Shift Strategy with customer demand reducing consistently across all channels except online services, where uptake continues to increase, with a 17% rise in transactions since last year.



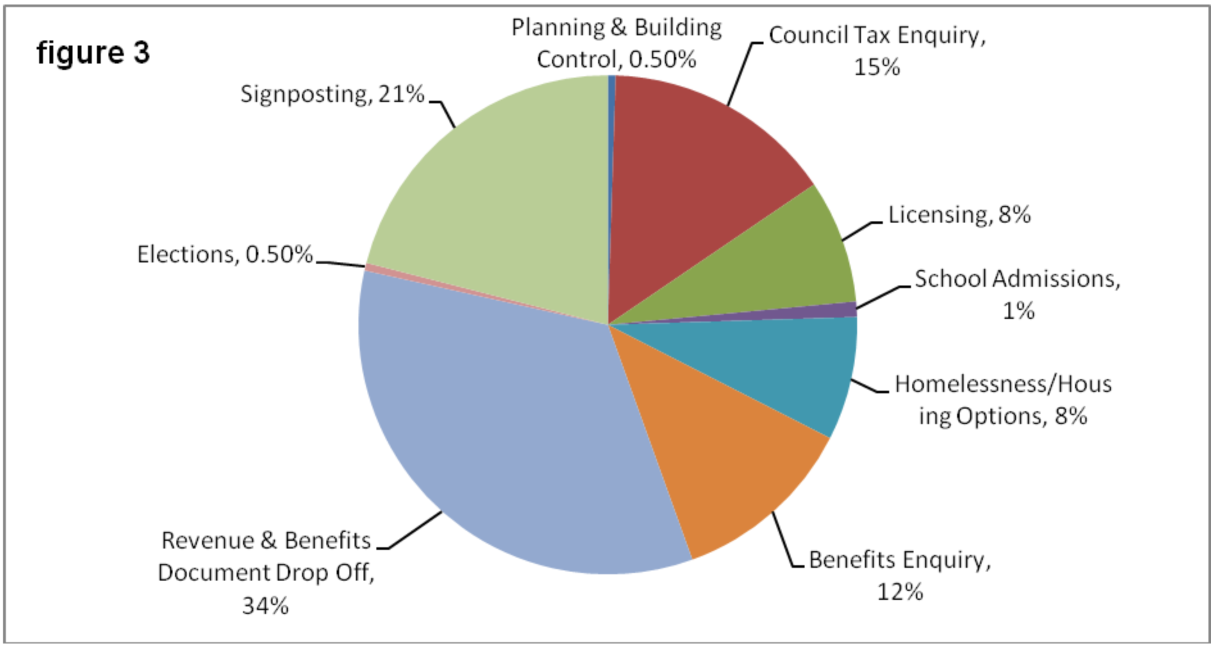
Service Enquiries at Contact Manchester

Figure 2 shows that 39% of calls received by Contact Manchester were related to Council Tax and Benefits, while Neighbourhood Services made up 23%. Within Neighbourhood Services, enquiries relating to Waste and Recycling are consistently the highest volume.



Service Enquiries at Customer Service Centre

Figure 3 shows that over 60% of all enquiries handled in the CSC relate to Revenue and Benefits, with 34% being the drop off and validation of documentation relating to Council Tax or a benefit claim. A further 27% of all customer visits relate to a more in-depth Revenue and Benefits enquiry.



Customers praising the Council

In 2014/15, 390 customers contacted us to praise our staff or service. This was a decrease of 196 on the previous year. We are working with services to make sure positive feedback is recorded when it is received.

Complaints to the Council

In 2014/15 the Council dealt with 2,206 complaints, an increase of 246 or 12.5% compared to 2013/14.

When we receive a complaint we investigate to find out what has happened. If we find that something has gone wrong, we let the customer know their complaint has been upheld and we take steps to prevent the problem happening again in the future. In 2014/15 we upheld 755 complaints, equating to 34% of all complaints received. This is more than in 2013/14, when 658 were upheld, although the percentage as a proportion of all complaints received was the same.

Summary of the Annual Accounts 2014/15

Introduction

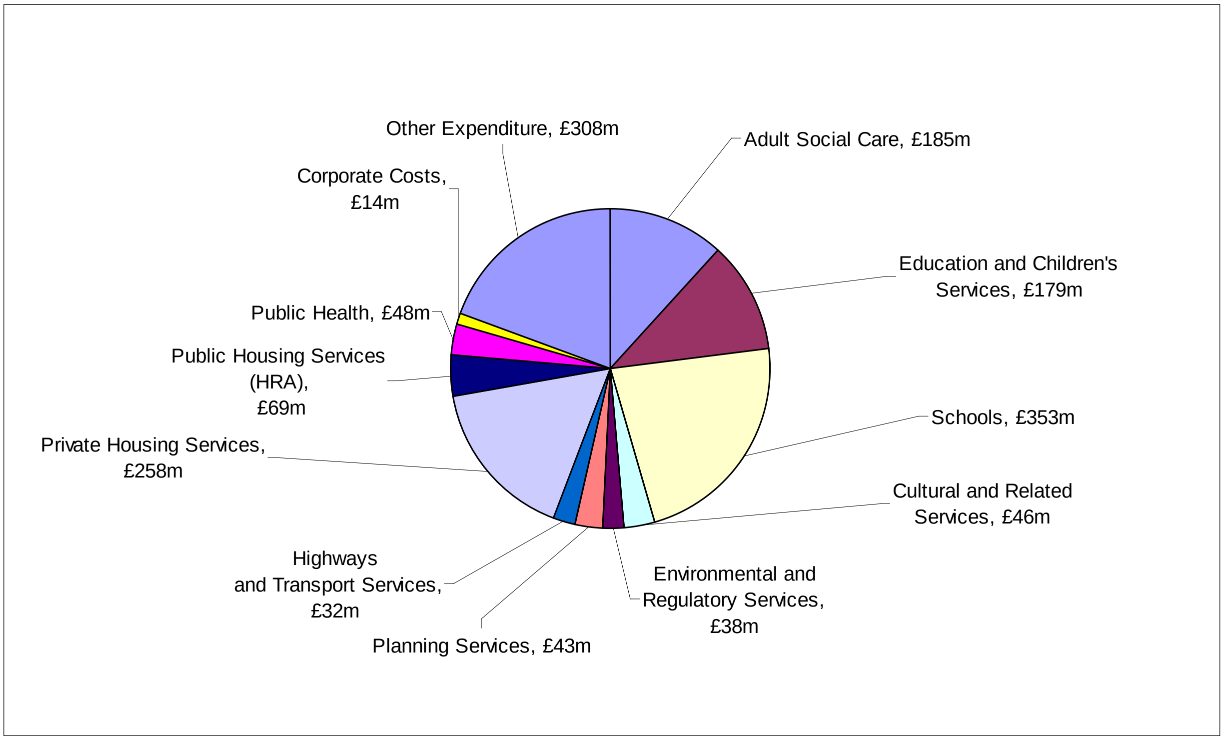
In line with the Council's commitment to transparency and accountability to its stakeholders, we have produced a summary of the Council's Annual Statement of Accounts for 2014/15. This summary has been produced in a simpler format than the full Annual Statement of Accounts which is required to comply with accounting practice. The figures in the summary accounts therefore exclude technical accounting adjustments such as depreciation that are shown within the Income and Expenditure Statement in the accounts but are not a true cost to the Council. The Summary Accounts attempt to provide more meaningful information and highlight key financial information relating to the Council.

Where the money was spent in 2014/15

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 of benefit to 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 £1,573 million (gross). The chart on the following page shows where our revenue money was spent in 2014/15 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 the 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.



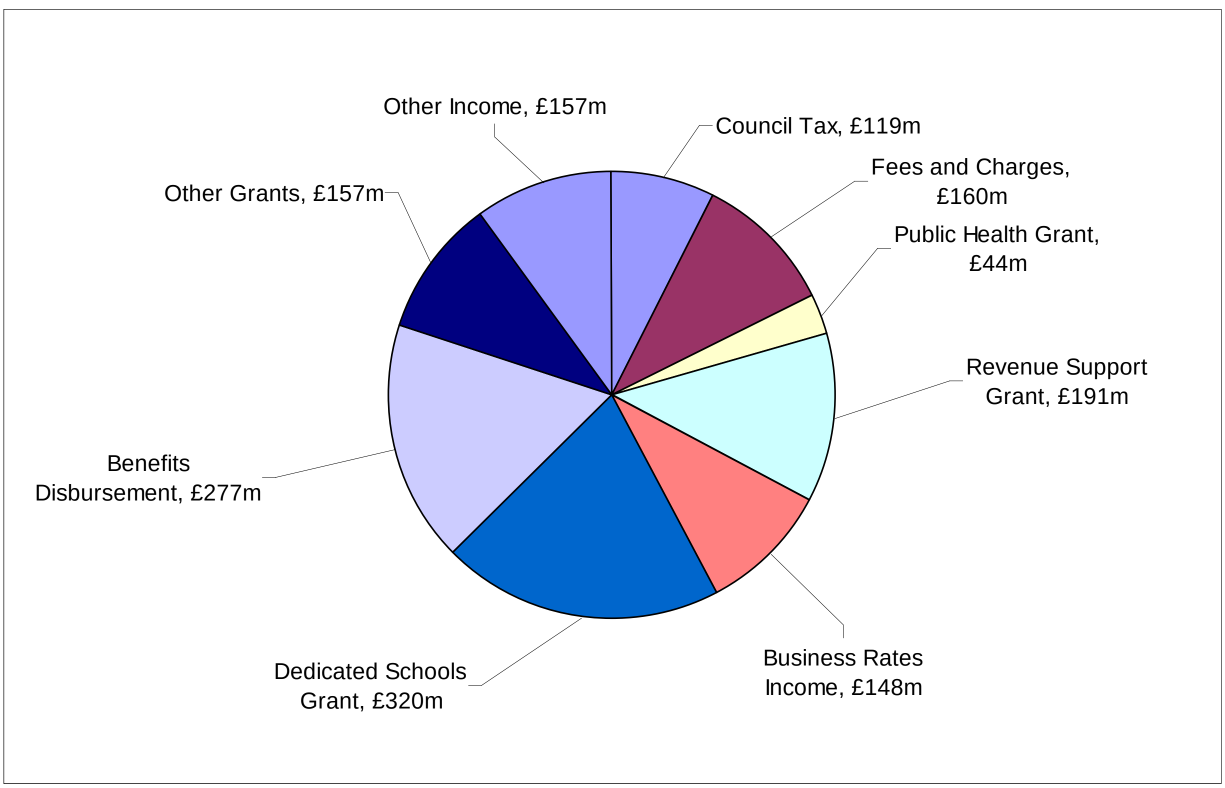
Service Division	
Adult Social Care	This expenditure relates to adult social care services such as care for older people in their own homes or care homes, support for people with physical or learning disabilities or with mental health issues and adult education services provided to adults living in Manchester.
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.
Private and Public Housing Services including the Housing Revenue Account	This expenditure is incurred on the Council's public and private housing services and includes 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, revenue funding of capital, loan repayments and interest payments made by the Council plus money set aside by the Council for future use (transfers to reserves).

Where the money came from in 2014/15

In 2014/15 the majority of our income (63%) 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 £1,573 million in 2014/15 analysed across the different types of income received during the year.



Funding	
Council Tax	This is the total amount of council tax due to the Council in 2014/15.
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	This is the Council's share of business rates income due to the Council in 2014/15.
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, dividends received and use of monies previously set aside (transfers from reserves).

Cost of Council Services

The Income and Expenditure Account below shows the gross cost, income and net cost of running Council services between 1 April 2014 and 31 March 2015 and how this has been funded.

General Fund Services	Gross Expenditure	Gross Income	Net Expenditure
	£000s	£000s	£000s
Adult Social Care	184,778	(32,779)	151,999
Central Services to the Public (cost of elections, registration of births, deaths and marriages and council tax collection)	13,614	(11,070)	2,544
Children’s and Education Services	532,307	(408,192)	124,115
Cultural Services	46,085	(12,555)	33,530
Environmental Services	38,487	(12,353)	26,134
Planning Services	43,106	(22,381)	20,725
Highways, Road and Transport Services	31,979	(24,450)	7,529

Housing Services including Benefits	327,532	(305,275)	22,257
Public Health	47,878	(50,446)	(2,568)
Net Cost of Services	**1,265,769**	**(879,501)**	**386,268**
Other Operating Expenditure Including Levies	82,362	(33)	82,329
Financing and Investment Income and Expenditure	105,959	(62,061)	43,898
Contributions to / (from) Reserves	119,239	(121,501)	(2,262)
Amount to be met from Government Grants and Local Taxation	**1,573,329**	**(1,063,096)**	**510,233**
Financed By:			
Council Tax			118,989
Council Share of Business Rates			148,288
General Government Grants and Other Income			242,956
Total General Income			**510,233**

Contributions to reserves include 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 2015, 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	395,064	Borrowing	531,580
Other Land and Buildings	1,696,946	Provisions for Future Liabilities	252,601
Heritage Assets	510,240	Liability for Pension Scheme	1,012,249
Investment Properties	447,690	Capital Grants Received in Advance	6,525
Other Assets	126,072	Money owed by the Council	170,136
Investments	133,696		
Money owed to the Council	270,339		
Total	**3,580,047**	**Total**	**1,973,091**
		Net Worth of the Council	**1,606,956**

Cost of Council Housing Services

The Housing Revenue Account (HRA) below shows the income and expenditure relating to the council houses owned by the Council between 1 April 2014 and 31 March 2015. 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	59,913
Charges for Services and Facilities	2,471
Contributions towards expenditure on services provided by the Council	1,140
Other income	21,600
	85,124
Expenditure	
Repairs and Maintenance	36,124
Supervision and Management	15,578
Net Interest Paid	9,758
Other Expenditure	15,491
	76,951
Total Surplus for the Year	8,173
Housing Revenue Account Surplus at 31 March 2014	78,513
Housing Revenue Account Surplus at 31 March 2015	86,686

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 2015:

Property type	
Houses and Bungalows	9,446
Flats	6,894
Others	82
Total	**16,422**

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	30,184
Other Land and Buildings	36,616
Vehicles, Plant and Equipment	12,531
Infrastructure (e.g. Roads, Street Furniture)	22,955
Community Assets	1,281
Assets Under Construction	20,450
Surplus Assets	17,790
Capital Expenditure not Relating to Council Assets	43,995
Investment Properties	4,966
Long-Term Loans	1,709
	192,477

This has been spent on the following capital programmes:

Capital Expenditure by Capital Programme	£000s
Hough End Leisure Centre	6,895
Levenshulme Leisure Centre	2,386
Alexander Park Heritage Refurbishment	2,532
Other Leisure and Libraries Programmes	3,086
Markets Capital Programme	1,892
Highways Planned Maintenance Programme	4,000
Bus Priority Measures	5,667
Highways Capital Programme	6,941
Adult Services Capital Programme	359
Building Schools for the Future	1,789
Schools Basic Needs Programme	28,254
Schools Capital Maintenance	4,611
Schools Capital Programme	1,669

St Peter's Square	5,745
Strategic Acquisitions	9,467
Asset Management Programme	4,177
Greater Manchester Loans Fund	1,000
Corporate Services Capital Programme	806
Private Sector Housing Capital Programme	12,750
Public Sector Housing Capital Programme	30,716
Broadband Voucher Scheme	5,063
The Space Project	3,064
Beswick Community Hub	17,203
Belle Vue Sports Village	2,235
ICT Capital Programme	6,034
First Street Cultural Facility	15,140
Former Royal Eye Hospital	1,214
The Corridor	1,363
One Central Park	1,461
NOMA Group Estate	1,565
Public Realm Works	1,532
Eastlands Strategic Venture	1,861
	192,477

Annual Statement of Accounts 2014/15

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 2014/15.

Financial Summary 2014/15

The Council had a net revenue budget of £563.002m in 2014/15. This budget was net of savings of £40m required in 2014/15 on top of £210m of savings from 2011/12 to 2013/14 following the reduced financial settlements.

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 3 June 2015. 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 £1.109m (before approved carry forward of underspends of £1.546m) or 0.2 %. There had been a planned transfer to general reserves of £0.058m and there is therefore a transfer to general reserves of £1.167m.

The General Fund Reserve is now at £27.109m. The 2013/14 general fund reserve of £15m which related to the transfer from the HRA which was carried out in 2012/13 under the power in Schedule 4, Part 3 (2) of the Local Government and Housing Act 1989 has been transferred to the Housing Regeneration Reserve in 2014/15. On 26 March 2015 the Department of Communities and Local Government (CLG) informed the Council that having considered all the information provided in response to their enquiries the Secretary of State was satisfied that the transfer has had no negative impact on the Housing Revenue Account or its tenants and has therefore decided not to take any further action.

The table below sets out the year end position.

	Original Budget	Revised Budget	Outturn	Over/(under) spend
	£,000	£,000	£,000	£,000
Total Available Resources	**(561,921)**	**(563,060)**	**(561,474)**	**1,586**
Planned Use of Resources				
Corporate and Cross Cutting Budgets				
Corporate Items	113,951	109,436	103,349	(6,087)
Increase to provisions	0	0	3,473	3,473
Property Rationalisation	(635)	(251)	0	251
Total Corporate and Cross Cutting Budgets	**113,316**	**109,185**	**106,822**	**(2,363)**
Directorate Budgets				
Children and Families	296,663	293,415	296,818	3,403
Corporate Core	54,107	53,647	49,754	(3,893)
Growth and Neighbourhoods	96,855	106,755	106,913	158
Total Directorate Budgets	**447,625**	**453,817**	**453,485**	**(332)**
Total Use of Resources	**560,941**	**563,002**	**560,307**	**(2,695)**
Transfer (to) General Fund Reserve	**(980)**	**(58)**	**(1,167)**	**(1,109)**

The Children and Families Directorate includes Adult Services, Children's Services and Schools.

The Corporate Core Directorate includes the Corporate Services (Procurement, Revenues and Benefits, Financial Management, Internal Audit and Risk, Shared Service Centre and Business Units) and Chief Executive's (Performance, Legal and Democratic Services) Departments.

The Growth and Neighbourhoods Directorate includes Community and Cultural Services, Neighbourhood Delivery, Regeneration, City Policy, Planning and Building

Control, Strategic Housing, Capital Projects and Technical Services, Corporate Property and Facilities Management.

The table shows the spend per directorate which is different to the analysis that is required in the Comprehensive Income and Expenditure Statement. This is because it does not contain items that are at nil cost to the Council, for example depreciation and recharge of central costs such as the Town Hall Complex.

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 £1.586m lower than budgeted due to a change in accounting treatment for the business rates cost of collection allowance and reduced dividend income.

The underspend on the Corporate Items budgets comprises £6.087m. This partly relates to the release of unallocated contingency held until year end in case of any unforeseen pressures. There have also been underspends on a number of other corporately held budgets including for inflation, additional funding for discretionary welfare support, historic pension liabilities and for the carbon reduction charge.

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 £1.594m
- Increase to the Cleopatra provision of £3.129m (of which £1m was funded from the Cleopatra reserve)
- Reduction in the general bad debt provision of £0.25m.

The initial savings target for property rationalisation was £2.705m; £2.454m has been achieved up to 2014/15 leaving a balance of £0.251m to be found in 2015/16.

The net position on controllable budgets for services is an underspend of £0.332m. The main reasons are as follows:-

- The overall position for Children's and Families is an overspend of £3.403m. This relates to the costs of looked after children's placements, costs of agency staff, pressures on budgets for people with mental health needs and on homelessness bed and breakfast accommodation. These are partly offset by underspends in public health and commissioning services.

- The Corporate Core has an underspend of £3.893m, of which £3.582m relates to Corporate Services and £0.311m to Chief Executives. The Corporate Services underspend is predominantly due to staff savings, increased government grant relating to benefit payments and an improved trading position in Business Units such as markets and catering. Chief Executive's overall underspend is net of an ICT overspend of £1.268m. The underspends relate to staffing savings, additional income and underspends on running costs. The ICT overspend is largely as a result of telephony and connectivity costs, additional licence costs and increased spend on maintenance.

- The overall position for Growth and Neighbourhoods is an overspend of £0.158m largely due to overspends on waste and recycling, strategic development budgets and community and cultural services. This is partly offset by underspends in the other service areas such as regeneration area teams, policy, partnership and research, planning, building control and licensing.

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 £7.920m compared to budget in 2014/15.

Collection of rental income and the contribution to the bad debt provision was £2.823m better than budgeted, PFI payments were £1.183m lower than budgeted and there were also underspends relating to supervision and management of £0.751m. The Revenue Contribution to Capital to fund capital works was £7.8m less than budgeted. This is off-set in part by a reduced call on planned use of reserves of £5.9m.

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. 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, 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:

- Highways Planned Maintenance Programme
- Waste and Recycling Programme
- Street Lighting
- Public Sector Housing Programme
- Private Housing Assistance Programme
- Brunswick PFI
- 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

- Basic Need (schools additional places) programme
- Schools Maintenance Programme
- Early Education Programme for 2 year olds
- Building Schools for the Future (ICT)
- ICT Investment Programme
- Town Hall Complex Transformation Programme

The Council spent £192.5m on capital projects in 2014/15, which is summarised in the following table. More details can be found in Note 29 to the Core Financial Statements.

	Restated 2013/14	**2014/15**
	£m	**£m**
Non-current Assets (Property, Plant and Equipment, investment Properties, Assets Held for Sale and Intangible Assets)	177.0	146.8
Revenue Expenditure funded from Capital under Statute (capital expenditure on non-Council properties e.g. academies and grants to organisations for capital expenditure on their properties)	18.2	44.0
Long-term Debtors (loans given to external organisations related to the Council)	7.3	1.7
Share Capital (shareholdings in Eastlands Development Company and Ideas Inc Ltd in 2013/14. Shares of £250 have been acquired in Matrix Homes in 2014/15)	1.5	0
Total	**204.0**	**192.5**

The analysis for 2013/14 has been restated following the change in schools shown on the Council’s balance sheet from 1 April 2013. This is due to an accounting change in relation to schools land and buildings more details of which are provided in the accounting changes section of this foreword.

Where schools have been removed from the balance sheet the spend has been re-categorised from spend on non-current assets to revenue expenditure funded from capital under statute. Where schools have been reinstated on the balance sheet the spend has been re-categorised from revenue expenditure funded from capital under statute to spend on non-current assets.

The spend in 2014/15 was against the forecasted programme of £230.5m equating to 84% delivery.

Detail of the variances between the outturn and the previous reported forecast are shown in the following table. Further details are contained in the outturn report to Executive on 3 June 2015.

	Outturn	Previous Forecast	Variation
	£m	£m	£m
Highways	16.8	19.4	(2.6)
Growth & Neighbourhoods	83.4	99.7	(16.3)
Housing – General Fund	12.8	16.3	(3.5)
Housing – HRA	30.7	29.9	0.8
Children's Services	36.3	46.3	(10.0)
ICT	11.1	17.3	(6.2)
Corporate Services	1.4	1.6	(0.2)
Total Capital Outturn	**192.5**	**230.5**	**(38.0)**

Expenditure on capital schemes in 2014/15 was £38m less than the previous estimate reported to the Executive. In summary this reduction in spend is mainly due to the following:

- Highways: the underspend (£2.6m) was due to delays in the Highways Planned Maintenance, Velocity and bus priority programmes plus re-profiling of spend on the SEMMS Ringway Road scheme.
- Growth and Neighbourhoods includes the capital outturn for Environment and Operations, Leisure, Culture and Libraries, Corporate Property and Development.
- Environment and Operations: the underspend (£2.4m) was due to delays in the Street Lighting LED upgrade.
- Leisure, Culture and Library Services: the underspend (£2.3m) was due to delays in completing the following schemes – Heaton Park, Alexandra Park, Hough End Leisure Centre, Levenshulme Leisure Centre, First Street Cultural Facility and the Design Gallery.
- Corporate Property: the underspend (£4.2m) was due to rephrasing of the Town Hall Extension scheme and a planned acquisition which will now be made in 2015/16.
- Development: the underspend (£7.4m) was due to delays in the following schemes – Beswick Community Hub, Queens Road Metrolink Station, refinancing of the Irish World Heritage Centre, NOMA, Corridor Research and Development, Project Catalyst loan, St Peter's Square and Manchester Business Park.
- Housing General Fund: the underspend (£3.5m) was due to lower than forecast expenditure on the Brunswick PFI land assembly programme together with delays on the Empty Homes Programme, Miles Platting PFI land acquisitions and compensation payments for land acquisitions.
- Housing HRA: the overspend (£0.8m) is due to an acceleration in the budget relating to the increase in the HRA element of the Brunswick PFI land assembly programme.

- Children's Services: the underspend (£10m) is due to some construction in the programme to establish additional primary and secondary school places in the City now taking place in 2015/16 and final costs for the Building Schools for the Future programme being less than anticipated.
- ICT: the underspend (£6.2m) is due to the programme being reviewed. The review process led to some schemes being paused until the review has been completed, ensuring the Council maximises the benefit of its investment.
- Corporate Services: the underspend (£0.2m) was due to t*he* final drawdown for the Greater Manchester Loans Fund being lower than forecast.

The financing of this expenditure was by the following methods:

	2013/14	**2014/15**
	£m	**£m**
Borrowing	63.2	22.0
Government Grants	52.2	62.3
External Contributions	15.5	18.4
Capital Receipts	14.9	24.7
Major Repairs Reserve	23.3	24.2
Revenue Contributions	34.9	40.9
Total	**204.0**	**192.5**

Introduction to Manchester City Council’s Annual Accounts

The annual statement of accounts has been prepared in accordance with the 2014/15 Code of Practice on Local Authority Accounting (The Code) and International Financial Reporting Standards (IFRS). Changes in accounting requirements over the past few 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 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 2014/15. These relate to accounting for Property, Plant and Equipment for Schools.

There has been considerable debate relating to maintained schools non-current assets (land and buildings) and whether they should be included on Council balance sheets. The Council had previously included community and voluntary controlled schools, but not voluntary aided or foundation schools, on its balance sheet.

The Council has assessed each school and concluded that it does not control the schools owned by the religious bodies, there have been no past events which have transferred the ownership or control of the school to the Council and any future benefits from the school would be for the benefit of the religious body and not the Council. Voluntary controlled schools have therefore been removed from the balance sheet at 1 April 2013. Voluntary aided schools were already excluded from the balance sheet.

Foundation schools are vested with a trust. Where a school is vested with a charitable trust or is intended to be vested with a charitable trust but the agreement is yet to be finalised the schools remain off balance sheet. If the trust is the governing body the school assets have been brought onto the balance sheet at 1 April 2013.

The accounting treatment relating to these changes is as follows:-

Where as a result of a changing accounting policy local authorities are required to include non-current assets used by schools for the first time in their balance sheet, these assets are measured in accordance with the requirements of the Code and are brought onto the balance sheet at 1 April 2013. However this valuation may be treated as a “deemed cost” with the credit entry recognised in the Capital Adjustment Account. Where schools have been derecognised the debit entry is to the Capital Adjustment Account. Any balance in the Revaluation Reserve relating to these assets has been transferred to the Capital Adjustment Account.

These changes are shown retrospectively so amendments have also been made to the 2013/14 figures and disclosures. As a result of these amendments the Council’s non current assets and unusable reserves have each increased by £2.146m at 1 April 2013 and reduced by £2.990m at 31 March 2014. The deficit on the provision of services in the Consolidated Income and Expenditure Statement has increased by £3.403m in 2013/14.

The accounting treatment relating to schools transferring to academy status has also been clarified by CIPFA.

Previously the Council impaired the value of schools to nil on its balance sheet when it was aware that a school was to become an academy. The revised accounting treatment is to remove these schools from the balance sheet when the transfer takes place rather than when the Council is aware of it.

These changes are shown retrospectively so amendments have also been made to the 2013/14 figures and disclosures. As a result of these amendments the Council's non-current assets and unusable reserves have each increased by £25.422m at 1 April 2013 and £70.639m at 31 March 2014. The deficit on the provision of services in the Consolidated Income and Expenditure Statement has reduced by £37.644m in 2013/14 due to additional depreciation, reduced impairment and increased losses on disposal of assets. Impairment losses charged to the revaluation reserve have decreased by £7.573m.

Further details on these amendments are shown in note 4 to the financial statements.

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 1 April 2013 to 31 March 2015. 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 usable reserves are cash backed. The unusable reserves are mostly non cash backed.

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. These would be a significant cost in a commercial organisation but here are technical accounting adjustments and are not funded by Council Tax.

The Council is required to comply with accounting standards and therefore has to include these accounting adjustments such as depreciation and impairment in its Comprehensive Income and Expenditure Statement but legislation is in place that ensures these costs do not have to be funded by council tax or housing rent payers. These items are therefore transferred to unusable reserves in the Movement in Reserves Statement.

The Net Cost of Services (including the technical accounting adjustments) totals £504.136m. Details of the impairment of property, plant and equipment and investment properties of £102.262m are shown within note 6 to the financial statements.

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 £142.461m.

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 £27.862m) 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 £590.323m).

These three sections are totalled to produce an overall deficit on the provision of services (£28.412m). This is a notional 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.

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 contribution to reserves.

	General Fund £000	**HRA £000**	**Total £000**
(Surplus) / deficit in year in the Comprehensive Income and Expenditure Statement	54,126	(25,714)	28,412
Items that do not affect Council tax or housing rents	(55,293)	17,541	(37,752)
Contribution (to) reserves	**(1,167)**	**(8,173)**	**(9,340)**

Note 7 to the Accounts shows the items that do not affect the level of Council tax or housing rents.

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 £1,606.956m. This is split between usable reserves (£445.418m) and unusable reserves (£1,161.538m).

Usable Reserves

The usable reserves are held for the following purposes:-

	31 March 2014	31 March 2015
Type of Reserve	**£000**	**£000**
Reserves held for capital purposes including capital receipts and capital grants unapplied reserves	97,967	99,566
Schools reserves (for schools use only)	28,306	31,606
Statutory reserves	7,410	8,947
Reserves held for PFIs	4,557	3,215
Reserves held to smooth risk of for assurance including the insurance reserve	54,667	48,716
Business Rates Reserves including safety net reserve	39,874	32,851
Revenue reserves held to support capital including the Capital Fund	39,332	51,809
Reserves held to encourage economic growth or for public sector reform	21,303	29,555
Small specific reserves	2,423	2,162
Grants and contributions held to meet expenditure commitments over more than one year	22,092	23,196
Housing Revenue Account reserve (£34.627m earmarked for future PFI payments and other potential liabilities)	78,513	86,686
General Fund reserve (transferred from the HRA in 2012/13 – transferred to housing regeneration reserve in 2014/15)	15,000	0
General Fund reserve	25,942	27,109

Details of changes in these reserves are shown in note 39 to the financial statements.

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

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.

The total analysis of unusable reserves is shown in the table below:-

Unusable Reserve	**31 March 2014 £000s**	**31 March 2015 £000s**
Revaluation Reserve	717,405	850,834
Available for Sale Financial Instruments Reserve	1,798	1,811
Pensions Reserve	(735,975)	(1,012,249)
Capital Adjustment Account	1,351,888	1,356,451
Deferred Capital Receipts Reserve	1,645	2,014
Financial Instruments Adjustment Account	(3,415)	(1,446)
Collection Fund Adjustment Account	(36,300)	(30,008)
Short-term Accumulated Absences Account	(5,347)	(5,869)
	1,291,699	**1,161,538**

The minus pensions reserve totalling £1,012.249m has increased by £276.274m from the previous year. This matches the pension liability in the balance sheet as measured under International Accounting Standard (IAS) 19. The main reason for the increase in the deficit is falling bond yields. This has been partially offset by strong asset returns.

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.

Overall the net worth of the Council has reduced by £122.128m during 2014/15.

The increase in usable reserves of £8.032m is mainly due to the increase in HRA reserves.

The decrease in unusable reserves of £130.161m is mainly due to the following:

- (£276.3m) increase in the minus pension reserve following the IAS19 actuarial valuation of the pension liability partly offset by

- £133.4m increase in revaluation reserve due to revaluations of non current assets, including heritage assets, during 2014/15
- £6.3m decrease in minus collection fund adjustment account mainly due to the Council's share of the business rate in year position and
- £4.6m increase in the capital adjustment account.

The decrease in the net worth is matched by a decrease in value of net assets of the Council of £122.128m.

Borrowing Limit

In 2014/15 the Council had an authorised limit for borrowing of £1,203m (£987m for external debt and £216m for other long term liabilities such as PFIs and finance leases). The actual level of external debt at 31 March 2015 is £531.580m. The reason for the variance between the authorised limit and debt outstanding at 31 March 2015 is that the limit is designed to allow flexibility.

Due to positive cash flows the Council did not need to undertake the budgeted level of borrowing during the financial year.

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

	2013/14 £000s	**2014/15 £000s**
Long-term Borrowing	512,182	509,638
Short-term Borrowing	9,217	21,942
Total	**521,399**	**531,580**

Whilst the 2014/15 Capital Programme was funded by borrowing of £21.984m, the debt outstanding at 31 March 2015 has increased by £10.181m as the Council's Treasury Management Strategy is to use cash backed reserves i.e. internal borrowing 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 balance during the year. The cash balance at 31 March 2015 had increased by £89.687m from 31 March 2014. This is due to a reduction in capital spend, reduced debtors and increased creditors.

Major Acquisitions and Disposals

The Council’s major acquisitions of Plant, Property and Equipment during 2014/15 are as follows:

Holt Town regeneration project £3.4m, former Bootle St Police Station site £2.7m, a plot of land adjacent to the Beecham Tower £1m and One Central Park £1.4m.

Major disposals in 2014/15 included schools which transferred to academy status. Their value upon disposal was £74m. Another significant disposal was the former Lynwood Children’s Home. Its value upon disposal was £1.5m.

Private Finance Initiatives (PFI)

PFIs 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.

As at 31 March 2015, the Housing Energy Services, Miles Platting Housing, Plymouth Grove Housing, Temple School, Wright Robinson Sports College, Street Lighting and Brunswick Housing schemes were ongoing.

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 9.

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 renovation, maintenance and management of some indoor leisure facilities has been undertaken via a trust for more than ten years. A contract was awarded to Greenwich Leisure Ltd for the period 1 September 2014 to 31 March 2018 with an option to extend for a further two years. The contract includes the management of leisure centres, some Activity Lifestyle service delivery and school swimming instruction.

- 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.

- Eastlands Trust – the Council has established a trust which has responsibility for the management of the National Cycling Centre, the National Squash Centre, the National Taekwondo Centre, the Regional Athletics Centre, the Regional Tennis Centre, the Regional Gymnastics Centre and Belle Vue Leisure Centre / Regional Hockey Facility.

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.

Housing Investment Fund

The Greater Manchester Agreement announced by the Government in November 2014 includes provision for the devolution of housing investment in Greater Manchester, in the form of recoverable loans and equity provided to residential property development schemes, to the Greater Manchester Combined Authority (GMCA) through the creation of a £300m Housing Investment Fund.

The borrowing powers of the GMCA are currently restricted to transport related functions and therefore the GMCA approved an approach whereby the Council has been asked to act as the lead authority for the loan arrangement and manage the GM Housing Fund.

The Council has entered into a loan agreement with government to receive, and in due course repay, the interest free funds. As a result of entering into the agreement there will be a consequential increase in the Council's borrowing by £300m over the next three years.

In the event that the principal repayment falls below the eighty percent guaranteed amount it has been agreed by the GMCA that each Greater Manchester District will indemnify the Council for its share of any shortfall in funds. Each District's allocation will be calculated in line with its Greater Manchester population share, on the basis of the official estimate of the Registrar General on 1 April 2015.

Business Rates

On 1 April 2015 the Greater Manchester and Cheshire East Business Rates Pool commenced. The purpose of the pool is to maximise the retention of locally generated business rates and to ensure that it further supports the economic regeneration of Greater Manchester and Cheshire East Councils by retaining any levy that might be payable by certain of the authorities to Central Government.

In the 2015 Budget the Chancellor of the Exchequer announced a pilot to retain 100% of additional business rate growth in Greater Manchester and Cheshire East. The scheme sets a growth baseline above which named authorities, including Manchester, will retain 100% of growth. The growth baseline for 2015/16 will be the business rates income estimated by the Council. This baseline will be increased in line with the increase in the business rates multiplier each year plus an additional 0.5% per annum. The pilot will be reviewed after three years.

Better Care Fund

The three Manchester Clinical Commissioning Groups (CCGs) and the Council are required to set up a Section 75 agreement for a pooled budget from 1 April 2015. The key objective is to give greater transparency and control over use of funding to support local integration of health and care services and to realise benefits from integration. The Council is the host partner of the pooled fund. The total value of the pooled fund is £43.861m. £37.638m of this will be transferred from the Manchester CCGs to the pool with the remaining contribution of £6.223m being from the Council.

Association of Greater Manchester Authorities (AGMA)

From 1 April 2015, implementation of the Local Audit and Accountability Act 2014 will mean that joint committees, including AGMA, will no longer be required to have their accounts separately prepared and audited. This approach follows consultation with the local government and accounting sector and means that the final mandatory audit will be for 2014/15.

The appropriate parts of the financial results of AGMA will be included in the accounts of the Council from 2015/16 onwards.

Further details of these post balance sheet events are shown in note 54 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 consolidated with figures for the Council's material subsidiaries, associates and joint ventures.

Subsidiaries are defined as organisations that the Council controls by having power over the organisation, exposure or rights to variable returns from its investment and the ability to use its power over the organisation to affect the amount of the return. The subsidiary considered to be material is Destination Manchester Limited.

Associates are defined as organisations where the Council has significant influence. Significant influence is defined as the power to participate in financial and operating policy decisions of the investee. The assumption is that a holding of more than twenty percent of the voting power of an investee would bring significant influence. The Council has no associates considered to be material.

Joint Ventures are defined as arrangements under which two or more parties have contractually agreed to share control such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control and have the rights to the net assets of the arrangement The joint venture considered to be material is Manchester Airports Holdings Ltd.

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 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:

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 16 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 Code.

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 2015 and their income and expenditure for the year ended 31 March 2015.

R. Paver
City Treasurer
29th June 2015

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	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	Restated Revaluation Reserve £000s	Available for sale Financial Instruments £000s	Pensions Reserve £000s	Restated 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 2013		**(41,011)**	**(163,893)**	**(27,001)**	**(34,000)**	**(37,436)**	**(43,886)**	**(8,093)**	**(355,320)**	**(697,740)**	**(1,727)**	**802,400**	**(1,343,143)**	**(1,285)**	**3,906**	**(3,766)**	**7,093**	**(1,234,262)**	**(1,589,582)**
Movement in reserves during 2013/14																			
(Surplus) / deficit on provision of services		27,247	0	(18,017)	0	0	0	0	**9,230**	0	0	0	0	0	0	0	0	**0**	**9,230**
Other comprehensive income and expenditure																			
(Surplus) on revaluation of non-current assets	40	0	0	0	0	0	0	0	**0**	(43,891)	0	0	0	0	0	0	0	**(43,891)**	**(43,891)**
Impairment losses on non-current assets charged to the revaluation reserve	40	0	0	0	0	0	0	0	**0**	8,630	0	0	0	0	0	0	0	**8,630**	**8,630**
(Surplus) on revaluation of available for sale financial assets	40	0	0	0	0	0	0	0	**0**	0	(71)	0	0	0	(83)	0	0	**(154)**	**(154)**
Remeasurements of the net defined benefit liability	42	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		**27,247**	**0**	**(18,017)**	**0**	**0**	**0**	**0**	**9,230**	**(35,261)**	**(71)**	**(113,317)**	**0**	**0**	**(83)**	**0**	**0**	**(148,732)**	**(139,502)**
Reversal of items debited or credited to the comprehensive income and expenditure statement	7	(197,788)	0	254	0	0	(3,383)	783	**(200,134)**	0	0	97,982	62,170	0	(84)	40,066	0	**200,134**	**0**
Insertion of items not debited or credited to the comprehensive income and expenditure statement	7	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	7	408	0	0	0	(7,896)	0	0	**(7,488)**	15,596	0	0	(7,748)	(360)	0	0	0	**7,488**	**0**
Total adjustments between accounting basis and funding basis under regulations		**(102,507)**	**17,512**	**505**	**0**	**(5,952)**	**(3,383)**	**783**	**(93,042)**	**15,596**	**0**	**46,892**	**(8,744)**	**(360)**	**(408)**	**40,066**	**0**	**93,042**	**0**
Net (increase) / decrease before transfers to earmarked reserves		**(75,260)**	**17,512**	**(17,512)**	**0**	**(5,952)**	**(3,383)**	**783**	**(83,812)**	**(19,665)**	**(71)**	**(66,425)**	**(8,744)**	**(360)**	**(491)**	**40,066**	**0**	**(55,690)**	**(139,502)**
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**
(Increase) / decrease in year		**69**	**(56,071)**	**(17,138)**	**(374)**	**(5,952)**	**(3,383)**	**783**	**(82,066)**	**(19,665)**	**(71)**	**(66,425)**	**(8,744)**	**(360)**	**(491)**	**40,066**	**(1,746)**	**(57,436)**	**(139,502)**
Balance at 31 March 2014		**(40,942)**	**(219,964)**	**(44,139)**	**(34,374)**	**(43,388)**	**(47,269)**	**(7,310)**	**(437,386)**	**(717,405)**	**(1,798)**	**735,975**	**(1,351,887)**	**(1,645)**	**3,415**	**36,300**	**5,347**	**(1,291,698)**	**(1,729,084)**
Movement in reserves during 2014/15																			
(Surplus) / deficit on provision of services		54,126	0	(25,714)	0	0	0	0	**28,412**	0	0	0	0	0	0	0	0	**0**	**28,412**
Other comprehensive income and expenditure																			
(Surplus) on revaluation of non-current assets	40	0	0	0	0	0	0	0	**0**	(159,043)	0	0	0	0	0	0	0	**(159,043)**	**(159,043)**
Impairment losses on non-current assets charged to the revaluation reserve	40	0	0	0	0	0	0	0	**0**	8,357	0	0	0	0	0	0	0	**8,357**	**8,357**
(Surplus) on revaluation of available for sale financial assets	40	0	0	0	0	0	0	0	**0**	0	(13)	0	0	0	(63)	0	0	**(76)**	**(76)**
Remeasurements of the net defined benefit liability	42	0	0	0	0	0	0	0	**0**	0	0	244,478	0	0	0	0	0	**244,478**	**244,478**
Total comprehensive income and expenditure		**54,126**	**0**	**(25,714)**	**0**	**0**	**0**	**0**	**28,412**	**(150,686)**	**(13)**	**244,478**	**0**	**0**	**(63)**	**0**	**0**	**93,716**	**122,128**
Reversal of items debited or credited to the comprehensive income and expenditure statement	7	(166,950)	0	11,924	0	(50)	(7,607)	563	**(162,120)**	0	0	83,937	86,057	0	(1,582)	(6,292)	0	**162,120**	**0**
Insertion of items not debited or credited to the comprehensive income and expenditure statement	7	106,688	8,172	5,617	0	2,235	0	0	**122,712**	0	0	(52,141)	(70,247)	0	(324)	0	0	**(122,712)**	**0**
Other adjustments	7	53	171	0	0	3,260	0	0	**3,484**	17,257	0	0	(20,372)	(369)	0	0	0	**(3,484)**	**0**
Total adjustments between accounting basis and funding basis under regulations		**(60,209)**	**8,343**	**17,541**	**0**	**5,445**	**(7,607)**	**563**	**(35,924)**	**17,257**	**0**	**31,796**	**(4,562)**	**(369)**	**(1,906)**	**(6,292)**	**0**	**35,924**	**0**
Net (increase) / decrease before transfers to earmarked reserves		**(6,083)**	**8,343**	**(8,173)**	**0**	**5,445**	**(7,607)**	**563**	**(7,512)**	**(133,429)**	**(13)**	**276,274**	**(4,562)**	**(369)**	**(1,969)**	**(6,292)**	**0**	**129,640**	**122,128**
Transfers (to) / from earmarked reserves	39	19,916	(20,436)	253	(253)	0	0	0	**(520)**	0	0	0	0	0	0	0	520	**520**	**0**
(Increase) / decrease in year		**13,833**	**(12,093)**	**(7,920)**	**(253)**	**5,445**	**(7,607)**	**563**	**(8,032)**	**(133,429)**	**(13)**	**276,274**	**(4,562)**	**(369)**	**(1,969)**	**(6,292)**	**520**	**130,160**	**122,128**
Balance at 31 March 2015		**(27,109)**	**(232,057)**	**(52,059)**	**(34,627)**	**(37,943)**	**(54,876)**	**(6,747)**	**(445,418)**	**(850,834)**	**(1,811)**	**1,012,249**	**(1,356,450)**	**(2,014)**	**1,446**	**30,008**	**5,867**	**(1,161,538)**	**(1,606,956)**

The 2013/14 figures have been restated following the changes in accounting policy relating to schools' property, plant and equipment. As a result of these changes the deficit on the provision of services has reduced by £34,241,000 in 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.

Restated 2013/14 Gross Expenditure £000s	2013/14 Gross Income £000s	Restated 2013/14 Net Expenditure £000s		Notes	2014/15 Gross Expenditure £000s	2014/15 Gross Income £000s	2014/15 Net Expenditure £000s
			Continuing operations				
191,641	32,226	159,415	Adult social care		185,835	29,766	156,069
13,914	10,122	3,792	Central services to the public		13,635	10,623	3,012
588,068	409,444	178,624	Education and children's services		605,783	406,389	199,394
68,905	10,924	57,981	Cultural and related services		60,295	11,108	49,187
41,796	11,846	29,950	Environmental and regulatory services		40,004	11,417	28,587
54,632	20,351	34,281	Planning services		69,587	30,567	39,020
32,386	22,807	9,579	Highways and transport services		40,117	23,922	16,195
332,610	298,055	34,555	Housing services		330,164	307,439	22,725
70,527	93,987	(23,460)	Housing Revenue Account		68,104	97,818	(29,714)
45,029	43,787	1,242	Public Health		47,878	50,278	(2,400)
8,133	75	8,058	Corporate and democratic core		8,946	89	8,857
24,650	0	24,650	Non-distributed costs[a]		13,204	0	13,204
1,472,291	**953,624**	**518,667**	**Net cost of services**		**1,483,552**	**979,416**	**504,136**
			Other operating expenditure				
36,959	3,923	33,036	Loss on disposal of non-current assets	20	73,465	5,432	68,033
70,802	0	70,802	Levies not included in net cost of services		72,193	0	72,193
1,944	0	1,944	Payments to government housing capital receipts pool	39a(1)	2,235	0	2,235
109,705	**3,923**	**105,782**	**Total other operating expenditure**		**147,893**	**5,432**	**142,461**
190,486	205,791	(15,305)	Financing and investment income and expenditure	12	186,226	214,088	(27,862)
0	599,914	(599,914)	Taxation and non-specific grant income	13	0	590,323	(590,323)
1,772,482	**1,763,252**	**9,230**	**Deficit on provision of services**		**1,817,671**	**1,789,259**	**28,412**
		(43,891)	(Surplus) on revaluation of non-current assets	40			(159,043)
		8,630	Impairment losses on non-current assets charged to the revaluation reserve	40			8,357
		(154)	(Surplus) on revaluation of available for sale financial assets	40			(76)
		(113,317)	Remeasurements of the net defined benefit liability	42			244,478
		(148,732)	**Total other comprehensive income and expenditure**				**93,716**
		(139,502)	**Total comprehensive income and expenditure**				**122,128**

The 2013/14 figures have been restated following the changes in accounting policy relating to school's property, plant and equipment.
As a result of these changes the deficit on the provision of services has decreased by £34,241,000 in 2013/14.

[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.

Richard Paver
City Treasurer

29th June 2015

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.

Restated 1 April 2013 £000s	Restated 31 March 2014 £000s		Note	31 March 2015 £000s	
		Non-current assets			
2,075,449	2,080,722	Property, plant and equipment	19	2,081,992	
422,968	431,191	Heritage assets	22	510,240	
363,945	399,044	Investment properties	28	447,690	
1,190	1,121	Intangible non-current assets		629	
129,641	131,024	Long-term investment in subsidiaries, associates and joint ventures	31	131,088	
2,308	2,579	Other long-term investments	31	2,608	
130,538	137,449	Long-term debtors	32	149,644	
3,126,039	**3,183,130**	**Total non-current assets**			**3,323,891**
		Current assets			
547	738	Inventories and long-term contracts		616	
113,779	148,001	Short-term debtors	32	120,695	
9,301	34,585	Cash and cash equivalents	48	124,272	
5,748	12,928	Short-term assets held for sale	24	10,018	
0	0	Intangible current assets	33	555	
129,375	**196,252**	**Total current assets**			**256,156**
3,255,414	**3,379,382**	**Total assets**			**3,580,047**
		Current liabilities			
(25,387)	(9,217)	Short-term borrowing	38	(21,942)	
(14,547)	0	Bank overdraft	48	0	
(135,064)	(139,684)	Short-term creditors	34	(167,305)	
(15,517)	(21,279)	Short-term provisions	37	(21,296)	
(7,911)	(8,561)	Short-term deferred liabilities	36	(11,353)	
(198,426)	**(178,741)**	**Total current liabilities**			**(221,896)**
3,056,988	**3,200,641**	**Total assets less current liabilities**			**3,358,151**
		Long-term liabilities			
(2,357)	(2,482)	Long-term creditors	34	(2,831)	
(4,746)	(50,478)	Long-term provisions	37	(61,012)	
(482,298)	(512,182)	Long-term borrowing	35 & 38	(509,638)	
(164,493)	(162,816)	Long-term deferred liabilities	36	(158,940)	
(11,112)	(7,624)	Capital grants receipts in advance		(6,525)	
(802,400)	(735,975)	Pensions liability	42	(1,012,249)	
(1,467,406)	**(1,471,557)**	**Total long-term liabilities**			**(1,751,195)**
1,589,582	**1,729,084**	**Net assets**			**1,606,956**
		Financed by:			
355,320	437,386	Usable reserves	39		445,418
1,234,262	1,291,698	Unusable reserves	40		1,161,538
1,589,582	**1,729,084**	**Total reserves**			**1,606,956**

The 2013/14 figures have been restated following the changes in accounting policy relating to school's property, plant and equipment. As a result of these changes the net assets and total reserves have increased by £27,568,000 at 1 April 2013 and by £67,649,000 at 31 March 2014.

The unaudited financial statements for 2014/15 are certified as giving a true and fair view of the authority's financial position and financial performance in advance of approval.

Richard Paver
City Treasurer

29th June 2015

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from 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 2013/14 £000s		**Note**	**2014/15 £000s**
9,230	Net deficit on the provision of services		28,412
(244,494)	Adjustments to net deficit on the provision of services for non-cash movements	50	(259,109)
90,880	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	49	95,367
(144,384)	**Net cash flows from operating activities**	51	**(135,330)**
106,578	Investing activities	52	58,165
(2,025)	Financing Activities	53	(12,522)
(39,831)	**Net (increase) in cash and cash equivalents**		**(89,687)**
(5,246)	Cash and cash equivalents at the beginning of the reporting period		34,585
34,585	**Cash and cash equivalents at the end of the reporting period**	48	**124,272**

The 2013/14 figures have been restated following the changes in accounting policy relating to schools' property, plant and equipment.

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Note 1. Accounting Concepts and Policies

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year end 31 March 2015. 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 2014/15 (The Code) and the Service Reporting Code of Practice 2014/15 (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 the Statement of 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.

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.

- 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 and are expected to be used 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 repairs and 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 2014/15, 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.

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 2014. 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 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 based on its estimated useful life.

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 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 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.

- 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.

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

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 Council has therefore assessed the legal framework underlying each school. The Council controls the non current assets of community schools and foundation schools, vested with the governing body as trustee, as future economic benefits associated with the assets will flow to the Council and therefore the land and buildings of those schools are shown on the Council's balance sheet. The land and buildings of voluntary aided, voluntary controlled and foundation schools, where the trust is not the governing body 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.

Any schools held on the balance sheet, which are transferred to academy status form part of the loss on disposal of non-current assets. This is a change in accounting policy as previously school property, plant and equipment was impaired to nil value when the Council became aware that the school was to transfer to academy status.

Capital expenditure on schools shown on the Council’s balance sheet is added to the values for those schools. Capital expenditure on schools not on the Council’s balance sheet 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.

All revenue income, expenditure, assets and liabilities, after the removal of transactions between schools and the Council, of maintained schools are included in the Council's single entity accounts.

Individual schools' balances at 31 March 2015 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.

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.

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.

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.

Where capital expenditure is incurred through providing loans to organisations, and where those loans are indemnified or have financial guarantees protecting against loss, no MRP is charged in relation to the capital expenditure.

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 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 1.3.16c.

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.

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 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.

1.3.15 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 impairment of financial assets. 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 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.

1.3.16 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 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.

1.3.17 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.

1.3.18 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.

1.3.19 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.

1.3.20 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.

1.3.21 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.
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.

1.3.22 Benefits Payable during Employment

Short-term employee benefits are those due to be settled within twelve 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.

1.3.23 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary 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.

1.3.24 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 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. 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 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

1.3.25 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. Financial assets are brought on to the Balance Sheet when the Council becomes a party to contractual provisions.

- **Loans and Receivables**

Loans and receivables are recognised on the trade date, i.e. the date the Council becomes committed to the loan and would not be able to avoid acquiring it without breaking the contract, rather than the date the settlement takes place (if this is a later date).

Loans and receivables are initially measured at fair value (the value at which they would be exchanged between a billing 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.

- **Available for Sale Assets**

Available for sale assets are recognised on the trade date, i.e. the date the Council becomes committed to the purchase and would not be able to avoid acquiring it without breaking the contract, rather than the date the settlement takes place (if this is a later date).

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**

Unquoted Equity Investments at Cost less Impairment are recognised on the trade date, i.e. the date the Council becomes committed to the purchase and would not be able to avoid acquiring it without breaking the contract, rather than the date the settlement takes place (if this is a later date).

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.

1.3.26 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.

1.3.27 Financial Liabilities

Financial liabilities (e.g. borrowings and creditors) are recognised when the other party has met a commitment under the contract that creates an obligation for the Council to transfer economic benefits. For instance, when the Council takes out a loan, the advance of cash from the lender initiates the obligation to repay at some future date, and the loan would be recognised as a liability on the Balance Sheet when the advance is received.

Charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. (The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.)

For 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.

Where the Council is in receipt of loans that are interest free or at less than prevailing market interest rates if material, the effective interest rate is calculated so that the value of the financial assistance to the Council by the lender is separated from the financial cost of the transaction. This gain is calculated by working out the net present value of all future cash payments using the interest rate for a similar loan taken by the Council. This results in a lower figure for the fair value of the loan with the difference from the loan received treated as a government grant. This gain is reversed out in the Movement in Reserves Statement to the Financial Instruments Adjustment Account.

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.

1.3.28 Carbon Reduction Commitment (CRC) Allowances

The Council is required to participate in the CRC Energy Efficiency Scheme. The current phase of the scheme commenced in April 2014 and lasts until 31 March 2019. The Council can either order or buy allowances at the start or end of the year in government sales or if available on the secondary market. A forecast sale allows participants to purchase allowances in April against predicted emissions i.e. carbon dioxide produced as energy is used. These are valid for the current year and all remaining years until the end of the phase. Alternatively allowances can be purchased following the end of the financial year.

Allowances purchased at the start of the year are shown on the balance sheet as a current intangible asset. Current year CRC responsibilities are recognised as an expense (charged to services on the basis of energy consumption) and a liability created for the surrender of the allowances to the CRC Registry. When the allowances are surrendered in the October following the year end the current intangible asset will be reduced by the allowances surrendered.

1.3.29 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.

1.3.30 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.

1.3.31 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.

1.3.32 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.

1.3.33 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 ventures. 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, power or 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.

1.3.34 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.

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 Schools Non-Current Assets

The Council has assessed the legal framework underlying each type of school.

Community schools property, plant and equipment are owned by the Council and remain on the balance sheet as future economic benefits associated with the assets will flow to the Council.

The plant, property and equipment of voluntary aided, voluntary controlled and foundation schools are owned and controlled by the religious body or the trustees of the schools and are therefore not shown on the balance sheet of the Council unless the trustees are the governing body.

The Council does not control the schools' property, plant and equipment owned by the religious bodies or the trustees, there has been no past events which have transferred the ownership or control of the property, plant and equipment to the Council and any future benefits from the property, plant and equipment would be for the benefit of the religious body or trustee and not the Council.

An asset must be controlled by the Council for that asset to be recognised in the single entity accounts. Usage of the asset does not demonstrate control in form or substance without rights that are either legal or substantive.

The religious bodies or trustees own the assets, there has not been a reassignment of those assets to the Council and the rights to the asset are still maintained by the religious body or trustee. The religious bodies or trustees have a legal right to take back these assets.

The religious bodies or trustees have provided a licence for the Council to use the asset however these licenses are not provided in a written form. These licences do not create control of the asset by the Council. The religious bodies or trustees assert their continued control over the asset by permitting the asset to be used for precisely the purpose that the school wishes by the objectives of the religious bodies or trustees being the same as the governing bodies.

The religious bodies or trustees have decided that their asset is to be used as a school and therefore continue to have the rights to the resources in the asset. The continued agreement to permit the schools to use the asset means that the religious bodies or trustees are perpetually reasserting their control and this has not been passed to the school.

The right of termination of the arrangement at any time by the religious body or trustee provides evidence that the risks and rewards of ownership of the asset have not transferred to the Council.

Details of the value of schools land and building assets are shown in note 21 to the accounts.

2.2 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 £182.36m (£177.709m in 2013/14) are recognised as Property, Plant and Equipment in the Council's Balance Sheet. The 2013/14 figure has been restated due to the re-introduction of Wright Robinson Sports College as Property, Plant and Equipment following the clarification of the treatment of schools non-current assets.

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.

2.3 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 £0.896m (£1.175m in 2013/14) are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

2.4 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 £0.848m (£1.692m in 2013/14) are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

2.5 Investment Properties

The Council has reviewed all assets in accordance with the accounting policy for investment properties and as a result assets valued at £447.69m in 2014/15 (£399.044m in 2013/14) are classified as Investment Properties.

2.6 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 internal council valuers District Valuers and Jacobs, external valuers commissioned by the Council with a valuation date of 1 April 2014. Jacobs provided indexation factors for the percentage increase in value from the date of the last valuation to 31 March 2015 for each category of asset. Whilst not strictly compliant with the Accounting Code these were applied to the asset values, where material, to provide a more accurate balance sheet value.

2.7 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 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 £510.24m in 2014/15 (£431.191m in 2013/14) have been classed as Heritage Assets.

2.8 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.

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 2015 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. This includes examination of capital expenditure incurred in the financial year to ascertain whether or not it has resulted in an increase in value 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. It is estimated that the carrying value of property, plant and equipment would increase by £15.674m for every 1% increase in valuation.

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 £3.076m 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 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.

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 reserves as it is a wholly owned subsidiary of the Council. The remainder of the shares, totalling £2.7m 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 £0.114m to the provision required. An increase of 1% in the likelihood of each claim being settled would have the effect of adding £ 0.176m 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 heriditaments where there was an outstanding appeal at 31 March 2015. The percentages used are based on the reduction in the 2005 valuation list following appeals against that list. Appeals against heriditaments 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 £9.196m to the total provision required (Council's share £4.506m).

In 2013/14 the Council provided for anticipated appeals against the 2010 valuation list that had not yet been received. This was estimated on the assumption that the 2010 list would reduce in line with the 2005 list. Following the changes announced in the Autumn Statement ratepayers' appeals submitted after 31 March 2015 cannot be backdated.

3.6 Arrears

At 31 March 2015 the Council had a balance of short term debtors of £213.344m. This included sundry debtors of £144.196m (including housing benefit overpayments), housing rent debtors of £8.992m, council tax debtors of £49.03m and business rates debtors of £11.126m. A review of these outstanding balances suggests that an impairment of doubtful debts of £92.649m (£38.924m sundry debtors, £6.643m housing rents, £41.028m council tax and £6.054m 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 £1.134m (£0.541m sundry debtors, £0.029m housing rents, £0.466m council tax and £0.098m 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 £340m, a one year increase in member life expectancy would result in a £104m increase in the pension liability, a 0.5% increase in the salary increase rate would result in a £97m increase in the pension liability and a 0.5% increase in the assumed pension rate increase would result in a £237m increase in the pension liability.

Note 4. Prior Year Restatements

Changes to the financial statements have occurred due to new accounting policies. As a result, prior year figures have been restated. The details of these changes are explained below, and the impact of the changes is shown in the following tables.

Schools' Property, Plant and Equipment

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 Council has therefore assessed the legal framework underlying each school. The Council controls the non-current assets of community schools and foundation schools, vested with the governing body as trustee, as future economic benefits associated with the assets will flow to the Council and therefore the land and buildings of those schools are shown on the Council's balance sheet. The land and buildings of voluntary aided, voluntary controlled and foundation schools, where the trust is not the governing body, 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.

Prior to this change voluntary controlled schools were on the Council's balance sheet and foundation schools were not.

As a result of this change in accounting policy non-current assets used by one foundation school, where the governing body is the trustee, have been recognised in the balance sheet at a value of £37.401m. This asset has been measured in accordance with the requirements of the Code and brought onto the balance sheet at 1 April 2013. However this valuation is treated as a "deemed cost" with the corresponding entry recognised in the Capital Adjustment Account. Fourteen voluntary controlled schools have been derecognised and assets valued at £35.255m have been removed from the balance sheet at 1 April 2013 with the corresponding entry to the Capital Adjustment Account. The balance in the Revaluation Reserve of £3.427m relating to these assets has been transferred to the Capital Adjustment Account.

Depreciation and impairment relating to these assets has been restated in the 2013/14 Comprehensive Income and Expenditure Statement.

Capital Expenditure incurred in 2013/14 relating to voluntary controlled schools has been restated as Revenue Expenditure funded from Capital under Statute (REFCUS). This expenditure was funded from government grants and revenue contributions to capital. The government grants had been recognised in the 2012/13 Comprehensive Income and Expenditure Statement. As a result of these changes the deficit on the provision of services has increased by £3.403m in 2013/14.

The accounting treatment relating to schools transferring to academy status has also been clarified by CIPFA. Previously the Council impaired the value of schools to nil on the balance sheet as soon as it was aware the school was to become an academy. The revised accounting treatment is to remove these schools from the balance sheet when the transfer takes place rather then when the Council is aware of it.

As a result of this change in accounting policy schools' property, plant and equipment have been reinstated on the balance sheet. The non current assets and unusable reserves have increased by £25.422m at 1 April 2013 (five schools) and by £70.639m at 31 March 2014 (nine schools). The deficit on the provision of services has reduced by £37.644m in 2013/14 due to additional depreciation, reduced impairment and increased losses on disposal of assets. Impairment losses charged to the revaluation reserve have decreased by £7.573m.

The total effect on the net worth of the Council of these changes is an increase of £27.568m at 1 April 2013 and £67.649m at 31 March 2014.

These changes are shown retrospectively so amendments have also been made to the 2013/14 figures and disclosures. Further details are shown in the tables in this note.

Note 4. Reconciliation of Movement in Reserves Statement

The table below shows the reconciliation of the Movement in Reserves Statement as published in the 2013/14 accounts to the restated 2013/14 figures.

		General Fund Balance	Revaluation Reserve Restatements					Capital Adjustment Account Restatements							
	Published 2013/14 £000s	Schools £000s	School Assets £000s	School Depreciation £000s	School Impairment £000s	Academy Impairment £000s	Academy Disposal £000s	School Assets £000s	School Depreciation £000s	School Impairment £000s	School REFCUS £000s	Academy Impairment £000s	Academy Disposal £000s	Academy Depreciation £000s	Restated 2013/14 £000s
Balance as at 1 April 2013	(1,562,014)	0	3,427	0	0	(2,041)	0	(5,573)	0	0	0	(23,381)	0	0	(1,589,582)
(Surplus) / deficit on provision of services	43,471	0	0	0	0	0	0	0	(251)	(278)	3,932	(54,331)	16,320	367	9,230
Other comprehensive income and expenditure															
(Surplus) on revaluation of non-current assets	(45,624)	0	1,733	0	0	0	0	0	0	0	0	0	0	0	(43,891)
Impairment losses on non-current assets charged to the revaluation reserve	16,203	0	0	0	0	(7,573)	0	0	0	0	0	0	0	0	8,630
(Surplus) on revaluation of available for sale financial assets	(154)	0	0	0	0	0	0	0	0	0	0	0	0	0	(154)
Remeasurements of the net defined benefit liability	(113,317)	0	0	0	0	0	0	0	0	0	0	0	0	0	(113,317)
Total comprehensive income and expenditure	(99,421)	0	1,733	0	0	(7,573)	0	0	(251)	(278)	3,932	(54,331)	16,320	367	(139,502)
Reversal of items debited or credited to the comprehensive income and expenditure statement	0	(50,928)	0	0	0	0	0	0	251	278	(3,932)	54,331	0	0	0
Insertion of items not debited or credited to the comprehensive income and expenditure statement	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other adjustments	0	0	0	(52)	(1)	0	2,041	0	52	1	0	0	(2,041)	0	0
Total adjustments between accounting basis and funding basis under regulations	0	(50,928)	0	(52)	(1)	0	2,041	0	303	279	(3,932)	54,331	(2,041)	0	0
Net (increase) / decrease before transfers to earmarked reserves	(99,421)	(50,928)	1,733	(52)	(1)	(7,573)	2,041	0	52	1	0	0	14,279	367	(139,502)
Transfers (to) / from earmarked reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(Increase) / decrease in year	(99,421)	(50,928)	1,733	(52)	(1)	(7,573)	2,041	0	52	1	0	0	14,279	367	(139,502)
Balance at 31 March 2014	(1,661,435)	(50,928)	5,160	(52)	(1)	(9,614)	2,041	(5,573)	52	1	0	(23,381)	14,279	367	(1,729,084)

Note 4. Reconciliation of the Comprehensive Income and Expenditure Statement

The table below shows the reconciliation of the Comprehensive Income and Expenditure Statement as published in the 2013/14 accounts to the restated 2013/14 figures.

	Published 2013/14 Net Expenditure £000s	Acquired Operation Net Expenditure £000s	School Depreciation Net Expenditure £000s	School Impairment Net Expenditure £000s	Schools Revaluations Net Expenditure £000s	School REFCUS Net Expenditure £000s	Academy Depreciation Net Expenditure £000s	Academy Disposals Net Expenditure £000s	Academy Impairment Net Expenditure £000s	Restated 2013/14 Net Expenditure £000s
Continuing operations										
Adult social care	159,415	0	0	0	0	0	0	0	0	159,415
Central services to the public	3,792	0	0	0	0	0	0	0	0	3,792
Education and children's services	229,185	0	(251)	(278)	0	3,932	367	0	(54,331)	178,624
Cultural and related services	57,981	0	0	0	0	0	0	0	0	57,981
Environmental and regulatory services	29,950	0	0	0	0	0	0	0	0	29,950
Planning services	34,281	0	0	0	0	0	0	0	0	34,281
Highways and transport services	9,579	0	0	0	0	0	0	0	0	9,579
Housing services	34,555	0	0	0	0	0	0	0	0	34,555
Housing Revenue Account	(23,460)	0	0	0	0	0	0	0	0	(23,460)
Public Health	0	1,242	0	0	0	0	0	0	0	1,242
Corporate and democratic core	8,058	0	0	0	0	0	0	0	0	8,058
Non-distributed costs	24,650	0	0	0	0	0	0	0	0	24,650
Net cost of services excluding acquired services	**567,986**	**1,242**	**-251**	**-278**	**0**	**3,932**	**367**	**0**	**-54,331**	**518,667**
Acquired services										
Public Health	1,242	(1,242)	0	0	0	0	0	0	0	0
Total cost of services	**569,228**	**0**	**(251)**	**(278)**	**0**	**3,932**	**367**	**0**	**(54,331)**	**518,667**
Other operating expenditure										
Loss on disposal of non-current assets	16,716	0	0	0	0	0	0	16,320	0	33,036
Levies not included in net cost of services	70,802	0	0	0	0	0	0	0	0	70,802
Payments to government housing capital receipts pool	1,944	0	0	0	0	0	0	0	0	1,944
Total other operating expenditure	**89,462**	**0**	**0**	**0**	**0**	**0**	**0**	**16,320**	**0**	**105,782**
Financing and investment income and expenditure	(15,305)	0	0	0	0	0	0	0	0	(15,305)
Taxation and non-specific grant income	(599,914)	0	0	0	0	0	0	0	0	(599,914)
Deficit on provision of services	**43,471**	**0**	**(251)**	**(278)**	**0**	**3,932**	**367**	**16,320**	**(54,331)**	**9,230**
(Surplus) on revaluation of non-current assets	(45,624)	0	0	0	1,733	0	0	0	0	(43,891)
Impairment losses on non-current assets charged to the revaluation reserve	16,203	0	0	0	0	0	0	0	(7,573)	8,630
(Surplus) on revaluation of available for sale financial assets	(154)	0	0	0	0	0	0	0	0	(154)
Remeasurements of the net defined benefit liability	(113,317)	0	0	0	0	0	0	0	0	(113,317)
Total other comprehensive income and expenditure	**(142,892)**	**0**	**0**	**0**	**1,733**	**0**	**0**	**0**	**(7,573)**	**(148,732)**
Total comprehensive income and expenditure	**(99,421)**	**0**	**(251)**	**(278)**	**1,733**	**3,932**	**367**	**16,320**	**(61,904)**	**(139,502)**

Note 4. Reconciliation of Balance Sheet

The table below shows the reconciliation of the Balance Sheet as published in 2012/13 to the restated 1 April 2013 figures.

	Published 01/04/2013 £000s	Community School Assets £000s	Foundation School Assets £000s	Academy Impairments £000s	Restated 01/04/2013 £000s
Non-current assets					
Property, plant and equipment	2,047,881	(35,255)	37,401	25,422	2,075,449
Heritage assets	422,968	0	0	0	422,968
Investment properties	363,945	0	0	0	363,945
Intangible non-current assets	1,190	0	0	0	1,190
Long-term investment in subsidiaries, associates and joint ventures	129,641	0	0	0	129,641
Other long-term investments	2,308	0	0	0	2,308
Long-term debtors	130,538	0	0	0	130,538
Total non-current assets	3,098,471	(35,255)	37,401	25,422	3,126,039
Current assets					
Inventories and long-term contracts	547	0	0	0	547
Short-term debtors	113,779	0	0	0	113,779
Cash and cash equivalents	9,301	0	0	0	9,301
Short-term assets held for sale	5,748	0	0	0	5,748
Total current assets	129,375	0	0	0	129,375
Total assets	3,227,846	(35,255)	37,401	25,422	3,255,414
Current liabilities					
Short-term borrowing	(25,387)	0	0	0	(25,387)
Bank overdraft	(14,547)	0	0	0	(14,547)
Short-term creditors	(135,064)	0	0	0	(135,064)
Short-term provisions	(15,517)	0	0	0	(15,517)
Short-term deferred liabilities	(7,911)	0	0	0	(7,911)
Total current liabilities	(198,426)	0	0	0	(198,426)
Total assets less current liabilities	3,029,420	(35,255)	37,401	25,422	3,056,988
Long-term liabilities					
Long-term creditors	(2,357)	0	0	0	(2,357)
Long-term provisions	(4,746)	0	0	0	(4,746)
Long-term borrowing	(482,298)	0	0	0	(482,298)
Long-term deferred liabilities	(164,493)	0	0	0	(164,493)
Capital grants receipts in advance	(11,112)	0	0	0	(11,112)
Pensions liability	(802,400)	0	0	0	(802,400)
Total long-term liabilities	(1,467,406)	0	0	0	(1,467,406)
Net assets	1,562,014	(35,255)	37,401	25,422	1,589,582
Financed by:					
Usable reserves	355,320	0	0	0	355,320
Unusable reserves	1,206,694	(35,255)	37,401	25,422	1,234,262
Total reserves	1,562,014	(35,255)	37,401	25,422	1,589,582

Note 4. Reconciliation of Balance Sheet

The table below shows the reconciliation of the Balance Sheet as published in 2013/14 to the restated 2013/14 figures.

	Published 31/03/2014 £000s	Community School Assets £000s	Foundation School Assets £000s	School Depreciation £000s	School Impairment £000s	School REFCUS £000s	Academy Impairments 2012/13 £000s	Academy Depreciation £000s	Academy Disposals £000s	Academy Impairments 2013/14 £000s	Restated 31/03/2014 £000s
Non-current assets											
Property, plant and equipment	2,013,073	(36,988)	37,401	251	278	(3,932)	25,422	(367)	(16,320)	61,904	2,080,722
Heritage assets	431,191	0	0	0	0	0	0	0	0	0	431,191
Investment properties	399,044	0	0	0	0	0	0	0	0	0	399,044
Intangible non-current assets	1,121	0	0	0	0	0	0	0	0	0	1,121
Long-term investment in subsidiaries, associates and joint ventures	131,024	0	0	0	0	0	0	0	0	0	131,024
Other long-term investments	2,579	0	0	0	0	0	0	0	0	0	2,579
Long-term debtors	137,449	0	0	0	0	0	0	0	0	0	137,449
Total non-current assets	**3,115,481**	**(36,988)**	**37,401**	**251**	**278**	**(3,932)**	**25,422**	**(367)**	**(16,320)**	**61,904**	**3,183,130**
Current assets											
Inventories and long-term contracts	738	0	0	0	0	0	0	0	0	0	738
Short-term debtors	148,001	0	0	0	0	0	0	0	0	0	148,001
Cash and cash equivalents	34,585	0	0	0	0	0	0	0	0	0	34,585
Short-term assets held for sale	12,928	0	0	0	0	0	0	0	0	0	12,928
Total current assets	**196,252**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**196,252**
Total assets	**3,311,733**	**(36,988)**	**37,401**	**251**	**278**	**(3,932)**	**25,422**	**(367)**	**(16,320)**	**61,904**	**3,379,382**
Current liabilities											
Short-term borrowing	(9,217)	0	0	0	0	0	0	0	0	0	(9,217)
Short-term creditors	(139,684)	0	0	0	0	0	0	0	0	0	(139,684)
Short-term provisions	(21,279)	0	0	0	0	0	0	0	0	0	(21,279)
Short-term deferred liabilities	(8,561)	0	0	0	0	0	0	0	0	0	(8,561)
Total current liabilities	**(178,741)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(178,741)**
Total assets less current liabilities	**3,132,992**	**(36,988)**	**37,401**	**251**	**278**	**(3,932)**	**25,422**	**(367)**	**(16,320)**	**61,904**	**3,200,641**
Long-term liabilities											
Long-term creditors	(2,482)	0	0	0	0	0	0	0	0	0	(2,482)
Long-term provisions	(50,478)	0	0	0	0	0	0	0	0	0	(50,478)
Long-term borrowing	(512,182)	0	0	0	0	0	0	0	0	0	(512,182)
Long-term deferred liabilities	(162,816)	0	0	0	0	0	0	0	0	0	(162,816)
Capital grants receipts in advance	(7,624)	0	0	0	0	0	0	0	0	0	(7,624)
Pensions liability	(735,975)	0	0	0	0	0	0	0	0	0	(735,975)
Total long-term liabilities	**(1,471,557)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(1,471,557)**
Net assets	**1,661,435**	**(36,988)**	**37,401**	**251**	**278**	**(3,932)**	**25,422**	**(367)**	**(16,320)**	**61,904**	**1,729,084**
Financed by:											
Usable reserves	437,386	0	0	0	0	0	0	0	0	0	437,386
Unusable reserves	1,224,049	(36,988)	37,401	251	278	(3,932)	25,422	(367)	(16,320)	61,904	1,291,698
Total reserves	**1,661,435**	**(36,988)**	**37,401**	**251**	**278**	**(3,932)**	**25,422**	**(367)**	**(16,320)**	**61,904**	**1,729,084**

Note 4 Reconciliation of Cash Flow Statement

The table below shows the reconciliation of the Cash Flow Statement as published in the 2013/14 accounts to the restated 2013/14 figures.

	Published 2013/14 £000s	School Depreciation £000s	School Impairment £000s	School REFCUS £000s	Academy Depreciation £000s	Academy Disposals £000s	Academy Impairment £000s	Restated 2013/14 £000s
Net deficit on the provision of services	43,471	(251)	(278)	3,932	367	16,320	(54,331)	9,230
Adjustments to net deficit on the provision of services for non-cash movements	(282,667)	251	278	0	(367)	(16,320)	54,331	(244,494)
Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	90,880	0	0	0	0	0	0	90,880
Net cash flows from operating activities	**(148,316)**	**0**	**0**	**3,932**	**0**	**0**	**0**	**(144,384)**
Investing activities	110,510	0	0	(3,932)	0	0	0	106,578
Financing Activities	(2,025)	0	0	0	0	0	0	(2,025)
Net (increase) in cash and cash equivalents	**(39,831)**	**0**	**0**	**0**	**0**	**0**	**0**	**(39,831)**
Cash and cash equivalents at the beginning of the reporting period	(5,246)	0	0	0	0	0	0	(5,246)
Cash and cash equivalents at the end of the reporting period	**34,585**	**0**	**0**	**0**	**0**	**0**	**0**	**34,585**

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 2014/15 Code.

The Code has introduced several changes in accounting policies which will be required from 1 April 2015 and will therefore be valid for the 2015/16 accounts. The standards introduced by the 2015/16 Code are:

IFRS 13 Fair Value Measurement (May 2011)
Annual Improvements to IFRSs (2011 – 2013 Cycle)
IFRIC 21 Levies

International Financial Reporting Standards now have a consistent definition of fair value introduced by IFRS13 Fair Value Measurement. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This change affects the valuation of any asset or liability measured using fair value – revenue recognition, surplus assets, investment property, non current assets held for sale, inventories, debtors, creditors and employee benefits. The adoption of IFRS 13 in the Code is not a change of accounting policy that will require the publication of a third Balance Sheet (at 1 April 2014) and is therefore adopted from 2015/16.

The Code adapts IAS 16 to require that items of property, plant and equipment that are operational and therefore providing service potential for the Council are measured at existing use value, existing use value – social housing or depreciated replacement cost and not at fair value. Surplus assets are currently measured at fair value based on existing use value but from 2015/16 will be valued based on the highest and best use. Investment properties will also be valued taking account of the highest and best use. Liabilities will be based on the best transfer price. The effect of this change on the Council's accounts has not yet been quantified.

Each year the International Accounting Standards Board (IASB) proposes improvements in IFRSs to clarify guidance and wording or to correct for minor issues. The issues included in the Annual Improvements to IFRSs 2011 to 2013 cycle are:

IFRS 1: Meaning of effective IFRSs;
IFRS 3: Scope exceptions for joint ventures;
IFRS 13: Scope of paragraph 52 (portfolio exception); and
IAS 40: Clarifying the inter-relationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

IFRS 1 (First time adoption of IFRS) clarifies that an entity, in its first IFRS statement of accounts, can choose between applying an existing IFRS, or the early adoption of a revised IFRS that is not yet mandatory, provided that the revised IFRS permits early adoption.

IFRS 3 (Business combinations) clarifies that it excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13 (Fair value measurement) clarifies that the exception in paragraph 52 of the standard includes all contracts accounted for within the scope of IAS 39 (Financial instruments recognition and measurement) or IFRS 9 (Financial instruments). The exemption permits an entity to measure the fair value of a group of financial assets and liabilities on the basis of the price that would be received based on the net risk exposure.

IAS 40 (Investment property) clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 and an investment property as defined in IAS 40 requires the separate application of both standards independently of each other.

These standards are not expected to have a significant effect on the Council's accounts.

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by government, its agencies and similar bodies. It does not include income taxes, fines and other penalties and liabilities arising from emissions trading schemes. The liability is to be recognised progressively if the obligating event occurs over a period of time. If the obligation is triggered on reaching a minimum threshold the liability is recognised when the minimum threshold is reached.

This standard is not expected to have a significant effect on the Council's accounts.

CIPFA/LASAAC has agreed that the 2016/17 edition of this Code will adopt the measurement requirements of the CIPFA Code of Practice on Transport Infrastructure Assets, as amended in 2013, i.e. measurement on a depreciated replacement cost basis rather than depreciated historical cost as at present.

This will represent a change in accounting policy from 1 April 2016 and will require retrospective restatement in accordance with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IAS 1 Presentation of Financial Statements as adopted by this Code. This change to the Code will require the establishment of a separate class of assets for transport infrastructure assets in accordance with the types of assets classified in the Code of Practice on Transport Infrastructure Assets (roads, footways, cycleways, street lighting and other assets that are directly associated with them).

It is currently estimated that the value of tangible non current assets on the balance sheet will increase by over £7billion with a corresponding increase in unusable reserves. Depreciation, relating to these assets, charged to the Comprehensive Income and Expenditure Statement will increase significantly resulting in a larger deficit on the provision of services. This depreciation will be reversed via the Movement in Reserves Statement to the Capital Adjustment Account.

Note 6. Significant items warranting additional disclosure

The following items of material expenditure occurred during the year:

Impairment including downward revaluation and reversal of past impairment

a) Impairment of property plant and equipment and investment properties of £102,262,000 (£106,734,000 in 2013/14) has been included within net cost of services:

	Restated 2013/14 £000s	2014/15 £000s
Adult social care	18,286	562
Central services to the public	1	251
Education and children's services	13,794	43,315
Cultural and related services	15,055	5,781
Environmental and regulatory services	4,937	131
Planning services	0	668
Housing Services	1,980	46
Housing Revenue Account	20,836	19,022
Highways and transport services	2	1
Investment properties	15,712	20,408
Non-distributed costs	16,131	12,077
Total	**106,734**	**102,262**

The 2013/14 figures have been restated following the changes in accounting for schools property, plant and equipment.

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.

Note 7. 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 practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The 2013/14 figures have been restated due to the change in accounting policy relating to schools property, plant and equipment.

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

	Usable Reserves					Unusable Reserves	
	Restated General Fund Balance (Including Earmarked Reserves)	Housing Revenue Account (Including Earmarked Reserves)	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Restated Capital Adjustment Account	Other Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Reversal of items debited or credited to the comprehensive income and expenditure statement:							
Depreciation	(35,480)	0	0	0	(11,162)	46,642	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/revaluation losses charged to the comprehensive income and expenditure statement	(85,898)	(20,836)	0	0	0	106,734	0
Movement in market value of investment property	45,920	0	0	0	0	(45,920)	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	(14,776)	(51)	0	(3,368)	0	18,195	0
Gain / (loss) on disposal of non-current assets	(36,959)	3,923	35	0	0	33,001	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 and business rates income 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	**(197,788)**	**254**	**0**	**(3,383)**	**783**	**62,170**	**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	**112,385**	**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	(9,499)	9,499
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	(6,071)	6,071
Write down of long term debtor	61	0	0	0	0	(95)	34
Transfer to Deferred Capital Receipts Reserve	45	0	0	0	0	349	(394)
Total other adjustments	**407**	**0**	**(7,896)**	**0**	**0**	**(7,748)**	**15,237**
Total adjustments	**(84,996)**	**505**	**(5,952)**	**(3,383)**	**783**	**(8,744)**	**101,787**

The table below shows the adjustments made in 2014/15:

	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	(34,642)	0	0	0	(11,033)	45,675	0
Amortisation of intangible assets	(491)	0	0	0	0	491	0
Additional depreciation charged to HRA services above the uplifted major repairs allowance	0	2,000	0	0	(2,000)	0	0
Decent Homes Backlog Funding transferred to the Major Repairs Reserve	0	10,645	0	0	(10,645)	0	0
Impairment/revaluation losses charged to the comprehensive income and expenditure statement	(83,240)	(19,022)	0	0	0	102,262	0
Movement in market value of investment property	56,737	0	0	0	0	(56,737)	0
Financing of capital expenditure on council dwellings	0	0	0	0	24,241	(24,241)	0
Non Property Related Capital Receipts Transferred to the Usable Capital Receipts Reserve	0	50	(50)	0	0	0	0
Capital grants and contributions	74,295	636	0	5,725	0	(80,656)	0
Revenue expenditure funded from capital under statute	(30,645)	(18)	0	(13,332)	0	43,995	0
Gain / (loss) on disposal of non-current assets	(73,465)	5,432	0	0	0	68,033	0
Retirement benefits per IAS19	(83,458)	(479)	0	0	0	0	83,937
Reversal of private finance initiative charges to the HRA	0	12,681	0	0	0	(12,681)	0
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	1,667	0	0	0	0	(85)	(1,582)
Amount by which council tax and business rates income adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulation	6,291	0	0	0	0	0	(6,291)
Total reversed items	**(166,951)**	**11,925**	**(50)**	**(7,607)**	**563**	**86,056**	**76,064**
Insertion of items not debited or credited to the comprehensive income and expenditure statement:							
Statutory provision for the repayment of debt - minimum revenue provision	23,877	0	0	0	0	(23,877)	0
Statutory provision for the repayment of debt - finance lease liabilities	1,192	0	0	0	0	(1,192)	0
Statutory provision for the repayment of debt - private finance initiatives	2,485	0	0	0	0	(2,485)	0
HRA capital receipts to housing central pool	(2,235)	0	2,235	0	0	0	0
Employers contributions to pension schemes	51,828	313	0	0	0	0	(52,141)
Revenue contribution to finance capital	35,578	5,304	0	0	0	(40,882)	0
Premiums and discounts charged to revenue	324	0	0	0	0	0	(324)
Principal repayment of ex-GMC debt	1,811	0	0	0	0	(1,811)	0
Total inserted items	**114,860**	**5,617**	**2,235**	**0**	**0**	**(70,247)**	**(52,465)**
Other adjustments:							
Capital receipts applied	0	0	(21,511)	0	0	21,511	0
Use of capital receipts reserve to finance capital expenditure	0	0	24,722	0	0	(24,722)	0
Transfer of revaluation reserve balance on assets disposed of to CAA	0	0	0	0	0	(9,936)	9,936
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	(7,321)	7,321
Write down of long term debtor	117	0	50	0	0	95	(262)
Transfer to Deferred Capital Receipts Reserve	106	0	0	0	0	0	(106)
Total other adjustments	**223**	**0**	**3,261**	**0**	**0**	**(20,373)**	**16,889**
Total adjustments	**(51,868)**	**17,542**	**5,446**	**(7,607)**	**563**	**(4,564)**	**40,488**

Note 8. 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 have been restated to those segments that were reported to Executive during 2014/15. The note also reflects the changes in accounting policy relating to schools property, plant and equipment.

Subjective Analysis	Restated Children and Families £000s	Restated Corporate Core £000s	Restated Growth and Neighbourhoods £000s	Housing Revenue Account £000s	Restated Total £000s
Fees, charges and other service income	(100,036)	(78,975)	(64,337)	(64,833)	**(308,181)**
Government grants	(384,201)	(274,209)	(5,429)	(17,272)	**(681,111)**
Total Income	**(484,237)**	**(353,184)**	**(69,766)**	**(82,105)**	**(989,292)**
Employee expenses	338,859	75,177	50,231	3,752	**468,019**
Other operating expenses	448,781	355,558	128,245	60,460	**993,044**
Support services recharges	6,979	(24,166)	(8,477)	755	**(24,909)**
Total Operating Expenses	**794,619**	**406,569**	**169,999**	**64,967**	**1,436,154**
Cost of Services	**310,382**	**53,385**	**100,233**	**(17,138)**	**446,862**

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

	Restated £000s
Cost of services in service analysis	446,862
Add amounts not reported to management*	123,638
Remove amounts reported to management not included in net cost of services in CIES	(51,833)
Net cost of services in comprehensive income and expenditure statement	**518,667**

Reconciliation to subjective analysis	Service Analysis £000s	Restated Not Reported to Management* £000s	Not Included in CIES Net Cost of Services £000s	Allocation of Recharges £000s	Restated Net Cost of Services £000s	Restated Corporate Amounts £000s	Restated Total £000s
Fees, charges and other service income	(308,181)	64,834	(4,821)	0	(248,168)	(167,097)	(415,265)
Interest and investment income	0	(2,043)	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)**	**(809,628)**	**(1,763,252)**
Employee expenses	468,019	(3,734)	5,449	(1,437)	468,297	0	468,297
Other service expenses	993,044	(53,066)	8,384	(23,472)	924,890	17,666	942,556
Support services recharges	(24,909)	0	0	24,909	0	0	0
Depreciation and impairment	0	103,744	9,125	0	112,869	0	112,869
Interest payments	0	0	(387)	0	(387)	37,545	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
Loss on disposal of non-current assets	0	0	0	0	0	36,959	36,959
Total operating expenses	**1,436,154**	**46,944**	**(10,807)**	**0**	**1,472,291**	**300,191**	**1,772,482**
(Surplus) / deficit on the provision of services	**446,862**	**123,638**	**(51,833)**	**0**	**518,667**	**(509,437)**	**9,230**

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

Note 8. Segmental Reporting Analysis

The table below is a reconciliation of the 2014/15 internal management reports (monitoring and outturn) used by the Council's Executive to make decisions and the 2014/15 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	Children and Families £000s	Corporate Core £000s	Growth and Neighbourhoods £000s	Housing Revenue Account £000s	Total £000s
Fees, charges and other service income	(101,652)	(81,966)	(68,570)	(59,071)	**(311,259)**
Government grants	(381,927)	(278,874)	(4,728)	(23,600)	**(689,129)**
Total Income	**(483,579)**	**(360,840)**	**(73,298)**	**(82,671)**	**(1,000,388)**
Employee expenses	325,901	78,143	49,849	2,303	**456,196**
Other operating expenses	449,847	362,203	135,059	71,454	**1,018,563**
Support services recharges	4,649	(29,751)	(4,699)	995	**(28,806)**
Total Operating Expenses	**780,397**	**410,595**	**180,209**	**74,752**	**1,445,953**
Cost of Services	**296,818**	**49,755**	**106,911**	**(7,919)**	**445,565**

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

	£000s
Cost of services in service analysis	445,565
Add amounts not reported to management*	120,771
Remove amounts reported to management not included in net cost of services in CIES	(62,200)
Net cost of services in comprehensive income and expenditure statement	**504,136**

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	(311,259)	59,070	(8,284)	0	(260,473)	(177,337)	(437,810)
Interest and investment income	0	(1,155)	147	0	(1,008)	(42,183)	(43,191)
Income from council tax	0	0	0	0	0	(120,583)	(120,583)
Business Rates income	0	0	0	0	0	(150,359)	(150,359)
Government grants and contributions	(689,129)	10,298	(39,104)	0	(717,935)	(319,381)	(1,037,316)
Total Income	**(1,000,388)**	**68,213**	**(47,241)**	**0**	**(979,416)**	**(809,843)**	**(1,789,259)**
Employee expenses	456,196	(2,314)	2,831	(423)	456,290	0	456,290
Other service expenses	1,018,563	(74,753)	13,480	(28,383)	928,907	22,584	951,491
Support services recharges	(28,806)	0	0	28,806	0	0	0
Depreciation and impairment	0	129,625	5,032		134,657	0	134,657
Interest payments	0	0	(1,895)		(1,895)	36,892	34,997
Pension interest costs	0	0	0		0	126,750	126,750
Precepts and levies	0	0	(34,407)		(34,407)	72,193	37,786
Payments to housing capital receipts pool	0	0	0		0	2,235	2,235
Loss on disposal of non-current assets	0	0	0		0	73,465	73,465
Total operating expenses	**1,445,953**	**52,558**	**(14,959)**	**0**	**1,483,552**	**334,119**	**1,817,671**
(Surplus) / deficit on the provision of services	**445,565**	**120,771**	**(62,200)**	**0**	**504,136**	**(475,724)**	**28,412**

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

Note 9. Long-term Contracts

Undischarged obligations arising from PFI transactions as at 31 March 2015 were as follows:

Scheme	Payments: Liability Repayment £000s	Payments: Lifecycle Costs £000s	Payments: Interest Charges £000s	Payments: Service Charges* £000s	Total £000s	Indexation	Contract Expiry	Scheme Details
Housing Energy Services Contract						GDP Deflator	2020	Energy Services Contract - provision and maintenance of energy services for a number of blocks of flats – service commenced in 1999/00. Total obligation as at start of contract of £10,196,000 will be met from PFI grant and the Housing Revenue Account.
Payments within 1 year	213	93	134	96	536			
Payments within 2 to 5 years	1,026	349	274	413	2,062			
	1,239	442	408	509	2,598			
Miles Platting Housing						RPI	2037	Miles Platting – housing refurbishment, maintenance and estate management - services commenced in 2006/07. Total obligation as at start of contract of £496,894,000 to be met from PFI Grant and the Housing Revenue Account.
Payments within 1 year	2,870	3,476	3,565	5,053	14,964			
Payments within 2 to 5 years	11,646	13,902	12,450	24,124	62,122			
Payments within 6 to 10 years	9,963	17,378	12,292	43,570	83,203			
Payments within 11 to 15 years	12,202	17,378	9,011	51,533	90,124			
Payments within 16 to 20 years	14,289	17,378	5,062	61,225	97,954			
Payments within 21 to 25 years	8,037	6,951	788	25,248	41,024			
	59,007	76,463	43,168	210,753	389,391			
Plymouth Grove Housing						RPI	2033	Plymouth Grove – housing refurbishment, maintenance and estate management - services commenced in 2003/04. Total obligation as at start of contract of £145,785,000 to be met from PFI Grant and the Housing Revenue Account.
Payments within 1 year	449	730	1,826	2,124	5,129			
Payments within 2 to 5 years	2,250	2,918	6,786	9,204	21,158			
Payments within 6 to 10 years	3,789	3,648	6,959	13,616	28,012			
Payments within 11 to 15 years	5,752	3,648	4,607	15,955	29,962			
Payments within 16 to 20 years	5,121	2,189	1,143	10,602	19,055			
	17,361	13,133	21,321	51,501	103,316			
Temple School						RPI	2026	Temple School – design, build and maintenance of Temple Primary School – services commenced in 2001/02. Total obligation as at start of contract of £14,617,000 to be met from PFI Special Grant and Dedicated Schools Grant (DSG).
Payments within 1 year	123	0	287	260	670			
Payments within 2 to 5 years	720	0	1,005	1,105	2,830			
Payments within 6 to 10 years	1,618	0	740	1,544	3,902			
Payments within 11 to 15 years	455	0	45	332	832			
	2,916	0	2,077	3,241	8,234			
Wright Robinson Sports College						RPI	2032	Wright Robinson Sports College - design, build and maintenance of sports college - services commenced in 2007/08. Total obligation as at start of contract of £116,428,000 to be met from PFI Special Grant and Dedicated Schools Grant (DSG).
Payments within 1 year	841	461	1,604	1,467	4,373			
Payments within 2 to 5 years	3,944	1,844	5,837	6,362	17,987			
Payments within 6 to 10 years	6,542	2,305	5,684	9,162	23,693			
Payments within 11 to 15 years	8,944	2,305	3,282	10,670	25,201			
Payments within 16 to 20 years	4,577	949	461	4,884	10,871			
	24,848	7,864	16,868	32,545	82,125			
Public Lighting						RPI	2030	Public Lighting – refurbishment and maintenance of street lighting and illuminated street signage – services commenced in 2004/05. Total obligation as at start of contract of £164,300,000 to be met from PFI Special Grant and council resources.
Payments within 1 year	1,544	620	1,832	2,738	6,734			
Payments within 2 to 5 years	7,192	2,479	6,439	11,647	27,757			
Payments within 6 to 10 years	11,732	3,098	5,596	16,185	36,611			
Payments within 11 to 15 years	13,350	2,634	1,977	15,590	33,551			
	33,818	8,831	15,844	46,160	104,653			
Brunswick Housing						RPIX	2038	Brunswick – housing refurbishment, maintenance and estate management - services commenced in 2013/14. Total obligation as at start of contract of £258,236,000 to be met from PFI Grant and the Housing Revenue Account.
Payments within 1 year	2,494	0	2,083	2,301	6,878			
Payments within 2 to 5 years	20,782	0	16,634	9,286	46,702			
Payments within 6 to 10 years	13,507	4,433	15,112	12,410	45,462			
Payments within 11 to 15 years	14,749	9,956	9,478	14,017	48,200			
Payments within 16 to 20 years	15,113	8,111	12,249	15,828	51,301			
Payments within 21 to 25 years	12,241	4,800	9,900	13,368	40,309			
	78,886	27,300	65,456	67,210	238,852			
Total	**218,075**	**134,033**	**165,142**	**411,919**	**929,169**			

*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 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, Growth and Neighbourhoods 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 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.

Wright Robinson Sports College has been reintroduced onto the balance sheet from 1 April 2013 following the clarification of accounting for schools' property, plant and equipment.

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 10. 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:

	2013/14 (Surplus) / Deficit * £000s	2014/15 Turnover £000s	2014/15 Expenditure £000s	2014/15 (Surplus) / Deficit* £000s
Building maintenance	658	(2,453)	3,224	771
Highways maintenance	905	(12,914)	12,700	(214)
Schools and welfare catering	78	(14,973)	18,453	3,480
Other catering	(778)	(2,499)	934	(1,565)
Corporation estates	(742)	(7,665)	6,664	(1,001)
Industrial estates	129	(369)	369	0
Markets	(951)	(9,062)	7,313	(1,749)
Total (Surplus) / Deficit	**(701)**	**(49,935)**	**49,657**	**(278)**

* 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.

Note 11. 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.

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.

	2013/14 £000s	2014/15 £000s
Gross Funding		
Manchester City Council	45,087	47,413
Manchester CCGs	0	0
Total Funding	45,087	47,413
Expenditure		
Commissioning	27,368	29,610
Provider - Manchester Learning Disability Partnership	19,284	16,216
Administration	377	1,364
Total Expenditure	47,029	47,190
Overspend / (Underspend)	1,942	(223)

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 / underspend is included in the Council's accounts.

Note 12. Financing and Investment (Income) and Expenditure

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

	2013/14 £000s	2014/15 £000s
Interest payable on debt	24,025	23,936
Interest element of finance leases (lessee)	284	234
Interest payable on PFI unitary payments	10,018	10,229
Net interest on the net defined benefit liability	36,318	31,628
Investment interest income	(12,052)	(12,298)
Rentals received on investment properties	(17,023)	(18,658)
Expenses incurred on investment properties	1,457	2,354
Investment properties Impairment	15,712	20,408
Change in fair value of investment properties	(45,920)	(56,737)
Dividends receivable	(27,346)	(27,393)
(Gain) on trading accounts (not applicable to a service)	(778)	(1,565)
Total financing and investment income and expenditure	**(15,305)**	**(27,862)**

Note 13. Taxation and non-specific grant income

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

	2013/14 £000s	2014/15 £000s	
Council Tax Income	112,855	120,583	a
Business Rates Income	97,383	142,988	b
Capitalisation Top Slice Refund	1,238	0	c
Council Tax Support Scheme Transitional Grant	997	0	d
Business Rates Retention Top Ups	7,230	7,371	
Business Rates Section 31 Grant	2,223	4,763	e
Business Rates Safety Net Funding	37,650	0	f
Revenue Support Grant	234,742	191,305	
Education Services Grant	7,626	7,106	
New Homes Bonus Grant	5,524	8,951	g
New Homes Bonus Return of Topslice	1,324	544	
Local Services Support Grant	261	192	
Council Tax Freeze Grant	0	1,524	h
Housing Benefit and Council Tax Support Administration Grant	5,647	5,592	
Contribution from Manchester Clinical Commissioning Groups	9,542	12,219	
Troubled Families Grant	408	0	
Assets of Community Value - New Burdens Grant	16	16	
Council Tax - New Burdens Grant	475	676	
Community Voices Grant	473	482	
Migrants Access to Benefits Grant	0	36	
Housing Benefit New Burdens Grant	0	49	
SEN Funding Grant	0	1,321	
Transparency Code Set Up Grant	0	8	
Care Act Grant	0	125	
Adoption Reform Grant	0	600	i
Enterprise Zone Relief Grant	0	867	
Gain on concessionary interest loan	0	1,494	j
Private Finance Initiative Grant (General Fund)	6,580	6,580	
Capital Grants and contributions	67,720	74,931	
Total taxation and non-specific grant income	**599,914**	**590,323**	

a Council Tax Income has increased due to an increase in the Council Tax Base and an increased surplus in the Collection Fund due to improved collection.

b Business Rates Income has increased as the contribution required for appeals made against rateable values is less than in 2013/14, that being the first year a provision was required following the partial localisation of business rates.

c. The government topsliced RSG for capitalisation directions in 2013/14. 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 and the measures announced in the 2014 Autumn Statement including capping the increase in business rates to 2% and additional retail reliefs.

f. The Council is not entitled Business Rates Safety Net Funding in 2014/15.

g. New homes bonus grant started in 2011/12 and is paid for six years therefore there is an additional years entitlement in 2014/15.

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

i The Adoption Reform Grant was credited to the service in 2013/14 rather than being treated as a non specific grant.

j. The Council has received an interest free loan of £6.786m from the Homes and Communities Agency for a period of seven years. This amount represents the saving to the Council over the remaining length of the loan of it being interest free.

Note 14. 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

	2013/14 £000s	2014/15 £000s	
Dedicated Schools Grant	330,702	320,153	a
Pupil Premium	24,048	32,093	b
Housing and Council Tax Benefit Subsidy	273,174	276,670	
Public Health Grant	40,105	44,134	c
Higher Education Funding Council Grant	1,502	1,448	
Sixth Form Funding Grant	5,347	5,025	
Learning and Skills Council Grants	8,213	7,697	
Partnership Funding	1,011	732	
Department of Communities and Local Government Grants	672	503	
Private Finance Initiative Grant (Housing Revenue Account)	17,107	23,600	d
Decent Homes Backlog Funding	10,000	10,484	e
Other Home Office Grants	333	1,070	f
Youth Justice Board Grants	1,516	1,574	
Asylum Seekers Grant	3,341	3,374	
Troubled Families Grant	1,714	3,857	g
Welfare Reform Grant	3,297	3,249	
Adoption Reform Grant	1,690	0	h
Other Children's Grants	346	488	
Other Grants	3,425	2,534	
Total revenue grants credited to the Comprehensive Income and Expenditure Statement	**727,543**	**738,685**	

a. The DSG reduction is due to academy conversions as the DfE pay academies directly.

b. Pupil premium grant increase is a result of an increase in the rate per pupil and higher eligible pupil numbers within the city.

c. Public Health grant increase is due to a recalculation by Central Government based on services which should have transferred to the Council as part of the original transfer from Health.

d. Private finance initiative grant includes the grant for Brunswick PFI which commenced during 2013/14. The grant has increased for 2014/15 as this includes the full year effect.

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

f. The increase in other Home Office grants is due to elections grant which totalled £303k in 2013/14 and increased to £955k in 2014/15 due to this being an election year.

g. Troubled Families Grant of £2.122m was received in 2013/14 of which £408k was included in note 13, as it was treated as a non specific grant. The increase is due to receipt of income for Payment By Results and funding for Phase 2.

h. Adoption reform grant of £600k was received in 2014/15 and is included in Note 13 as a non specific grant.

Note 15. Members' Allowances

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

	2013/14 £000s	2014/15 £000s
Members' allowances	1,941	1,926
Members' expenses	7	7
Total	**1,948**	**1,933**

Note 16. 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 7,482 non-schools based staff (7,701 in 2013/14). 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.

	Restated 2013/14 Staff Who Have Not Received Severance Payments	2013/14 Staff Who Have Received Severance Payments	Restated 2013/14 Total	2014/15 Staff Who Have Not Received Severance Payments	2014/15 Staff Who Have Received Severance Payments	2014/15 Total
£50,000 - £54,999	37	5	42	34	18	52
£55,000 - £59,999	22	5	27	21	12	33
£60,000 - £64,999	14	1	15	21	10	31
£65,000 - £69,999	22	4	26	9	7	16
£70,000 - £74,999	2	4	6	11	4	15
£75,000 - £79,999	3	1	4	2	4	6
£80,000 - £84,999	12	0	12	8	2	10
£85,000 - £89,999	4	1	5	7	0	7
£90,000 - £94,999	3	1	4	4	0	4
£95,000 - £99,999	1	0	1	1	1	2
£100,000 - £104,999	1	0	1	1	0	1
£105,000 - £109,999	1	0	1	0	0	0
£110,000 - £114,999	0	0	0	0	3	3
£115,000 - £119,999	0	0	0	1	0	1
£120,000 - £124,999	0	1	1	0	0	0
£135,000 - £139,999	0	0	0	0	1	1
	122	**23**	**145**	**120**	**62**	**182**

The 2013/14 numbers have been restated as one employee is now included in the senior employees remuneration note.

The Council employs 8,327 schools based staff (9,298 in 2013/14). 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.

	Restated 2013/14 Staff Who Have Not Received Severance Payments	2013/14 Staff Who Have Received Severance Payments	Restated 2013/14 Total	2014/15 Staff Who Have Not Received Severance Payments	2014/15 Staff Who Have Received Severance Payments	2014/15 Total
£50,000 - £54,999	55	0	55	65	0	65
£55,000 - £59,999	33	0	33	38	0	38
£60,000 - £64,999	28	0	28	18	0	18
£65,000 - £69,999	22	0	22	27	0	27
£70,000 - £74,999	8	0	8	13	0	13
£75,000 - £79,999	6	0	6	6	0	6
£80,000 - £84,999	5	0	5	6	0	6
£85,000 - £89,999	3	0	3	6	0	6
£90,000 - £94,999	3	0	3	0	0	0
£95,000 - £99,999	1	0	1	1	0	1
£100,000 - £104,999	3	0	3	1	0	1
£105,000 - £109,999	2	0	2	1	0	1
	169	**0**	**169**	**182**	**0**	**182**

The 2013/14 numbers have been restated as staff employed by voluntary aided and foundation schools are no longer included.

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	
	Restated 2013/14 £	2014/15 £	2013/14 £	2014/15 £	Restated 2013/14 £	2014/15 £	2013/14 £	2014/15 £	2013/14 £	2014/15 £
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	1,369	1,239	0	0	0	0	0	0
City Solicitor of the Council and Monitoring Officer of the Greater Manchester Combined Authority until 15 May 2013	14,374	0	0	0	2,386	0	0	0	0	0
City Solicitor of the Council and Monitoring Officer of the Greater Manchester Combined Authority from 16 May 2013	96,992	100,000	0	0	16,101	17,500	0	0	0	0
Deputy Chief Executive (People)	130,002	130,002	0	0	21,580	22,750	0	0	0	0
Deputy Chief Executive (Neighbourhoods) *	120,000	0	963	0	19,920	0	0	0	82,854	0
Deputy Chief Executive (Growth and Neighbourhoods) *	94,651	102,325	0	0	15,363	18,258	0	0	0	0
Strategic Director (Children and Commissioning Services) **	117,750	70,667	0	0	19,546	12,367	0	0	0	99,230
Strategic Director (Families, Health and Wellbeing) ***	64,194	0	562	0	10,656	0	0	0	0	0
Strategic Director (Families, Health and Wellbeing) ***	0	73,741	0	0	0	12,905	0	0	0	0
Director of Public Health	97,970	97,970	0	0	13,716	13,716	0	0	0	0
Director of Education and Skills	115,002	115,002	0	0	19,090	20,125	0	0	0	0
Strategic Director (Reform)****	95,001	95,476	0	0	15,770	16,708	0	0	0	0
Strategic Director (Strategic Developments)	120,000	120,000	846	846	19,920	21,000	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 2 November 2014. The position is covered by an individual who does not work directly for Manchester City Council therefore is not included in this note.

*** The 2013/14 postholder left on 13 October 2013. In 2014/15 the position was covered by an individual who did not work directly for Manchester City Council for the first 5 months of the financial year. From 1 September the individual became a Manchester City Council employee and is included in this note from that date.

**** This post replaced the post of Assistant Chief Executive (People) and became a member of SMT during 2014/15. The 2013/14 figures have been restated to provide a more accurate comparison.

Note 17. Exit Packages

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 response to the need to reduce the Council's expenditure following the Financial Settlements published in December 2012 and December 2014.

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 2013/14 and 2014/15.

	2013/14 Number of Staff Departures Agreed	2013/14 Total Cost of Exit Packages £000s	2014/15 Number of Staff Departures Agreed	2014/15 Total Cost of Exit Packages £000s
£0 - £19,999	139	1,436	213	2,467
£20,000 - £39,999	54	1,413	104	2,914
£40,000 - £59,999	15	723	53	2,569
£60,000 - £79,999	6	406	10	677
£80,000 - £99,999	2	169	2	186
	216	**4,147**	**382**	**8,813**

Note 18. Audit Fees

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

	2013/14 £000s	2014/15 £000s
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	295	248
Fees payable to Grant Thornton for the certification of grant claims and returns	24	27
	319	**275**

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.

The 2014/15 figure includes a refund of £28,000 from the Audit Commission.

Note 19. Property Plant and Equipment

Movements on property, plant and equipment during 2014/15 were as follows:

	Property, Plant and Equipment							
	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	Total £000s
Movement in 2014/15								
Gross book value brought forward	419,547	1,299,468	63,238	441,074	26,134	72,555	194,919	2,516,935
Accumulated depreciation and impairment brought forward	(30,043)	(279,847)	(22,314)	(74,941)	(71)	0	(28,997)	(436,213)
Net book value carried forward as at 1 April 2014	**389,504**	**1,019,621**	**40,924**	**366,133**	**26,063**	**72,555**	**165,922**	**2,080,722**
Additions	30,184	36,616	12,531	22,955	1,281	20,450	17,790	141,807
Revaluations recognised in revaluation reserve	3,876	75,126	950	0	0	0	10	79,962
Downward Revaluations recognised in deficit on the provision of services	(373)	(47,793)	0	0	0	0	0	(48,166)
Derecognition - disposals	0	(71,919)	(2,400)	0	0	0	(5,312)	(79,631)
Transferred (to) held for sale assets	(2,769)	0	0	0	(1)	0	(1,210)	(3,980)
Other transfers	(354)	31,763	4,083	(1,978)	653	(42,589)	(73)	(8,495)
Other movements in cost or valuation - newly recognised leased / PFI assets	7,423	0	69	0	0	0	0	7,492
Depreciation	(10,929)	(20,668)	(6,349)	(7,520)	(1)	0	(208)	(45,675)
Impairments charged to the comprehensive income and expenditure statement	(18,649)	(3,376)	(644)	0	(1)	0	(12,077)	(34,747)
Impairments covered by the revaluation reserve	(2,849)	(5,436)	0	0	0	0	(72)	(8,357)
Reversal of prior year impairment	0	1,060	0	0	0	0	0	1,060
Net book value carried forward as at 31 March 2015	**395,064**	**1,014,994**	**49,164**	**379,590**	**27,994**	**50,416**	**164,770**	**2,081,992**
Gross book value carried forward	427,755	1,136,272	74,829	462,051	28,064	50,416	192,484	2,371,871
Accumulated depreciation and Impairment carried forward as at 31 March 2015	(32,691)	(121,278)	(25,665)	(82,461)	(70)	0	(27,714)	(289,879)
Net book value carried forward as at 31 March 2015	**395,064**	**1,014,994**	**49,164**	**379,590**	**27,994**	**50,416**	**164,770**	**2,081,992**

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

	Property, Plant and Equipment							
	Council Dwellings	Restated Other Land and Buildings	Restated Vehicles, Plant, and Equipment	Infrastructure Assets	Community Assets	Restated Assets Under Construction	Surplus Assets	Restated Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Movement in 2013/14								
Gross book value brought forward	420,050	1,153,374	48,816	427,327	26,022	155,619	221,729	2,452,937
Accumulated depreciation and impairment brought forward	(34,565)	(223,575)	(15,784)	(67,585)	(123)	(5,549)	(30,307)	(377,488)
Net book value carried forward as at 1 April 2013	**385,485**	**929,799**	**33,032**	**359,742**	**25,899**	**150,070**	**191,422**	**2,075,449**
Additions	21,203	48,141	10,167	14,649	325	58,116	16,905	169,506
Revaluations recognised in revaluation reserve	15,894	22,243	0	0	0	0	(2,467)	35,670
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	(35,069)	(96)	0	0	0	(12,413)	(47,578)
Transferred (to) held for sale assets	(2,496)	0	0	0	0	0	(10,393)	(12,889)
Other transfers	2,291	131,563	3,224	(901)	(160)	(135,631)	(1,069)	(683)
Other movements in cost or valuation - newly recognised leased / PFI assets	6,903	0	86	0	0	0	0	6,989
Depreciation	(11,058)	(22,308)	(5,489)	(7,357)	(1)	0	(429)	(46,642)
Impairments charged to the comprehensive income and expenditure statement	(16,798)	(3,377)	0	0	0	0	(1,790)	(21,965)
Impairments covered by the revaluation reserve	(7,883)	(693)	0	0	0	0	(55)	(8,631)
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**	**1,019,621**	**40,924**	**366,133**	**26,063**	**72,555**	**165,922**	**2,080,722**
Gross book value carried forward	419,547	1,299,468	63,238	441,074	26,134	72,555	194,919	2,516,935
Accumulated depreciation and impairment carried forward as at 31 March 2014	(30,043)	(279,847)	(22,314)	(74,941)	(71)	0	(28,997)	(436,213)
Net book value carried forward as at 31 March 2014	**389,504**	**1,019,621**	**40,924**	**366,133**	**26,063**	**72,555**	**165,922**	**2,080,722**

The 2013/14 figures have been restated to reflect the change in accounting policy relating to schools' plant, property and equipment.

Note 20. Disposal of Assets

	Restated 2013/14 £000s	2014/15 £000s
Disposals of Assets		
Held for Sale - Council dwellings (right to buy)	2,496	2,769
Held for Sale - Other	5,589	5,301
Other Disposals including transfers to academies	47,578	79,631
	55,663	**87,701**

Loss on Disposal of Non-current Assets

	Restated 2013/14 £000s	2014/15 £000s
HRA assets	(3,923)	(5,432)
Removal of schools transferring to academy status from the balance sheet	34,679	74,319
Other non-HRA assets	2,280	(854)
	33,036	**68,033**

The 2013/14 figures have been restated to reflect the change in accounting policy relating to schools' plant, property and equipment.

Note 21. Accounting for Local Government Schools

The Council has the following maintained schools:

	Restated Community	Restated Voluntary Controlled	Voluntary Aided	Restated Foundation
Number of schools, excluding PFI schools	66	14	45	3
Value of Land and Buildings at 31 March 2015	£352,941,000	N/A	N/A	N/A
Value of Land and Buildings at 31 March 2014	£384,739,000	N/A	N/A	N/A
Number of schools subject to PFI contracts	1	0	0	1
Value of Land and Buildings at 31 March 2015	£5,960,000	N/A	N/A	£39,418,000
Value of Land and Buildings at 31 March 2014	£10,351,000	N/A	N/A	£36,806,000

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 non current assets of community schools and foundation schools that are vested with the governing body and therefore the land and buildings of those schools are shown on the Council's balance sheet. The land and buildings of voluntary aided, voluntary controlled and foundation schools that are vested with an external trust 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. This is a change in accounting policy therefore the 2013/14 values have been restated.

The values for 2013/14 have also been restated as the accounting policy relating to schools transferring to academy status has been amended. Schools were previously removed from the balance sheet when the Council was informed that a school was to transfer to academy status rather than the date of transfer.

In the table above of the total number of foundation schools, one is shown on the balance sheet as the governing body is the trustee.
Capital expenditure on community and foundation schools vested with the governing body schools is added to the balances for those schools as reported in property, plant and equipment (note 19). Capital expenditure on voluntary aided, voluntary controlled and foundation schools vested with an external trust 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 39).

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	Total
	£000s	£000s	£000s	£000s	£000s
Opening schools reserves	17,955	2,245	5,078	3,028	28,306
Funding, including DSG	169,283	25,624	89,451	26,491	310,849
Net expenditure incurred by schools	(167,078)	(24,906)	(87,612)	(27,953)	(307,549)
Closing schools reserves	20,160	2,963	6,917	1,566	31,606

PFI Schemes

The Council has two schools subject to PFI contracts. The buildings are shown on the Council's balance sheet with the related liability.

Note 22. Heritage Assets

Movements on heritage assets during 2014/15 were as follows:

	Heritage Assets					
Cost or valuation	**Fine Art Works £000s**	**Civic Plate £000s**	**Monuments Statues and Fountains £000s**	**Town Hall Sculptures £000s**	**Other £000s**	**Total £000s**
Balance at 1 April 2014	423,926	2,959	619	3,462	225	431,191
Revaluations	79,298	0	0	0	0	79,298
Impairment losses / (reversals) recognised in the Revaluation Reserve	(249)	0	0	0	0	(249)
Balance at 31 March 2015	**502,975**	**2,959**	**619**	**3,462**	**225**	**510,240**

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

	Heritage Assets					
Cost or valuation	**Fine Art Works £000s**	**Civic Plate £000s**	**Monuments Statues and Fountains £000s**	**Town Hall Sculptures £000s**	**Other £000s**	**Total £000s**
Balance at 1 April 2013	415,703	2,959	619	3,462	225	422,968
Revaluations	8,223	0	0	0	0	8,223
Balance at 31 March 2014	**423,926**	**2,959**	**619**	**3,462**	**225**	**431,191**

a) Heritage Assets Nature and Scale of Assets Held

Manchester City Galleries (MCG) currently holds around 50,000 objects in trust on behalf of the People of Manchester. The collection comprises of approximately 13,000 items of fine art, 10,000 items of decorative art, and 22,000 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 though 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 2014/15 amounted to £79m. Curators have updated the valuations of a large number of the £200k+ works this year. One of the priorities for updating this year's data was looking particularly at the values of 20th Century works. There has been a marked rise in the prices of works by more contemporary, well-known artists.

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**	**2014/15 £000**
Cost / valuation at 1 April	378,120	381,630	391,289	422,968	431,191
Revaluations	3,510	9,659	30,769	8,223	79,049
Donations	0	0	910	0	0
Cost / valuation at 31 March	**381,630**	**391,289**	**422,968**	**431,191**	**510,240**

Note 23. 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	68
Adult Education Facilities	9	18
Car Parks	15	20
Children's Home / Family Centres	14	44
Day Centres / Luncheon Clubs	10	56
Galleries	39	68
Depots	15	56
Housing Offices	10	35
Leisure Centres / Sports Facilities	5	63
Libraries	3	56
Markets	16	21
Offices	16	60
Park Buildings	4	59
Schools	6	65
Youth Clubs / Children's Centres / Nurseries	6	54
BMX / Skate / Bike Facilities	19	26
Cemeteries and Crematoria	17	32
Vehicles, Plant, Furniture and Equipment	1	20
Infrastructure Assets	45	50
Surplus Assets	4	49

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 2014. Jacobs have provided indexation factors for the percentage increase in value from the date of the last valuation to 31 March 2015 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 2014/15 were carried out between 1 April 2014 and 31 March 2015, 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 £79,962,000 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 £81,853,000 in relation to PPE being charged to the Comprehensive Income and Expenditure Statement.

The following table lists the date of revaluation for each valuation group.

Asset Type	Year of Revaluation
Leisure Centres	2014/2015
Buildings within parks	2013/2014
Libraries	2014/2015
Markets	2010/2011
Cemeteries and Crematoria	2011/2012
Depots	2011/2012
Car Parks	2010/2011
Day centres, luncheon clubs, resource centres	2013/2014
Schools	2014/2015
Youth clubs, children's centres, nurseries	2014/2015
Offices	2014/2015
Council dwellings	2014/2015
Housing area offices	2012/2013
Adult Education premises	2013/2014
Investment Properties	2014/2015
Art Galleries	2014/2015

Note 24. 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	**5,748**
Movement in 2013/14	
Reclassifications	13,971
Additions	1,846
Disposals	(8,085)
Impairments	(552)
Net book value carried forward as at 31 March 2014	**12,928**
Movement in 2014/15	
Reclassifications	5,129
Disposals	(8,070)
Revaluations	31
Net book value carried forward as at 31 March 2015	**10,018**

Note 25. Assets Recognised Under PFI Arrangements

Movements on PFI Scheme assets and liabilities 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	Restated Wright Robinson Sports College £000s	Restated Total £000s
Net book value brought forward	**125**	**5,662**	**18,547**	**39,762**	**0**	**49,979**	**37,401**	**151,476**
Movement in 2013/14								
Expenditure	0	1,763	0	0	961	0	0	2,724
Reclassifications	0	2,680	(129)	(229)	21,988	0	0	24,310
Depreciation	(8)	(110)	(543)	(1,131)	(736)	(1,086)	(595)	(4,209)
Revaluations	0	356	3,200	631	205	0	0	4,392
Impairments	0	0	0	0	(984)	0	0	(984)
Net book value carried forward as at 31 March 2014	**117**	**10,351**	**21,075**	**39,033**	**21,434**	**48,893**	**36,806**	**177,709**
Movement in 2014/15								
Expenditure	0	35	0	0	3,169	0	0	3,204
Other movements in cost or valuation - PFI	0	0	0	0	7,423	0	0	7,423
Reclassifications	0	0	(392)	(322)	(130)	0	0	(844)
Depreciation	(8)	(108)	(540)	(1,131)	(701)	(1,087)	(653)	(4,228)
Revaluations	0	35	543	1,315	970	0	3,265	6,128
Impairments	0	(4,353)	0	0	(2,679)	0	0	(7,032)
Net book value carried forward as at 31 March 2015	**109**	**5,960**	**20,686**	**38,895**	**29,486**	**47,806**	**39,418**	**182,360**

	Energy Services £000s	Temple Primary School £000s	Plymouth Grove Housing £000s	Miles Platting Housing £000s	Brunswick Housing £000s	Public Lighting £000s	Wright Robinson Sports College £000s	Total £000s
Deferred liability brought forward	**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**
Movement in 2014/15								
Additional liability	0	0	0	0	7,423	0	0	7,423
Write down of liability	(192)	(105)	(410)	(1,778)	(888)	(1,409)	(790)	(5,572)
Deferred liability carried forward as at 31 March 2015	**1,238**	**2,917**	**17,360**	**59,006**	**13,438**	**33,818**	**24,849**	**152,626**

Wright Robinson Sports College has been recognised on the balance sheet from 1 April 2013 due to the change in accounting policy relating to schools' property, plant and equipment.

Note 26. 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 2014 £000s	31 March 2015 £000s
Not later than one year	4,287	3,652
Later than one year and not later than five years	13,569	12,997
Later than five years	41,874	38,821
	59,730	**55,470**

Lease payments made:

	2013/14 £000s	2014/15 £000s
Minimum lease payments	5,294	4,394
Sub lease payments (receivable)	(448)	(448)
	4,846	**3,946**

The total of future minimum sub lease payments expected to be received under non-cancellable leases as at 31 March 2015 was:

	31 March 2014 £000s	31 March 2015 £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	1,411	963
	3,651	**3,203**

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

	2013/14 £000s	2014/15 £000s
Adult Social Care	225	194
Central Services to the Public	4	2
Children's and Education Services	293	196
Cultural and Related Services	1,927	1,624
Environmental and Regulatory Services	1,145	963
Planning Services	1,329	1,131
Highways, Road and Transport Services	253	198
Housing Services	118	79
Public Health	0	7
Total minimum lease payments	**5,294**	**4,394**

Finance Leases

The Council has acquired a number of 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 2014 £000s	31 March 2015 £000s
Land and buildings	429	429
Vehicles, plant and equipment	2,438	1,315
	2,867	**1,744**

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 2014 £000s	31 March 2015 £000s
Finance lease liability		
current	1,178	879
non-current	1,589	766
Finance costs payable in future years	515	298
	3,282	**1,943**

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

	31 March 2014 £000s	31 March 2015 £000s
Not later than one year	1,409	1,064
Later than one year and not later than five years	1,528	533
Later than five years	421	420
Total minimum lease payments	**3,358**	**2,017**

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

	31 March 2014 £000s	31 March 2015 £000s
Not later than one year	1,178	879
Later than one year and not later than five years	1,261	438
Later than five years	403	402
Total finance lease liability	**2,842**	**1,719**

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 2013/14 or 2014/15.

The Council has sub-let a number of properties held under these finance leases. At 31 March 2015 the minimum payments expected to be received under non-cancellable sub leases was £0 (£13,000 at 31 March 2014).

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	**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
Depreciation	0	(1,467)	(1,467)
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**

	Land and building £000s	Vehicles, plant and equipment £000s	Total £000s
Net book value brought forward	**429**	**2,438**	**2,867**
Movement in 2014/15			
Additions	0	69	69
Transfers of Assets upon Expiry of Lease - Gross Asset Cost	0	(342)	(342)
Transfers of Assets upon Expiry of Lease - Accumulated Depreciation	0	342	342
Depreciation	0	(1,192)	(1,192)
Net book value carried forward as at 31 March 2015	**429**	**1,315**	**1,744**
Gross Book Value as at 31 March 2015	429	7,346	7,775
Accumulated Depreciation as at 31 March 2015	0	(6,031)	(6,031)
Net book value carried forward as at 31 March 2015	**429**	**1,315**	**1,744**

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

Note 27. 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 2014 £000s	31 March 2015 £000s
Not later than one year	8,702	8,448
Later than one year and not later than five years	30,575	29,923
Later than five years	662,741	657,840
Total minimum lease payments	**702,018**	**696,211**

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 28. Investment Properties

The value of income generating investment properties classed as operating leases is £373,494,000 (£331,226,000 in 2013/14). 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 2014/15 or 2013/14.

	2013/14 £000s	**2014/15 £000s**
Rental income from investment property	(17,023)	(18,658)
Direct operating expenses arising from investment property	1,457	2,354
Net gain	**(15,566)**	**(16,304)**

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

	Investment Properties £000s
Net book value brought forward at 1 April 2013	**363,945**
Movement in 2013/14	
Expenditure	5,289
Reclassifications	(398)
Upwards revaluations	45,920
Impairments (including downward revaluations)	(15,712)
Net book value carried forward as at 31 March 2014	**399,044**
Movement in 2014/15	
Expenditure	4,966
Reclassifications	7,350
Revaluations	56,737
Impairments (including downward revaluations)	(20,407)
Net book value carried forward as at 31 March 2015	**447,690**

Note 29. Capital Expenditure and Capital Financing

	Restated 2013/14 £000s	2014/15 £000s
Opening Capital Financing Requirement	**1,015,458**	**1,059,125**
Expenditure		
Property, plant and equipment	169,506	141,807
Investment properties	5,289	4,966
Assets held for sale	1,846	0
Revenue expenditure funded from capital under statute*	18,195	43,995
Intangible assets	357	0
Long term debtors	7,334	1,709
Investment in share capital	1,500	0
	204,027	192,477
Funded by		
Revenue contributions	34,883	40,874
Capital Receipts	14,936	24,722
Major Repairs Allowance	23,274	24,241
Government grants	52,208	62,290
External contributions	15,492	18,366
Minimum Revenue Provision	26,556	27,554
	167,349	198,047
Assets acquired under finance lease / PFI arrangements	6,989	7,492
Closing Capital Financing Requirement	**1,059,125**	**1,061,047**
HRA	214,017	221,440
Non HRA	845,108	839,607
Closing Capital Financing Requirement	**1,059,125**	**1,061,047**
Explanation of Movement in Year		
Minimum Revenue Provision	(26,556)	(27,554)
Increase in underlying need to borrow	63,234	21,984
Assets acquired under finance lease / PFI arrangements	6,989	7,492
	43,667	1,922

The 2013/14 figures have been restated following the reclassification of schools property, plant and equipment on the balance sheet.

* 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 30. 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 2014 £000s	31 March 2015 £000s
Housing	6,584	4,456
Education	5,026	9,946
Leisure	0	7,266
Beswick Community Hub	11,424	10,019
First St Cultural Facility	9,283	0
St. Peter's Square	8,315	1,656
Belle Vue Sports Village	0	8,795
Other services	0	349
	40,632	**42,487**

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

Note 31. Investments

The Council has the following long-term investments:

	31 March 2014 £000s	31 March 2015 £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	6,067	6,131
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	1,300	1,300
	131,024	**131,088**
Other long-term investments	2,579	2,608
Total other long-term investments	**2,579**	**2,608**
Total Long-Term Investments	**133,603**	**133,696**

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 2013/14 and 2014/15. These figures show the Council's share of the joint venture's results:

Council's share of Manchester Airports Holdings Ltd	2013/14 £000s	2014/15 £000s
Total current assets as at 31 March	32,376	30,921
Total long term assets as at 31 March	1,133,231	1,140,544
Total current liabilities as at 31 March	63,758	77,958
Total income	238,276	262,132
Total expenditure	199,404	237,779

Note 32. 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 2015.

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 2014 £000s	31 March 2015 £000s	
Short term debtors and payments in advance			
Debtors classed as Financial Instruments			
Government departments	50,412	7,609	a
Other local authorities	13,125	14,485	
NHS bodies	11,237	12,959	
Public corporations	31	9	
Housing rents	11,102	8,992	
All other bodies (external to government)	71,798	92,288	
	157,705	136,342	
Impairment of Debt			
Housing rents	(8,037)	(6,643)	
Other	(32,543)	(38,924)	
	117,125	90,775	
Debtors not classed as Financial Instruments			
HM Revenue and Customs	8,919	6,950	
Government departments payments in advance	0	9	
Other local authorities payments in advance	713	0	
Council tax	45,884	49,030	
Business rates	9,190	11,126	
All other bodies (external to government) payments in advance	8,670	9,887	
Impairment of Debt			
Council tax	(37,755)	(41,028)	
Business rates	(4,745)	(6,054)	
Total	**148,001**	**120,695**	

a. The decrease in government department debtors is as a result of the business rates safety net not being triggered in 2014/15 as it was in 2013/14. Therefore no safety net claim has been made.

Within debtors and payments in advance the amount outstanding for over 30 days that is not impaired is £16.9m.

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 2014 £000s	31 March 2015 £000s	
Amounts falling due after one year			
Debtors classed as Financial Instruments			
Mortgages			
Housing Revenue Account	118	52	(a)
General Fund	96	81	(a)
Manchester Airports Holdings Ltd	83,168	83,168	(b)
Destination Manchester Ltd/Manchester Central Ltd	22,407	20,907	(c)
Ex GMC debt	167	142	(d)
Private Sector Loans - soft loans	262	250	(e)
Private Sector Loans - embedded derivatives	8,016	8,323	(e)
Equity Mortgages	3,038	2,978	(f)
Eon Reality	2,200	2,200	(g)
Bluethorn Developments Ltd / Blueindale Ltd	3,468	3,738	(h)
Greater Manchester Loans Fund	1,258	2,312	(i)
Other	3,343	2,774	(j)
	127,541	126,925	
Debtors not classed as Financial Instruments			
PFI prepayments	9,908	22,719	(k)
Total	**137,449**	**149,644**	

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 2015. 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 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 40e) 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.

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

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

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

i - This debtor relates to loans made to the fund and includes accrued long term interest.

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

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

Note 33. Current Intangible Assets

Current intangible assets relate to Carbon Reduction Commitment (CRC) allowances purchased against future emissions. These will be surrendered to the CRC Registry in 2015/16.

Note 34. 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 2015.

	31 March 2014 £000s	31 March 2015 £000s	
Short Term Creditors and Receipts in Advance			
Creditors classed as Financial Instruments			
Government departments	24,881	38,414	a
Other local authorities	12,909	10,729	
NHS bodies	2,427	5,402	
Public corporations	370	65	
Financial institutions	402	1,152	
Housing rents	3,228	2,271	
Other bodies (external to government)	72,412	79,958	
	116,629	137,991	
Creditors not classed as Financial Instruments			
Government departments receipts in advance	1,789	5,272	
Other local authorities receipts in advance	256	150	
NHS bodies receipts in advance	52	57	
Financial institutions receipts in advance	50	1	
Other bodies (external to government) receipts in advance	2,274	2,946	
HM Revenue and Customs	9,208	8,395	
Council tax	4,900	5,404	
Business rates	4,526	7,089	
Total	**139,684**	**167,305**	

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.

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 2014 £000s	31 March 2015 £000s
Amounts falling due after one year		
Creditors classed as Financial Instruments		
Equity mortgages - share of proceeds	1,033	1,088
Other	60	350
	1,093	1,438
Creditors not classed as Financial Instruments		
Rental deposits	1,389	1,393
Total	**2,482**	**2,831**

Note 35. Analysis of Long-term Borrowing

a. To Balance Sheet Date

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

	31 March 2014 £000s	Range of Interest Rates Payable from %	to %	Average Interest %	31 March 2015 £000s
Analysis of loans by type					
Market Loans	504,023	0.0000	10.1250	4.5096	501,544
Stocks	8,159	3.0000	4.0000	3.3668	8,094
Total Outstanding	512,182				509,638
Analysis of loans by maturity					
1-2 years	10,008				22,202
2-5 years	80,556				59,838
5-10 years	9,620				18,959
after 10 years	411,998				408,639
	512,182				509,638

The Market Loans include an interest free loan of £6.786m from the Homes and Communities Agency.

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 2014 £000s	Range of Interest Rates Payable from %	to %	Average Interest %	31 March 2015 £000s
Analysis of loans by type					
Market Loans	1,359,187	0.0000	10.1250	4.5096	1,311,669
Stocks	17,923	3.0000	4.0000	3.3668	17,299
Total Outstanding	1,377,110				1,328,968
Analysis of loans by maturity					
1-2 years	10,105				44,903
2-5 years	101,206				122,062
5-10 years	14,847				108,456
after 10 years	1,250,952				1,053,547
	1,377,110				1,328,968

Note 36. 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 2014 £000s	Repaid in year £000s	Additions in year £000s	31 March 2015 £000s	Short Term 31 March 2015 £000s	Long Term 31 March 2015 £000s
Ex GMC debt	17,760	(1,812)	0	15,948	1,939	14,009
Finance leases	2,842	(1,192)	69	1,719	880	839
Private Finance Initiatives	150,775	(5,572)	7,423	152,626	8,534	144,092
	171,377	**(8,576)**	**7,492**	**170,293**	**11,353**	**158,940**

Note 37. Provisions

Provisions are established to meet liabilities or losses which are likely or certain to be incurred, but the amounts or timings are uncertain. 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 2014 £000s	Transfers in year £000s	Amounts used in year £000s	Contributions in year £000s	Amounts released in year £000s	31 March 2015 £000s	Short Term 31 March 2015 £000s	Long Term 31 March 2015 £000s	
Compensation provisions	11,354	0	(2,807)	4,873	(850)	12,570	6,598	5,972	a
Insurance provision (including HRA)	4,095	0	(963)	443	(153)	3,422	1,124	2,298	
Voluntary early retirement / severance provision	11	0	0	547	0	558	558	0	b
Provision for business rate appeals	54,642	0	(25,315)	34,811	0	64,138	11,760	52,378	c
Various other provisions	1,655	0	(141)	536	(430)	1,620	1,256	364	
	71,757	**0**	**(29,226)**	**41,210**	**(1,433)**	**82,308**	**21,296**	**61,012**	

a - The Compensation Provisions have been set up to compensate customers and employees for claims received by the Council as at 31 March 2015. 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 voluntary early retirement / severance provision was set up to fund voluntary early retirement and severance payments that were accepted by the individual after 31 March.

c - 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. Following the announcement in the Autumn Statement 2014 appeals not submitted by 31 March 2015 cannot be backdated beyond that date. The provision at 31 March 2015 therefore does not include any estimate of the cost of appeals that will be submitted after that date. The provision includes an amount for known national issues relating to appeals that have been agreed for other Councils and will have a knock on effect for the Council. 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 settlement by the VOA. This provision has been determined on the assumption that the 2005 valuation list experience will continue for current appeals.

Note 38. 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 2014/15 the average net rate of interest paid and received was 5.45% (4.97% in 2013/14).

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	
	31 March 2014 £000s	**31 March 2015 £000s**	**31 March 2014 £000s**	**31 March 2015 £000s**	**31 March 2014 £000s**	**31 March 2015 £000s**
Financial liabilities at amortised cost	676,091	670,017	134,407	171,285	810,498	841,302
Total Financial Liabilities	**676,091**	**670,017**	**134,407**	**171,285**	**810,498**	**841,302**
Loans and receivables	127,541	126,925	151,710	215,047	279,251	341,972
Available for sale assets	2,304	2,608	0	0	2,304	2,608
Unquoted equity investment at cost less impairment	8,745	8,809	0	0	8,745	8,809
Total Financial Assets	**138,590**	**138,342**	**151,710**	**215,047**	**290,300**	**353,389**

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. 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	
Liabilities	**31 March 2014 £000s**	**31 March 2015 £000s**	**31 March 2014 £000s**	**31 March 2015 £000s**
Market debt	513,240	523,486	535,118	656,409
Stocks	8,159	8,094	6,761	8,560
Total Borrowings	**521,399**	**531,580**	**541,879**	**664,969**
Ex GMC debt	17,760	15,948	17,760	15,948
PFI and finance lease liabilities	153,617	154,345	156,825	157,479
Trade creditors	117,722	139,429	117,722	139,429
Total Financial Liabilities	**810,498**	**841,302**	**834,186**	**977,825**

	Carrying Amount		Fair Value	
Assets	**31 March 2014 £000s**	**31 March 2015 £000s**	**31 March 2014 £000s**	**31 March 2015 £000s**
Cash and cash equivalents	34,585	124,272	34,585	124,272
Trade debtors	244,666	217,700	244,666	217,700
Total Loans and Receivables	**279,251**	**341,972**	**279,251**	**341,972**

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 2014/15	Financial Assets 2014/15			
	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	34,399	0	0	0	34,399
Interest Payable and Similar Charges	**34,399**	**0**	**0**	**0**	**34,399**
Interest Income	**0**	**(12,298)**	**0**	**0**	**(12,298)**
(Loss) on Derecognition	0	0	(53)	0	(53)
Interest and Investment Income	**0**	**(12,298)**	**(53)**	**0**	**(12,351)**

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 movements.

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 7 March 2014 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 7 March 2014 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.

Investment Limits

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

<u>Banks and Building Societies</u>	
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
<u>Other</u>	
Debt Management Office	£200 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 £263,267,000 and the estimated exposure to default is £45,567,000.

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 rise.
- 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 rise.
- 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 management 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 the 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 £191,825,000@1%) = £1,918,000.

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares but does have shareholdings at a cost of £133,696,000 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 39. 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 future spending plans.

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

	31 March 2014 £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2015 £000s	Note
a) Reserves Held for Capital Purposes						
Capital Receipts Reserve	43,388	0	21,512	(26,957)	37,943	a(1)
Major Repairs Reserve	7,310	0	23,678	(24,241)	6,747	a(2)
Capital Grants Unapplied Reserve	47,269	0	89,287	(81,680)	54,876	a(3)
Total Reserves Held for Capital Purposes	**97,967**	**0**	**134,477**	**(132,878)**	**99,566**	
Reserves Held for Revenue Purposes						
b) Schools Reserves						
Local Management of Schools Reserve	28,306	0	3,300	0	31,606	b(1)
Total reserves held for schools	**28,306**	**0**	**3,300**	**0**	**31,606**	
c) Statutory Reserves						
Bus Lane Enforcement Reserve	1,490	0	1,077	(400)	2,167	c(1)
On-street Parking Reserve	2,904	0	5,261	(5,532)	2,633	c(2)
Ancoats Square Reserve	1,934	0	0	(13)	1,921	c(3)
Cutting Room Square Ext Ancoats Reserve	0	0	1,050	0	1,050	c(4)
Other smaller reserves under £1m	1,082	0	150	(56)	1,176	
Total Statutory Reserves	**7,410**	**0**	**7,538**	**(6,001)**	**8,947**	
d) Reserves held for PFIs						
Public Lighting PFI Reserve	3,285	0	174	(1,567)	1,892	d(1)
Temple School PFI Reserve	615	0	13	0	628	d(2)
Wright Robinson Sports College PFI Reserve	657	0	38	0	695	d(3)
Total Reserves held for PFIs	**4,557**	**0**	**225**	**(1,567)**	**3,215**	
e) Small specific reserves						
Home Loans Reserve	573	(473)	7	0	107	e(1)
Climate Innovation Fund Reserve	789	0	0	0	789	e(2)
Other smaller reserves under £1m	1,061	(3)	265	(57)	1,266	
Total small specific reserves	**2,423**	**(476)**	**272**	**(57)**	**2,162**	
f) Reserves held to smooth risk / assurance						
Insurance Fund Reserve	18,174	0	733	0	18,907	f(1)
Children's Services Reserve	1,000	(850)	58	0	208	f(2)
Cleopatra Reserve	6,563	0	0	(1,000)	5,563	f(3)
Pension Contribution Reserve	2,346	(2,146)	204	6	410	f(4)
Manchester International Festival Reserve	1,500	0	0	0	1,500	f(5)
Looked After Children Reserve	1,000	(1,000)	0	0	0	f(6)
Transformation Reserve	9,049	2,109	2,183	(5,193)	8,148	f(7)
Community Care Reserve	2,000	(1,500)	400	(433)	467	f(8)
Stepping stones Reserve	1,024	(1,024)	850	0	850	f(9)
Targeted and Specialist Reserve	10,000	0	0	(10,000)	0	f(10)
Airport Dividend Reserve	0	0	11,000	0	11,000	f(11)
Other smaller reserves under £1m	2,011	0	155	(503)	1,663	
Total reserves held to smooth risk / assurance	**54,667**	**(4,411)**	**15,583**	**(17,123)**	**48,716**	
g) Business Rates Reserves						
Business Rates Safety Net Reserve	39,874	0	0	(12,627)	27,247	g(1)
Business Rates Reserve	0	(5,000)	10,604	0	5,604	g(1)
Total Business Rates Reserves	**39,874**	**(5,000)**	**10,604**	**(12,627)**	**32,851**	
h) Revenue reserves held to support capital schemes						
Capital Fund Reserve	34,604	0	12,133	(17,707)	29,030	h(1)
Town Hall Reserve	1,613	0	675	(366)	1,922	h(2)
Service Improvement Fund Reserve	384	0	0	0	384	h(3)
English Institute of Sport Reserve	2,390	0	3,347	(266)	5,471	h(4)
Housing Regeneration Reserve	0	0	15,000	0	15,000	h(5)
Other smaller reserves under £1m	341	0	0	(339)	2	
Total revenue reserves held to support capital schemes	**39,332**	**0**	**31,155**	**(18,678)**	**51,809**	

	31 March 2014 £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2015 £000s	Note
i) Reserves held for economic growth and public sector reform						
SoccerEx Reserve	1,580	0	0	(395)	1,185	i(1)
Manchester Investment Fund Reserve	4,872	(2,767)	0	0	2,105	i(2)
Clean and Green Places Reserve	14,451	0	0	(2,340)	12,111	i(3)
Children and Families Investment Reserve	0	12,767	1,409	(82)	14,094	i(3)
Other smaller reserves under £1m	400	0	0	(340)	60	
Total reserves held for economic growth and public	**21,303**	**10,000**	**1,409**	**(3,157)**	**29,555**	
j) Grants and contributions used to meet commitments over more than one year (shown as reserves due to the required accountancy treatment)						
English Partnership Reserve	2,441	0	0	(407)	2,034	
Department of Health Reserve	1,048	0	3,045	(698)	3,395	
Dedicated Schools Grant Reserve	5,415	0	2,833	(5,415)	2,833	
Other Grants and Contributions Reserve	2,063	0	618	(70)	2,611	
Better Care Fund Reserve	3,500	0	1,381	0	4,881	
Welfare Reform Grant Reserve	1,706	0	936	(29)	2,613	
Other smaller reserves under £1m	5,919	(113)	2,434	(3,411)	4,829	
Total grants and contributions used to meet commitments over more than one year	**22,092**	**(113)**	**11,247**	**(10,030)**	**23,196**	j(1)
Total earmarked revenue reserves	**219,964**	**0**	**81,333**	**(69,240)**	**232,057**	
k) General Fund Reserve						
General Fund Reserve	25,942	0	1,167	0	27,109	k(1)
General Fund Reserve	15,000	0	0	(15,000)	0	k(2)
Total all general fund reserves	**260,906**	**0**	**82,500**	**(84,240)**	**259,166**	
l) Housing Revenue Account Reserve						
Housing Revenue Account Reserve	78,513	0	8,173	0	86,686	l(1)
Total All Usable Reserves	**437,386**	**0**	**225,150**	**(217,118)**	**445,418**	

a(1) - Capital Receipts Reserve

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

	2013/14 £000s	2014/15 £000s
Balance at 1 April	37,436	43,388
Capital receipts received in year	22,832	21,512
Paid to housing national pool	(1,944)	(2,235)
Applied to fund capital expenditure	(14,936)	(24,722)
Balance at 31 March	**43,388**	**37,943**

a(2) - Major Repairs Reserve

Resources available to meet capital investment in council housing.

	2013/14 £000s	2014/15 £000s
Balance at 1 April	8,093	7,310
HRA depreciation	11,162	11,033
Financing of capital expenditure on council dwellings	(23,274)	(24,241)
Decent homes backlog funding	10,000	10,645
Transfer from the HRA	1,329	2,000
Balance at 31 March	**7,310**	**6,747**

a(3) - Capital Grants Unapplied Reserve

Capital grants and contributions available to meet future capital expenditure.

	2013/14 £000s	2014/15 £000s
Balance at 1 April	43,886	47,269
Grants received in year	71,084	89,287
Prior Year Grants recognised - now treated as Receipts in Advance	0	(354)
Prior Year Grants recognised - now treated as Revenue Grants	0	(670)
Transferred to Capital Adjustment Account: General Grants and Contributions	(64,333)	(67,324)
Transferred to Capital Adjustment Account: Revenue Expenditure Funded from Capital Under Statute (REFCUS) Grants and Contributions	(3,368)	(13,332)
Balance at 31 March	**47,269**	**54,876**

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.

c(4)) Commuted sum received from the Homes and Communities Agency for cleaning and maintenance of the public realm area over a 25 year period.

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) The Manchester International Festival Reserve was established 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) The Targeted and Specialist Reserve was established to support the delivery of savings and accelerate the savings from reducing demand so a sustainable way to reduce spend can be achieved.

f(11) The Airport Dividend Reserve relates to an interim airport dividend for 2014/15 that was announced on 4 December 2014 which equated to £11m for the Council. The approved 2015/16 Budget includes proposals to use £9m to support the budget in 2015/16 and £2m in 2016/17.

g(1) The Business Rates Reserve was set up to hold the Safety Net and Small Business Rates Relief Grant and is to 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.

h(5) The Housing Regeneration Reserve has been funded from a transfer from HRA reserves in 2012/13. In the 2013/14 accounts this was classed as a general fund reserve. DCLG have confirmed that no further action will be taken relating to this transfer therefore the monies have been transferred to an earmarked reserve.

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 2014/15 and future years.

i(3) The Children and Families Investment Reserve 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) This reserve has been transferred to the Housing Regeneration reserve.

l(1) Resources available to meet future running costs for council housing.

Note 40. Unusable Reserves

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

Unusable Reserve	Restated 31 March 2014 £000s	31 March 2015 £000s	Note
Revaluation Reserve	717,405	850,834	a
Available for Sale Financial Instruments Reserve	1,798	1,811	b
Pensions Reserve	(735,975)	(1,012,249)	c, 42
Capital Adjustment Account	1,351,887	1,356,450	d
Deferred Capital Receipts Reserve	1,645	2,014	e
Financial Instruments Adjustment Account	(3,415)	(1,446)	f
Collection Fund Adjustment Account	(36,300)	(30,008)	g
Short-term Accumulated Absences Account	(5,347)	(5,867)	h
	1,291,698	**1,161,538**	

The 2013/14 analysis of the revaluation reserve and capital adjustment account have been restated due to the change in accounting policy relating to schools' property, plant and equipment.

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.

	Restated 2013/14 £000s	2014/15 £000s
Balance at 1 April	697,740	717,405
Revaluations relating to property, plant and equipment	35,668	79,962
Revaluations relating to other non-PPE assets	8,223	79,081
Revaluation gain depreciation	(6,071)	(7,321)
Impairment not charged to CIES	(8,629)	(8,357)
Transfer of Investment Property Revaluation Reserve balance	(27)	0
Disposals Transferred to Capital Adjustment Account	(9,499)	(9,936)
Balance at 31 March	**717,405**	**850,834**

b - Available for Sale Financial Instruments Reserve
Store of gains on revaluation of investments not yet realised through sales.

	2013/14 £000s	2014/15 £000s
Balance at 1 April	1,727	1,798
Increase in Financial Instruments Market Value	76	66
(Decrease) in Financial Instruments Market Value	(5)	0
Realised (Loss) on Sale	0	(53)
Balance at 31 March	**1,798**	**1,811**

c - Pensions Reserve
Minus reserve to match pensions IAS19 liability in the balance sheet.

	2013/14 £000s	2014/15 £000s
Balance at 1 April	(802,400)	(735,975)
Net Movement in Year	66,425	(276,274)
Balance at 31 March	**(735,975)**	**(1,012,249)**

d - Capital Adjustment Account (CAA)

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.

	Restated 2013/14 £000s	**2014/15 £000s**
Balance at 1 April	1,343,143	1,351,887
Repayment of ex GMC debt	1,724	1,811
Minimum revenue provision	26,556	27,554
Reversal of PFI charges to HRA	5,987	12,680
Capital grants and contributions	67,701	80,656
Revenue contributions used	34,883	40,874
Investment property revaluations	45,920	56,737
Revaluation reserve transfers to investment property	27	0
Revaluation gain depreciation	6,071	7,321
Disposals transferred from revaluation reserve	9,499	9,936
Depreciation	(46,642)	(45,675)
Major Repairs Allowance	23,274	24,241
Capital Receipts Used	14,936	24,722
Write down of finance lease deferred liability	97	0
Other Disposals	(55,667)	(87,700)
Write down of intangible assets	(426)	(491)
Write down of long-term debtors	(261)	(1,852)
(Loss) / Gain on repayment of housing loan	(6)	6
Write down of revenue expenditure funded from capital under statute	(18,195)	(43,995)
Impairment of non-current assets	(106,734)	(102,262)
Balance at 31 March	**1,351,887**	**1,356,450**

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 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 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 2014 £000s	New Loans Issued £000s	Principal Repayments £000s	Fair Value Adjustments £000s	31 March 2015 £000s
Historic Mortgages	153	0	(50)	0	103
Equity Mortgages	2,006	0	0	107	2,113
Equity Loans	(514)	0	0	312	(202)
Total Deferred Capital Receipts	**1,645**	**0**	**(50)**	**419**	**2,014**

f - Financial Instruments Adjustment Account

Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.

	2013/14 £000s	2014/15 £000s	
Balance at 1 April	(3,906)	(3,415)	
Soft loans in year movements	84	88	
Adjustment for interest free loans	0	1,494	a
Premium and discounts	324	324	
Manchester Mortgage Corporation investment revaluation	83	63	
Balance at 31 March	**(3,415)**	**(1,446)**	

The Council has received an interest free loan of £6.786m from the Homes and Communities Agency for a period of seven years. This amount represents the saving to the Council over the remaining length of the loan of it being interest free.

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	2013/14 £000s	2014/15 £000s
Balance at 1 April	3,766	4,489
Movement in Year	723	1,594
Balance at 31 March	**4,489**	**6,083**

Business Rates	2013/14 £000s	2014/15 £000s
Balance at 1 April	0	(40,789)
Movement in Year	(40,789)	4,698
Balance at 31 March	**(40,789)**	**(36,091)**

Total	2013/14 £000s	2014/15 £000s
Balance at 1 April	3,766	(36,300)
Movement in Year	(40,066)	6,292
Balance at 31 March	**(36,300)**	**(30,008)**

h - 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.

	2013/14 £000s	2014/15 £000s
Balance at 1 April	(7,093)	(5,347)
Movement in Year	1,746	(520)
Balance at 31 March	**(5,347)**	**(5,867)**

Note 41. 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 2014/15 are as follows:

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2014/15 before academy recoupment			418,625
Academy figure recouped for 2014/15			98,472
Total DSG after academy recoupment			320,153
Brought forward from 2013/14			5,415
Carry forward to 2015/16 (agreed in advance)			0
Agreed initial budgeted distribution in 2014/15	20,939	304,306	325,568
In year adjustments	0	0	0
Final budgeted distribution for 2014/15	20,939	304,306	325,568
Less actual central expenditure	18,106		
Less actual ISB deployed to schools		304,306	
Plus Local Authority contribution for 2014/15	0	0	0
Carry forward to 2015/16	**2,833**	**0**	**2,833**

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 42. 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 Public Service Pensions Act 2013 received Royal Assent on 25 April 2013. As a result benefits earned from 1 April 2014 are based on career average revalued earnings.

There are risks and uncertainties associated with whatever assumptions are adopted. The Accounting Standard requires the assumptions to be determined on a best estimate basis. However the assumptions are in effect projections of future investment returns and demographic experience many years into the future and there is inevitably a great deal of uncertainty in what constitutes best estimate for such projections.

The Accounting Standard requires the discount rate to be set with reference to yields on high quality corporate bonds irrespective of the investment strategy of the Fund. As such, the figures are unlikely to reflect either the actual eventual cost of providing benefits or the likely level of contributions to fund the employer's obligations to the Fund. The Balance Sheet position may change significantly due to relative changes in the equity and bond markets at the reporting date.

The main risk to the Council is that if the assumptions are more prudent than other employers it would lead to a poorer reported financial position or if less prudent an improved financial position. This does not have an impact on the underlying cost of the Fund nor the level of contributions that will be derived from future funding valuations.

In order to assess the value of the employer's liabilities in the Fund at 31 March 2015 the actuary has rolled forward the value of liabilities calculated at the latest formal valuation, 31 March 2013, allowing for the different financial assumptions required under the Accounting Standards at the accounting date. In calculating the current service cost, allowance has been made for changes in the employer's pensionable payroll as estimated from contribution information. In calculating the asset share the employer's share of assets allocated at the latest valuation has been rolled forward, allowing for investment returns, the effect of contributions paid into and benefits paid from the Fund by the employer and its employees.

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 43.

Under the 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 44.

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:

	2013/14 £000s	2014/15 £000s
Comprehensive Income and Expenditure Statement		
Net Cost of Services:		
current service cost	54,385	51,390
past service costs including curtailments	7,279	919
Financing and investment income and expenditure		
net interest expense	36,318	31,628
Total post employment benefits charged to the deficit on the provision of services	**97,982**	**83,937**
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)	47,323	(161,569)
actuarial gains and losses arising on changes in demographic assumptions	4,529	0
actuarial gains and losses arising on changes in financial assumptions	29,742	429,676
other experience re-measurements	(194,911)	(23,629)
Total post employment benefits charged to total comprehensive income and expenditure	**(113,317)**	**244,478**
Movement in Reserves Statement		
Reversal of net charges made to the Deficit on Provision of Services for post employment benefits in accordance with IAS19.	46,892	31,796
Actual amount charged against the General Fund Balance for the pensions in the year:		
Employer's contribution payable to scheme	38,660	39,794
Employer's contribution re: unfunded deficit	12,430	12,347
	51,090	**52,141**

Assets and Liabilities in Relation to Retirement Benefits

Present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme	
	2013/14 £000s	**2014/15 £000s**
Balance at 1 April	3,023,700	2,967,016
Current service cost	54,385	51,390
Interest cost on defined benefit obligation	135,275	126,750
Contributions by scheme participants	14,803	15,199
Changes in demographic assumptions	4,529	0
Changes in financial assumptions	29,742	429,676
Other experience re-measurements	(194,911)	(23,629)
Unfunded benefits paid	(12,430)	(12,347)
Benefits paid	(95,356)	(90,078)
Past service cost including curtailments	7,279	919
Balance at 31 March	**2,967,016**	**3,464,896**

Fair value of the scheme assets:

	Local Government Pension Scheme	
	2013/14 £000s	2014/15 £000s
Balance at 1 April	2,221,300	2,231,041
Interest income on plan assets	98,957	95,122
Return on assets (excluding amounts included in net interes	(47,323)	161,569
Contributions in respect of unfunded benefits	12,430	12,347
Employer contributions	38,660	39,794
Contributions by scheme participants	14,803	15,199
Benefits paid	(95,356)	(90,078)
Unfunded benefits paid	(12,430)	(12,347)
Balance at 31 March	**2,231,041**	**2,452,647**

Net Liability for Year

	2013/14 £000s	2014/15 £000s
Present value of funded liabilities	(2,802,781)	(3,298,899)
Present value of unfunded liabilities	(164,235)	(165,997)
Fair value of assets	2,231,041	2,452,647
(Deficit) in the scheme	**(735,975)**	**(1,012,249)**

The liabilities show the underlying commitment that the Council has in the long run to pay retirement benefits. The total liability of £1,012,249,000 has contributed to a decrease in the net worth of the Council of £122,128,000 as recorded in the balance sheet resulting in a positive overall balance of £1,606,956,000.

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 total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2016 is £43,332,000.

The weighted average duration of the obligation for scheme members is 17.8 years.

Basis for Estimating Assets and Liabilities

Assets and liabilities have been assessed on an actuarial basis by Hymans Robertson, an independent firm of actuaries.

The main assumptions used in their calculations have been:

	2013/14	2014/15
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	21.4 years	21.4 years
Women	24.0 years	24.0 years
Longevity at 65 for future pensioners		
Men	24.0 years	24.0 years
Women	26.6 years	26.6 years
Rate of increase in salaries *	3.9%	3.6%
Rate of increase in pensions	2.8%	2.4%
Discount rate	4.3%	3.2%
Take-up of option to convert annual pension into retirement lump sum - pre April 2008	55.0%	55.0%
Take-up of option to convert annual pension into retirement lump sum - post April 2008	80.0%	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 2015	**% increase to Employer Liability**	**£000s**
0.5% decrease in real discount rate	10%	339,670
1 year increase in member life expectancy	3%	103,947
0.5% increase in the salary increase rate	3%	97,020
0.5% increase in the pension increase rate	7%	236,561

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.

Fund to deviate from more than one of the assumptions simultaneously and so the precise effect on the valuation is more complex.

The assets consist of the following categories, by proportion of the total assets held:

	Year Ended 31 March 2014				Year Ended 31 March 2015			
	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	235,048	0	235,048	11%	246,553	0	246,553	10%
Manufacturing	215,627	0	215,627	10%	229,456	0	229,456	9%
Energy and utilities	197,114	0	197,114	9%	205,176	0	205,176	8%
Financial institutions	272,441	0	272,441	12%	290,572	0	290,572	12%
Health and care	95,435	0	95,435	4%	115,900	0	115,900	5%
Information technology	43,400	0	43,400	2%	49,369	0	49,369	2%
Other	33,983	0	33,983	2%	30,847	0	30,847	1%
Debt securities								
Corporate bonds (investment grade)	132,618	0	132,618	6%	144,526	0	144,526	6%
UK government	37,192	0	37,192	2%	22,823	0	22,823	1%
Other	77,337	0	77,337	3%	121,285	0	121,285	5%
Private equity								
All	0	55,085	55,085	2%	0	68,147	68,147	3%
Real estate								
UK property	0	65,719	65,719	3%	0	67,904	67,904	3%
Investment funds and unit trusts								
Equities	427,968	0	427,968	19%	452,855	0	452,855	18%
Bonds	118,035	0	118,035	5%	136,018	0	136,018	6%
Infrastructure	0	15,761	15,761	1%	0	26,915	26,915	1%
Other	0	89,897	89,897	4%	31,763	121,215	152,978	6%
Derivatives								
All	30,483	0	30,483	1%	27,369	0	27,369	1%
Cash and cash equivalents								
All	87,998	0	87,998	4%	63,954	0	63,954	3%
	2,004,679	226,462	2,231,141	100%	2,168,466	284,181	2,452,647	100%

Note 43. 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 42.

The pension costs charged to the accounts are at the contribution rate set by the DfE on the basis of a notional fund. In 2014/15 the Council's contribution to the DfE in respect of teachers' pension costs was £13,129,000 (£14,613,000 2013/14), the set contribution rate being 14.1% (14.1% 2013/14).

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with related increases. In 2014/15 these amounted to £7,171,000 (£6,997,000 2013/14) of which £1,459,000 (£1,502,000 2013/14) relates to former establishment employees and is refunded by the Higher Education Funding Council.

Note 44. 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 2014/15 the Council's contribution in respect of former NHS staff pension costs was £172,000 (£189,000 in 2013/14), the set contribution rate being 14.3% (14% in 2013/14).

Note 45. 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 37. There remains the potential for some further claims but the scale of any liabilities cannot be assessed.

Note 46. 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	2013/14 £000s	2014/15 £000s	
Central Government - revenue grants	1,039,957	976,793	a
Central Government - capital grants	53,752	66,697	a
Greater Manchester Combined Authority - capital contribution	3,531	10,778	b
Manchester Airports Holdings Ltd - dividend	25,548	27,393	c
Manchester Airports Holdings Ltd - repayment of interest	9,980	9,980	c
Manchester Airports Holdings Ltd - net rent	6,218	6,755	c
Manchester Clinical Commissioning Groups	16,165	15,007	f
Destination Manchester Limited - interest on loans	1,065	1,064	c
Destination Manchester Limited - repayment of loan principal	0	750	c
	1,156,216	**1,115,217**	

Expenditure	2013/14 £000s	2014/15 £000s	
Greater Manchester Combined Authority - levy	37,099	37,786	b
Greater Manchester Waste Disposal Authority - levy	33,378	34,243	b
Greater Manchester Police and Crime Commissioner - precept	13,873	14,954	b
Greater Manchester Fire and Rescue Authority - precept	5,355	5,660	b
Greater Manchester Fire and Rescue Authority - share of business rates	2,820	3,099	b
Central government - share of business rates	140,951	154,964	a
Greater Manchester Pension Fund - employer's contributions	51,090	52,141	d
Teachers' Pension Agency - employer's contributions	14,613	13,129	e
Manchester Clinical Commissioning Groups	8,795	5,637	f
	307,974	**321,613**	

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 2014/15 is set out in Note 15. 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 2014/15 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 13 and 14. Central Government debtors and creditors are set out in Notes 32 and 34.

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. The Council 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, which holds 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 42.

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 43.

f. Manchester Clinical Commissioning Groups (CCG)
The objective of the Manchester CCGs is to ensure that people in Manchester have access to high quality, safe health services when they need them. Manchester CCGs commission healthcare services including community health services and mental health and learning disability services.

The transactions with the CCGs relate to arrangements for integrative care projects, joint working and other contractual arrangements.

Note 47. 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 48. Analysis of Cash and Cash Equivalents

Cash and Cash Equivalents	31 March 2014 £000s	31 March 2015 £000s
Cash in hand	125	68
Call accounts	28,506	40,341
Investments less than 3 months	21,001	63,507
Balance at bank	(15,047)	20,356
Total	**34,585**	**124,272**

The following notes to the cash flow statement have been restated as a result of the change in treatment of schools land and building assets.

Note 49. Cash Flow Statement - Adjustments to net deficit on the provision of services for non-cash movements

	Restated 31 March 2014 £000s	31 March 2015 £000s
Depreciation of non current assets	(46,642)	(45,675)
Impairment of non current assets	(106,734)	(102,262)
Amortisation of intangible non-current assets	(426)	(491)
Pension fund adjustments	(46,892)	(31,796)
Movement in market value of investment property	45,920	56,737
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	29	1,667
(Increase) in impairment for provision for bad debts	(7,585)	(6,962)
Contributions to provisions	(4,385)	(7,833)
Carrying amount of property, plant and equipment, investment properties and intangible assets sold	(55,663)	(87,701)
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	(40,066)	6,291
Other non-cash movements	(6,183)	11,577
(Decrease) / increase in inventories	191	(122)
(Decrease) / Increase in debtors (less capital)	36,724	(14,337)
(Decrease) / Increase in interest debtors	29	(4,588)
(Increase) in creditors (less capital)	(9,816)	(33,667)
(Increase)/decrease in interest creditors	(2,995)	53
Total	**(244,494)**	**(259,109)**

Note 50. Cash Flow Statement - Adjustments for items included in the net deficit on the provision of services that are investing and financing activities

	31 March 2014 £000s	31 March 2015 £000s
Proceeds from the disposal of property, plant and equipment, investment properties and intangible assets	23,160	20,436
Capital Grants credited to deficit on the provision of services	67,720	74,931
	90,880	95,367

Note 51. Cash Flow Statement - Operating Activities

The net cash flows from operating activities include the following items:

	2013/14 £000s	2014/15 £000s
Interest received	(7,014)	(16,734)
Interest paid	34,763	34,452
Dividends received	(27,346)	(27,393)
Net cash flows from operating activities	**403**	**(9,675)**

Note 52. Cash Flow Statement - Investing Activities

	Restated 2013/14 £000s	2014/15 £000s
Purchase of plant, property and equipment, investment property and intangible assets	192,522	154,474
Purchase of long term investments	1,500	0
Proceeds from the sale of plant, property and equipment, investment property and intangible assets	(23,164)	(20,436)
Capital grants received	(47,023)	(61,125)
Other receipts from investing activities	(17,257)	(14,748)
Net cash flows from investing activities	**106,578**	**58,165**

Note 53. Cash Flow Statement - Financing Activities

	Restated 2013/14 £000s	2014/15 £000s
Repayments of long term borrowing	55,000	12
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	5,995	6,501
Cash receipts of long and short term borrowing	(39,555)	(11,764)
Net (receipts) relating to preceptors element of council tax	(1,138)	(973)
Net (receipts) relating to national non domestic rates	(22,327)	(6,298)
Net cash flows from financing activities	**(2,025)**	**(12,522)**

Note 54. Events after the Balance Sheet Date

Housing Investment Fund

The Greater Manchester Agreement announced by government in November 2014 includes provision for the devolution of housing investment in Greater Manchester in the form of recoverable loans and equity provided to residential property development schemes to the Greater Manchester Combined Authority (GMCA) through the creation of a £300m Housing Investment Fund.

The borrowing powers of the GMCA are currently restricted to transport related functions and therefore the GMCA approved an approach whereby the Council has been asked to act as lead authority for the loan arrangement and manage the GM Housing Fund.

The Council has entered into a loan agreement with government to receive, and in due course repay, the interest free funds. As a result of entering into the agreement there will be a consequential increase in the Council's borrowing by £300m over the next three years.

In the event that the principal repayment falls below the eighty percent guaranteed amount it has been agreed by the GMCA that each Greater Manchester District will indemnify the Council for its share of any shortfall in funds. Each District's allocation will be calculated in line with its Greater Manchester population share, on the basis of the official estimate of the Registrar General on 1 April 2015.

Business Rates

On 1 April 2015 the Greater Manchester and Cheshire East Business Rates Pool commenced. The purpose of the pool is to maximise the retention of locally generated business rates and to ensure it further supports the economic regeneration of Greater Manchester and Cheshire East Councils by retaining any levy that might be payable by certain of the authorities to Central Government.

In the 2015 Budget the Chancellor of the Exchequer announced a pilot to retain 100% of additional business rate growth in Greater Manchester and Cheshire East. The scheme sets a growth baseline for 2015/16 above which named authorities, including Manchester, retain 100% of growth. The growth baseline for 2015/16 will be the business rates income estimated by the Council. this baseline will increase in line with the increase in the business rates multiplier each year plus an additional 0.5% per annum. The pilot will be reviewed after three years.

Better Care Fund

The three Manchester Clinical Commissioning Groups (CCGs) and the Council are required to set up a Section 75 agreement for a pooled budget from 1 April 2015. The key objective is to give greater transparency and control over use of funding to support local integration of health and care services and to realise benefits from integration. The Council is the host partner of the pooled fund. The total value of the pooled fund is £43.861m, £34.638m of this will be transferred from the Manchester CCGs to the Council with the remaining contribution of £6.223m being made from the Council.

Association of Greater Manchester Authorities (AGMA)

From 1 April 2015 implementation of the Local Audit and Accountability Act 2014 will mean that joint committees, including AGMA will no longer be required to have their accounts separately prepared and audited. This approach follows consultation with local government and accounting sector and means that the final mandatory audit will be for 2014/15.

The appropriate parts of the financial results of AGMA will be included in the accounts of the Council from 2015/16 onwards.

Note 55. Authorisation for Issue of the Statement of Accounts

The 2014/15 Statement of Accounts was authorised for issue by Richard Paver, the City Treasurer on 29th June 2015. 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.

2013/14 £000s		Note	2014/15 £000s
	Expenditure		
21,902	Repairs and maintenance		23,445
15,280	Supervision and management		15,479
786	Rents, rates, taxes and other charges		416
31,997	Depreciation and impairment of non-current assets	e,f	30,055
15	Debt management costs		19
496	Movement in the allowance for bad debts		(1,326)
51	Revenue expenditure funded from capital under statute	g	48
70,527			**68,136**
	Income		
60,725	Dwelling rents (gross)		59,274
554	Non-dwelling rents (gross)		640
1,973	Charges for services and facilities		2,471
3,590	Contributions towards expenditure		1,140
17,110	Private Finance Initiative Grant		23,600
10,000	Decent Homes Backlog Funding		10,645
35	Mortgage Repayments		50
0	Revenue expenditure funded from capital under statute grants		30
93,987			**97,850**
(23,460)	**Net (Surplus) of HRA Services as included in the Council's Comprehensive Income and Expenditure Statement**		**(29,714)**
98	HRA services share of corporate and democratic core		98
82	HRA share of other amounts included in the Council's net cost of services but not allocated to specific services		6
(23,280)	**Net (Surplus) of HRA Services**		**(29,610)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(3,923)	(Gain) on disposal of HRA non-current assets		(5,432)
9,518	Interest payable and similar charges		9,848
(132)	Interest and investment income		(90)
408	Pensions interest cost and expected return on pension assets		206
(608)	Capital grants and contributions receivable		(636)
(18,017)	**(Surplus) for the year on HRA services**		**(25,714)**

Movement on the Housing Revenue Account Statement

2013/14 £000s		2014/15 £000s
(61,001)	**Balance on the HRA at the end of the previous year**	**(78,513)**
(18,017)	(Surplus) for Year on the HRA Income and Expenditure Statement	(25,714)
	Adjustments between accounting basis and funding basis under statute	
1,329	Transfer to Major Repairs Reserve	2,000
88	Capital expenditure funded by the HRA	5,304
3,923	Gain on disposal of HRA non-current assets	5,432
(741)	HRA share of retirement benefits per IAS19	(479)
163	HRA share of employer contribution to pension scheme	313
(20,836)	Impairment of non-current assets	(19,022)
(51)	Amortisation of Revenue Expenditure Funded from Capital under Statute	(18)
5,987	Reversal of PFI Charges	12,680
608	Capital grants and contributions receivable	636
10,000	Decent Homes Backlog Funding	10,645
35	Mortgage Repayments	50
(17,512)	**Net (Increase) in Year on the HRA**	**(8,173)**
(78,513)	**Balance on the HRA at the end of the current year**	**(86,686)**

Notes to the Housing Revenue Account

(a) Housing Stock

The Council was responsible for managing an average of 16,524 dwellings during 2014/15.

The stock at each year end was made up as follows:

	31 March 2014	31 March 2015
Houses and bungalows	9,553	9,446
Flats	6,990	6,894
Others	82	82
	16,625	**16,422**

The change in stock is as follows:

	2013/14	2014/15
Stock at 1 April	16,960	16,625
Sales	(91)	(102)
Demolitions	(242)	(104)
Other	(2)	3
Stock at 31 March	**16,625**	**16,422**

The balance sheet value of the HRA's non-current assets was as follows:

	31 March 2014 £000s	31 March 2015 £000s
Operational		
Council dwellings	389,504	395,064
Other land and buildings	3,530	3,431
Vehicles, plant and equipment	72	67
	393,106	**398,562**
Non-operational		
Surplus properties	1,078	1,263
Assets under construction	88	100
	394,272	**399,925**

(b) Vacant Possession of Dwellings

The vacant possession value of dwellings within the Council's HRA at 1 April 2014 was £1,122,019,000. 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

	2013/14 £000s	2014/15 £000s
Balance at 1 April	8,093	7,310
HRA depreciation	11,162	11,033
Financing of capital expenditure on council dwellings	(23,274)	(24,241)
Decent homes backlog funding	10,000	10,645
Transfer from the HRA	1,329	2,000
Balance at 31 March	**7,310**	**6,747**

(d) Capital Expenditure, Funding and Receipts

	2013/14 £000s	2014/15 £000s
Expenditure		
Property, plant and equipment	24,124	30,627
Revenue expenditure funded from capital under statute	51	48
Long term debtors	0	41
	24,175	**30,716**
Funded by		
Revenue contributions	88	5,304
Capital receipts	54	495
Major repairs reserve	23,274	24,241
Government grants	570	10
External contributions	189	666
	24,175	**30,716**
Receipts		
Council dwellings	6,419	8,201
Mortgage repayments	35	50
	6,454	**8,251**

(e) Depreciation

	2013/14 £000s	2014/15 £000s
Property, plant and equipment		
Council dwellings	11,058	10,929
Other land and buildings	99	99
Vehicles, plant and equipment	5	5
	11,162	**11,033**

(f) Impairment Charges

	2013/14 £000s	2014/15 £000s
Non-enhancing capital expenditure	8,824	18,131
Downward revaluation of assets	10,940	373
Damaged properties / demolitions	1,071	518
	20,835	**19,022**

(g) Revenue Expenditure Funded From Capital Under Statute

Revenue expenditure funded from capital under statute of £48,000 (£51,000 in 2013/14) 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 2014/15 is £166,000 (£578,000 in 2013/14). The overall amount to be met from rent payers remains unchanged.

(j) Rent Arrears

	2013/14 £000s	**2014/15 £000s**
Arrears at 31 March	11,102	8,992

	2013/14 £000s	**2014/15 £000s**
Provision at 1 April	9,778	8,037
Contributions in year	667	(1,328)
Amounts written (off) in the year	(2,408)	(66)
Provision as at 31 March	**8,037**	**6,643**

Collection Fund

Income and Expenditure Account

This account reflects statutory requirements for billing authorities to maintain a separate collection fund to account for the income from council tax and business rates and its distribution to Central Government, the Council, the Greater Manchester Police and Crime Commissioner and the Greater Manchester Fire and Rescue Authority.

2013/14 £000s				2014/15 £000s		
Business Rates	**Council Tax**	**Total**		**Business Rates**	**Council Tax**	**Total**
			Income			
0	142,466	142,466	Council Tax - net amount receivable	0	148,949	148,949
318,763	0	318,763	Collectable from business ratepayers	335,261	0	335,261
318,763	142,466	461,229		335,261	148,949	484,210
			Apportionment of Previous Year Deficit			
0	0	0	- Manchester City Council	277	0	277
0	0	0	- Central Government	13,575	0	13,575
0	0	0	- Greater Manchester Fire and Rescue Authority	13,852	0	13,852
318,763	**142,466**	**461,229**		**362,965**	**148,949**	**511,914**
			Expenditure			
			Apportionment of Previous Year Surplus			
0	3,229	3,229	- Manchester City Council	0	3,886	3,886
0	412	412	- Greater Manchester Police and Crime Commissioner	0	495	495
0	150	150	- Greater Manchester Fire and Rescue Authority	0	191	191
			Precepts and demands			
140,951	0	140,951	- Central Government	154,964	0	154,964
138,172	108,904	247,076	- Manchester City Council	151,865	115,103	266,968
0	13,873	13,873	- Greater Manchester Police and Crime Commissioner	0	14,954	14,954
2,820	5,355	8,175	- Greater Manchester Fire and Rescue Authority	3,099	5,660	8,759
			Business rates			
3,715	0	3,715	- Transitional protection payment	1,105	0	1,105
			Charges to Collection Fund			
4,946	2,755	7,701	- Write offs of uncollectable amounts	3,753	2,809	6,562
(1,222)	6,931	5,709	- Increase / (Decrease) in Bad Debt Provision	2,671	3,960	6,631
111,515	0	111,515	- Contribution to Provision for Appeals	34,812	0	34,812
1,108	0	1,108	- Costs of collection	1,110	0	1,110
402,005	**141,609**	**543,614**	**Total Expenditure**	**353,379**	**147,058**	**500,437**
(83,242)	857	(82,385)	Movement on fund balance	9,586	1,891	11,477
0	4,424	4,424	Fund balance brought forward	(83,242)	5,281	(77,961)
(83,242)	**5,281**	**(77,961)**	**Fund Balance Carried Forward**	**(73,656)**	**7,172**	**(66,484)**

Notes to the Collection Fund Account

(a) Business Rates Deficit

As 2013/14 was the first year of the partial localisation of business rates there was no previous year's deficit to be included in the account.

(b) Business Rates

The Council collects business rates for its area on behalf of itself, Central Government and the Greater Manchester Fire and Rescue Authority. These rates are based on rateable values for properties set by the Valuation Office Agency which are multiplied by a uniform business rate set by central government. The multiplier for the year was set at 48.2p (47.1p for 2013/14). The total business rates rateable value at 31 March 2015 was £848,509,000 (£850,604,000 at 31 March 2014).

(c) Calculation of the Council Tax Base

For 2014/15 there were 221,965 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 188,374 equivalent number of dwellings after taking account of discounts, exemptions and disabled relief. These equate to 144,132 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	109,599	73,038
B	31,472	24,478
C	27,318	24,283
D	12,793	12,793
E	4,646	5,679
F	1,806	2,608
G	679	1,132
H	61	121
	188,374	144,132

The number of chargeable Band D equivalents for 2013/14 was 137,823.

(d) Share of Fund Balance

The shares of the closing fund balances are shown in the tables below.

Business Rates	(Deficit) 2013/14 £000s	(Deficit) 2014/15 £000s
Central Government	(41,621)	(36,828)
Manchester City Council	(40,789)	(36,091)
Greater Manchester Fire and Rescue Authority	(832)	(737)
Total (Deficit)	(83,242)	(73,656)

Council Tax	Surplus 2013/14 £000s	Surplus 2014/15 £000s
Manchester City Council	4,489	6,083
Greater Manchester Police and Crime Commissioner	581	790
Greater Manchester Fire and Rescue Authority	211	299
Total Surplus	5,281	7,172

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.

The following pages include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Reconciliation of the Single Entity Deficit to the Group 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 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.

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 associates consolidated into the Council's group accounts.

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 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 £000s	Earmarked GF Reserves £000s	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	Restated Revaluation Reserve £000s	Available for sale Financial Instruments £000s	Pensions Reserve £000s	Restated 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	Council Share of Group Reserves[a] £000s	Restated Total Group Reserves £000s
Balance at 31 March 2013	**(41,010)**	**(163,893)**	**(27,001)**	**(34,000)**	**(37,436)**	**(43,886)**	**(8,093)**	**(355,319)**	**(697,740)**	**(1,727)**	**802,400**	**(1,343,144)**	**(1,285)**	**3,906**	**(3,766)**	**7,093**	**(1,234,263)**	**(701,232)**	**(2,290,814)**
Movement in reserves during 2013/14																			
(Surplus) / deficit on provision of services	27,247	0	(18,017)	0	0	0	0	**9,230**	0	0	0	0	0	0	0	0	**0**	13,714	22,944
Other comprehensive income and expenditure																			
(Surplus) on revaluation of non-current assets	0	0	0	0	0	0	0	**0**	(43,891)	0	0	0	0	0	0	0	**(43,891)**	0	(43,891)
Impairment losses on non-current assets charged to the revaluation reserve	0	0	0	0	0	0	0	**0**	8,630	0	0	0	0	0	0	0	**8,630**	0	8,630
(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)
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)
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	**0**	142	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	**0**	(52,122)	(52,122)
Total comprehensive income and expenditure	**27,247**	**0**	**(18,017)**	**0**	**0**	**0**	**0**	**9,230**	**(35,261)**	**(71)**	**(113,317)**	**0**	**0**	**(83)**	**0**	**0**	**(148,732)**	**(38,266)**	**(177,768)**
Reversal of items debited or credited to the comprehensive income and expenditure statement	(197,788)	0	254	0	0	(3,383)	783	**(200,134)**	0	0	97,982	62,170	0	(84)	40,066	0	**200,134**	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	(51,090)	(63,166)	0	(324)	0	0	**(114,580)**	0	0
Other adjustments	407	0	0	0	(7,896)	0	0	**(7,489)**	15,596	0	0	(7,748)	(360)	0	0	0	**7,488**	0	0
Total adjustments between accounting basis and funding basis under regulations	**(102,508)**	**17,512**	**505**	**0**	**(5,952)**	**(3,383)**	**783**	**(93,043)**	**15,596**	**0**	**46,892**	**(8,744)**	**(360)**	**(408)**	**40,066**	**0**	**93,042**	**0**	**0**
Net (increase) / decrease before transfers to earmarked reserves	**(75,261)**	**17,512**	**(17,512)**	**0**	**(5,952)**	**(3,383)**	**783**	**(83,813)**	**(19,665)**	**(71)**	**(66,425)**	**(8,744)**	**(360)**	**(491)**	**40,066**	**0**	**(55,690)**	**(38,266)**	**(177,768)**
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
(Increase) / decrease in year	**68**	**(56,071)**	**(17,138)**	**(374)**	**(5,952)**	**(3,383)**	**783**	**(82,067)**	**(19,665)**	**(71)**	**(66,425)**	**(8,744)**	**(360)**	**(491)**	**40,066**	**(1,746)**	**(57,436)**	**(38,266)**	**(177,768)**
Balance at 31 March 2014	**(40,942)**	**(219,964)**	**(44,139)**	**(34,374)**	**(43,388)**	**(47,269)**	**(7,310)**	**(437,386)**	**(717,405)**	**(1,798)**	**735,975**	**(1,351,888)**	**(1,645)**	**3,415**	**36,300**	**5,347**	**(1,291,698)**	**(739,498)**	**(2,468,582)**
Movement in reserves during 2014/15																			
(Surplus) / deficit on provision of services	54,126	0	(25,714)	0	0	0	0	**28,412**	0	0	0	0	0	0	0	0	**0**	18,597	47,009
Other comprehensive income and expenditure																			
(Surplus) on revaluation of non-current assets	0	0	0	0	0	0	0	**0**	(159,043)	0	0	0	0	0	0	0	**(159,043)**	0	(159,043)
Impairment losses on non-current assets charged to the revaluation reserve	0	0	0	0	0	0	0	**0**	8,357	0	0	0	0	0	0	0	**8,357**	0	8,357
(Surplus) on revaluation of available for sale financial assets	0	0	0	0	0	0	0	**0**	0	(13)	0	0	0	(63)	0	0	**(76)**	0	(76)
Actuarial losses on pension assets/liabilities	0	0	0	0	0	0	0	**0**	0	0	244,478	0	0	0	0	0	**244,478**	0	244,478
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	**0**	142	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	**0**	(53,991)	(53,991)
Total comprehensive income and expenditure	**54,126**	**0**	**(25,714)**	**0**	**0**	**0**	**0**	**28,412**	**(150,686)**	**(13)**	**244,478**	**0**	**0**	**(63)**	**0**	**0**	**93,716**	**(35,252)**	**86,876**
Reversal of items debited or credited to the comprehensive income and expenditure statement	(166,950)	0	11,924	0	(50)	(7,607)	563	**(162,120)**	0	0	83,937	86,057	0	(1,582)	(6,292)	0	**162,120**	0	0
Insertion of items not debited or credited to the comprehensive income and expenditure statement	106,688	8,172	5,617	0	2,235	0	0	**122,712**	0	0	(52,141)	(70,247)	0	(324)	0	0	**(122,712)**	0	0
Other adjustments	53	171	0	0	3,260	0	0	**3,484**	17,257	0	0	(20,372)	(369)	0	0	0	**(3,484)**	0	0
Total adjustments between accounting basis and funding basis under regulations	**(60,209)**	**8,343**	**17,541**	**0**	**5,445**	**(7,607)**	**563**	**(35,924)**	**17,257**	**0**	**31,796**	**(4,562)**	**(369)**	**(1,906)**	**(6,292)**	**0**	**35,924**	**0**	**0**
Net (increase) / decrease before transfers to earmarked reserves	**(6,083)**	**8,343**	**(8,173)**	**0**	**5,445**	**(7,607)**	**563**	**(7,512)**	**(133,429)**	**(13)**	**276,274**	**(4,562)**	**(369)**	**(1,969)**	**(6,292)**	**0**	**129,640**	**(35,252)**	**86,876**
Transfers (to) / from earmarked reserves	19,916	(20,436)	253	(253)	0	0	0	**(520)**	0	0	0	0	0	0	0	520	**520**	0	0
(Increase) / decrease in year	**13,833**	**(12,093)**	**(7,920)**	**(253)**	**5,445**	**(7,607)**	**563**	**(8,032)**	**(133,429)**	**(13)**	**276,274**	**(4,562)**	**(369)**	**(1,969)**	**(6,292)**	**520**	**130,160**	**(35,252)**	**86,876**
Balance at 31 March 2015	**(27,109)**	**(232,057)**	**(52,059)**	**(34,627)**	**(37,943)**	**(54,876)**	**(6,747)**	**(445,418)**	**(850,834)**	**(1,811)**	**1,012,249**	**(1,356,450)**	**(2,014)**	**1,446**	**30,008**	**5,867**	**(1,161,538)**	**(774,750)**	**(2,381,706)**

*A breakdown of the Council's usable and unusable reserves can be found in the Council's accounts Notes 7, 39 and 40.
a The Council's share of the group reserves includes accounting adjustments to align accounting policies for property, plant and equipment and government grants.
The 2013/14 figures have been restated following the restatement of the Council's single entity accounts.

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 2013/14 Gross Expenditure £000s	2013/14 Gross Income £000s	Restated 2013/14 Net Expenditure £000s		Note	2014/15 Gross Expenditure £000s	2014/15 Gross Income £000s	2014/15 Net Expenditure £000s
			Continuing operations				
191,641	32,226	159,415	Adult social care		185,835	29,766	156,069
13,914	10,122	3,792	Central services to the public		13,635	10,623	3,012
588,068	409,444	178,624	Education and children's services		605,783	406,389	199,394
97,292	24,110	73,182	Cultural and related services		72,410	24,911	47,499
41,796	11,846	29,950	Environmental and regulatory services		40,004	11,417	28,587
54,632	20,351	34,281	Planning services		69,587	30,567	39,020
32,386	22,807	9,579	Highways and transport services		40,117	23,922	16,195
332,610	298,055	34,555	Housing services		330,164	307,439	22,725
70,527	93,987	(23,460)	Housing Revenue Account		68,104	97,818	(29,714)
45,029	43,787	1,242	Public Health		47,878	50,278	(2,400)
8,133	75	8,058	Corporate and democratic core		8,946	89	8,857
24,650	0	24,650	Non-distributed costs		13,204	0	13,204
1,500,678	**966,810**	**533,868**	**Cost of services excluding**		**1,495,667**	**993,219**	**502,448**
			Other operating expenditure				
36,959	3,923	33,036	Loss on disposal of non-current assets		73,465	5,432	68,033
70,802	0	70,802	Levies not included in net cost of services		72,193	0	72,193
1,944	0	1,944	Payments to government housing capital receipts pool		2,235	0	2,235
109,705	**3,923**	**105,782**	**Total other operating expenditure**		**147,893**	**5,432**	**142,461**
191,821	180,255	11,566	Financing and investment income and expenditure	**2**	187,547	186,792	755
0	599,914	(599,914)	Taxation and non-specific grant income		0	590,323	(590,323)
1,802,204	**1,750,902**	**51,302**	**Deficit on provision of services**		**1,831,107**	**1,775,766**	**55,341**
235,842	254,322	(18,480)	Share of operating results of joint venture	**5**	256,713	272,782	(16,069)
27	0	27	Tax expenses of subsidiary		0	73	(73)
0	9,905	(9,905)	Tax (credits) / expenses of joint venture		7,810	0	7,810
2,038,073	**2,015,129**	**22,944**	**Group deficit on provision of services**		**2,095,630**	**2,048,621**	**47,009**
		(43,891)	(Surplus) on revaluation of non-current assets				(159,043)
		8,630	Impairment losses on non-current assets charged to the revaluation reserve				8,357
		(154)	(Surplus) on revaluation of available for sale financial assets				(76)
		(113,317)	Remeasurements of the net defined benefit (liability)				244,478
		142	Share of other comprehensive income and expenditure of subsidiaries				142
		(52,122)	Share of other comprehensive income and expenditure of joint ventures				(53,991)
		(200,712)	**Total other comprehensive income and expenditure**				**39,867**
		(177,768)	**Total comprehensive income and expenditure**				**86,876**

The 2013/14 figures have been restated following the restatement of the Council's single entity accounts.

Reconciliation of the Single Entity Comprehensive Income and Expenditure Statement Deficit to the Group Comprehensive Income and Expenditure Statement Deficit

This shows how the group entities have contributed to the overall deficit shown in the group income and expenditure account.

Restated 2013/14 £000s		**Note**	**2014/15 £000s**
9,230	Deficit on the Authority's single entity Income and Expenditure Account for the year		28,412
1,065	Distribution from group entities included in the Authority's single entity deficit on the Income and Expenditure Account	3	1,064
15,475	Add deficit / (surplus) attributable to subsidiary	4	(1,544)
(2,826)	Add deficit / (surplus) attributable to joint venture including dividends paid (after corporation tax)	5	19,077
22,944	**Group income and expenditure account deficit for the year**		**47,009**

The 2013/14 figures have been restated following the restatement of the Council's single entity accounts.

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 1 April 2013 £000s	Restated 31 March 2014 £000s		Note	31 March 2015 £000s	
		Non-current assets			
2,132,644	2,121,292	Property, plant and equipment	7	2,122,890	
422,968	431,191	Heritage assets		510,240	
363,945	399,044	Investment properties		447,690	
1,190	1,121	Intangible non-current assets		629	
798,257	854,587	Long-term investment in joint venture	8	889,565	
2,308	2,579	Other long-term investments	8	2,608	
108,131	115,042	Long-term debtors	9	128,738	
3,829,443	**3,924,856**	**Total non-current assets**			**4,102,360**
		Current assets			
591	819	Inventories		725	
114,730	147,886	Short-term debtors	9	121,113	
9,301	38,954	Cash and cash equivalents	10	128,514	
5,748	12,928	Short-term assets held for sale		10,018	
0	0	Intangible current assets		555	
130,370	**200,587**	**Total current assets**			**260,925**
3,959,813	**4,125,443**	**Total assets**			**4,363,285**
		Current liabilities			
(25,387)	(9,217)	Short-term borrowing		(21,942)	
(10,186)	0	Bank overdraft		0	
(140,774)	(144,429)	Short-term creditors	11	(173,987)	
(15,517)	(21,279)	Short-term provisions		(21,296)	
(7,911)	(8,561)	Short-term deferred liabilities	12	(11,353)	
(199,775)	**(183,486)**	**Total current liabilities**			**(228,578)**
3,760,038	**3,941,957**	**Total assets less current liabilities**			**4,134,707**
		Long-term liabilities			
(2,357)	(2,482)	Long-term creditors		(2,831)	
(4,746)	(50,478)	Long-term provisions		(61,012)	
(482,298)	(512,182)	Long-term borrowing		(509,626)	
(166,311)	(164,634)	Long-term deferred liabilities	12	(160,758)	
(11,112)	(7,624)	Capital grants receipts in advance		(6,525)	
(802,400)	(735,975)	Pensions liability		(1,012,249)	
(1,469,224)	**(1,473,375)**	**Total long-term liabilities**			**(1,753,001)**
2,290,814	**2,468,582**	**Net assets**			**2,381,706**
		Financed by:			
355,319	437,386	Usable reserves			445,418
1,234,263	1,291,698	Unusable reserves			1,161,538
701,232	739,498	Group income and expenditure reserve			774,750
2,290,814	**2,468,582**	**Total reserves**	13		**2,381,706**

The 2013/14 figures have been restated following the restatement of the Council's single entity accounts.

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 2013/14 £000s		Note	2014/15 £000s
22,944	Net deficit on the provision of services		47,009
(263,503)	Adjustments to net deficit on the provision of services for non-cash movements	17	(260,645)
94,792	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	18	77,185
(145,767)	**Net cash flows from operating activities**	19	**(136,451)**
107,953	Investing activities	20	59,413
(2,025)	Financing activities	21	(12,522)
(39,839)	**Net (increase) in cash and cash equivalents**		**(89,560)**
(885)	Cash and cash equivalents at the beginning of the reporting period		38,954
38,954	**Cash and cash equivalents at the end of the reporting period**	10	**128,514**

The 2013/14 figures have been restated following the restatement of the Council's single entity accounts.

Notes To The Group Accounts

Note 1. Group Accounting Policies

The Group Accounts have been prepared in accordance with the 2014/15 Code of Practice for Local Authority Accounting in the United Kingdom, issued 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 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. Financing and Investment Income and Expenditure

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

	2013/14 £000s	2014/15 £000s	Note
Interest payable on debt	25,081	25,000	a
Interest element of finance leases (lessee)	284	234	
Interest payable on PFI unitary payments	10,018	10,229	
Net interest on the net defined benefit liability	36,596	31,884	b
Investment Interest income	(12,075)	(12,338)	c
Investment Properties Impairment	15,712	20,408	
Change in fair value of investment properties	(45,920)	(56,737)	
Dividends receivable	(1,786)	(56)	d
(Gain) on trading accounts (not applicable to a service)	(778)	(1,565)	
Rentals received on investment properties	(17,023)	(18,658)	
Expenses incurred on investment properties	1,457	2,354	
Total financing and investment income and expenditure	**11,566**	**755**	

a. Interest Payable

These figures represent the actual external interest payable by the group as follows:

	2013/14 £000s	2014/15 £000s
Manchester City Council	24,025	23,936
Destination Manchester Limited	1,056	1,064
Total	**25,081**	**25,000**

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:

	2013/14 £000s	2014/15 £000s
Manchester City Council	36,318	31,628
Destination Manchester Limited	278	256
Total	**36,596**	**31,884**

c. Investment Interest Income

	2013/14 £000s	2014/15 £000s
Manchester City Council	(12,052)	(12,298)
Destination Manchester Limited	(23)	(40)
Total	**(12,075)**	**(12,338)**

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 has been adjusted for dividends received from Manchester Airports Holdings Limited.

Note 3. Exclusion of Distributions from Group Entities Included in Manchester City Council's Single Entity Accounts

Related party transactions between the Council and Destination Manchester Limited have been removed from the group income and expenditure account on consolidation. In 2014/15 the amount removed was £1,064,000 (£1,065,000 in 2013/14).

Note 4. (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.

	2013/14 £000s	2014/15 £000s
Destination Manchester Limited	15,475	(1,544)
Total	**15,475**	**(1,544)**

Note 5. (Surplus) Attributable to Joint Venture

This figure represents the total (surplus) attributable to Manchester Airports Holdings Limited:

	2013/14 £000s	2014/15 £000s
(Surplus) / deficit before tax	(18,480)	(16,069)
Tax (credits) / expenses	(9,905)	7,810
(Surplus) after tax	**(28,385)**	**(8,259)**

Note 6. Segmental Reporting Analysis

The table below is a reconciliation of the 2014/15 internal management reports (monitoring and outturn) used by the Council's Executive to make decisions and the 2014/15 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 therefore the subjective analysis will not differ to that in the Council's single entity statements.

Subjective Analysis	Children and Families £000s	Corporate Core £000s	Growth and Neighbourhoods £000s	Housing Revenue Account £000s	Total £000s
Fees Charges and Other Service Income	(101,652)	(81,966)	(68,570)	(59,071)	**(311,259)**
Government Grants	(381,927)	(278,874)	(4,728)	(23,600)	**(689,129)**
Total Income	**(483,579)**	**(360,840)**	**(73,298)**	**(82,671)**	**(1,000,388)**
Employee Expenses	325,901	78,143	49,849	2,303	**456,196**
Other Operating Expenses	449,847	362,203	135,059	71,454	**1,018,563**
Support Services Recharges	4,649	(29,751)	(4,699)	995	**(28,806)**
Total Operating Expenses	**780,397**	**410,595**	**180,209**	**74,752**	**1,445,953**
Cost of Services	**296,818**	**49,755**	**106,911**	**(7,919)**	**445,565**

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

	£000s
Cost of services in service analysis	445,565
Add amounts not reported to management*	119,083
Remove amounts reported to management not included in net cost of services in CIES	(62,200)
Net cost of services in comprehensive income and expenditure statement	**502,448**

Reconciliation to subjective analysis	Service Analysis as Reported to Executive £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	Joint Venture not in NCS £000s	Total £000s
Fees, charges and other service income	(311,259)	45,267	(8,284)	0	(274,276)	(177,409)	0	(451,685)
Share of operating income of joint ventures	0	0	0	0	0	0	(272,782)	(272,782)
Interest and investment income	0	(1,155)	147	0	(1,008)	(42,223)	27,335	(15,896)
Income from council tax	0	0	0	0	0	(120,583)	0	(120,583)
Business rates income	0	0	0	0	0	(150,359)	0	(150,359)
Government grants and contributions	(689,129)	10,298	(39,104)	0	(717,935)	(319,381)	0	(1,037,316)
Total Income	**(1,000,388)**	**54,410**	**(47,241)**	**0**	**(993,219)**	**(809,955)**	**(245,447)**	**(2,048,621)**
Employee expenses	456,196	1,172	2,831	(423)	459,776	0	0	459,776
Other service expenses	1,018,563	(66,124)	13,480	(28,383)	937,536	22,583	7,810	967,929
Share of operating expenditure of joint ventures	0	0	0	0	0	0	256,713	256,713
Support services recharges	(28,806)	0	0	28,806	0	0	0	0
Depreciation, amortisation and impairment	0	129,625	5,032	0	134,657	0	0	134,657
Interest payments	0	0	(1,895)	0	(1,895)	37,956	0	36,061
Pension interest costs	0	0	0	0	0	127,008	0	127,008
Precepts and levies	0	0	(34,407)	0	(34,407)	72,193	0	37,786
Payments to housing capital receipts pool	0	0	0	0	0	2,235	0	2,235
Loss on disposal of non-current assets	0	0	0	0	0	73,465	0	73,465
Total operating expenses	**1,445,953**	**64,673**	**(14,959)**	**0**	**1,495,667**	**335,440**	**264,523**	**2,095,630**
(Surplus) / deficit on provision of services	**445,565**	**119,083**	**(62,200)**	**0**	**502,448**	**(474,515)**	**19,076**	**47,009**

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

Note 6. 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 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 therefore the subjective analysis will not differ to that in the Council's single entity statements.

Subjective Analysis	Restated Children and Families £000s	Restated Corporate Core £000s	Restated Growth and Neighbourhoods £000s	Housing Revenue Account £000s	Restated Total £000s
Fees Charges and Other Service Income	(100,036)	(78,975)	(64,337)	(64,833)	**(308,181)**
Government Grants	(384,201)	(274,209)	(5,429)	(17,272)	**(681,111)**
Total Income	**(484,237)**	**(353,184)**	**(69,766)**	**(82,105)**	**(989,292)**
Employee Expenses	338,859	75,177	50,231	3,752	**468,019**
Other Operating Expenses	448,781	355,558	128,245	60,460	**993,044**
Support Services Recharges	6,979	(24,166)	(8,477)	755	**(24,909)**
Total Operating Expenses	**794,619**	**406,569**	**169,999**	**64,967**	**1,436,154**
Cost of Services	**310,382**	**53,385**	**100,233**	**(17,138)**	**446,862**

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

	Restated £000s
Cost of services in service analysis	446,862
Add amounts not reported to management*	138,839
Remove amounts reported to management not included in net cost of services in CIES	(51,833)
Net cost of services in comprehensive income and expenditure statement	**533,868**

Reconciliation to subjective analysis	Service Analysis as Reported to Executive £000s	Restated Not Reported to Management* £000s	Not Included in CIES Net Cost of Services £000s	Allocation of Recharges £000s	Restated Net Cost of Services £000s	Restated Corporate Amounts £000s	Joint Venture not in NCS £000s	Restated Total £000s
Fees, charges and 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)	25,560	(18,987)
Income from council tax	0	0	0	0	0	(112,855)	0	(112,855)
Business rates income	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)**	**(809,652)**	**(238,667)**	**(2,015,129)**
Employee expenses	468,019	(137)	5,449	(1,437)	471,894	0	0	471,894
Other service expenses	993,044	(28,276)	8,384	(23,472)	949,680	17,694	0	967,374
Share of operating expenditure of associates and joint ventures	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	103,744	9,125	0	112,869	0	0	112,869
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
Loss on disposal of non-current assets	0	0	0	0	0	36,959	0	36,959
Total operating expenses	**1,436,154**	**75,331**	**(10,807)**	**0**	**1,500,678**	**301,553**	**235,842**	**2,038,073**
(Surplus) / deficit on provision of services	**446,862**	**138,839**	**(51,833)**	**0**	**533,868**	**(508,099)**	**(2,825)**	**22,944**

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

Note 7. Property Plant and Equipment

Movements on tangible non-current assets in the group during 2014/15 were as follows:

	Property, Plant and Equipment							
	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**	**Total £000s**
Gross book value brought forward	419,547	1,367,423	72,763	441,074	26,134	72,555	194,919	2,594,415
Accumulated depreciation and impairment brought forward	(30,043)	(310,656)	(28,415)	(74,941)	(71)	0	(28,997)	(473,123)
Net book value carried forward as at 31 March 2014	**389,504**	**1,056,767**	**44,348**	**366,133**	**26,063**	**72,555**	**165,922**	**2,121,292**
Movement in 2014/15								
Additions	30,184	37,338	13,057	22,955	1,281	20,450	17,790	143,055
Revaluations recognised in revaluation reserve	3,876	75,127	950	0	0	0	10	79,963
Revaluations recognised in deficit on the provision of services	(373)	(47,793)	0	0	0	0	0	(48,166)
Derecognition - disposals	0	(71,919)	(2,400)	0	0	0	(5,312)	(79,631)
Transferred from held for sale	(2,769)	0	0	0	(1)	0	(1,210)	(3,980)
Other transfers	(354)	31,763	4,083	(1,978)	653	(42,589)	(73)	(8,495)
Other movements in cost or valuation - newly recognised leases	7,423	0	69	0	0	0	0	7,492
Depreciation	(10,929)	(22,087)	(7,172)	(7,520)	(1)	0	(208)	(47,917)
Impairments charged to the comprehensive income and expenditure statement	(18,649)	(3,376)	(644)	0	(1)	0	(12,077)	(34,747)
Impairments covered by the revaluation reserve	(2,849)	(5,436)	0	0	0	0	(72)	(8,357)
Reversal of prior year impairment	0	2,381	0	0	0	0	0	2,381
Net Book Value carried forward as at 31 March 2015	**395,064**	**1,052,765**	**52,291**	**379,590**	**27,994**	**50,416**	**164,770**	**2,122,890**
Gross book value carried forward	427,755	1,206,266	84,679	462,051	28,064	50,416	192,484	2,451,715
Accumulated depreciation and impairment carried forward as at 31 March 2015	(32,691)	(153,501)	(32,388)	(82,461)	(70)	0	(27,714)	(328,825)
Net Book Value carried forward as at 31 March 2015	**395,064**	**1,052,765**	**52,291**	**379,590**	**27,994**	**50,416**	**164,770**	**2,122,890**

Movements on tangible non-current assets in the group during 2013/14 were as follows:

	Property, Plant and Equipment							
	Council Dwellings £000s	**Restated Other Land and Buildings £000s**	**Restated Vehicles, Plant, and Equipment £000s**	**Infrastructure Assets £000s**	**Community Assets £000s**	**Restated Assets Under Construction £000s**	**Surplus Assets £000s**	**Restated Total £000s**
Gross book value brought forward	420,050	1,220,680	57,614	427,327	26,022	155,619	221,729	2,529,041
Accumulated depreciation and impairment brought forward	(34,565)	(237,253)	(21,015)	(67,585)	(123)	(5,549)	(30,307)	(396,397)
Net book value carried forward as at 31 March 2013	**385,485**	**983,427**	**36,599**	**359,742**	**25,899**	**150,070**	**191,422**	**2,132,644**
Movement in 2013/14								
Additions	21,203	48,790	10,893	14,649	325	58,116	16,905	170,881
Revaluations recognised in revaluation reserve	15,894	22,243	0	0	0	0	(2,467)	35,670
Revaluations recognised in deficit on the provision of services	(4,037)	(51,360)	0	0	0	0	(13,789)	(69,186)
Derecognition - disposals	0	(35,069)	(96)	0	0	0	(12,413)	(47,578)
Transferred from held for sale	(2,496)	0	0	0	0	0	(10,393)	(12,889)
Other transfers	2,291	131,563	3,224	(901)	(160)	(135,631)	(1,069)	(683)
Other movements in cost or valuation - newly recognised leases	6,903	0	86	0	0	0	0	6,989
Depreciation	(11,058)	(23,588)	(6,358)	(7,357)	(1)	0	(429)	(48,791)
Impairments charged to the comprehensive income and expenditure statement	(16,798)	(19,228)	0	0	0	0	(1,790)	(37,816)
Impairments covered by the revaluation reserve	(7,883)	(693)	0	0	0	0	(55)	(8,631)
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**	**1,056,767**	**44,348**	**366,133**	**26,063**	**72,555**	**165,922**	**2,121,292**
Gross book value carried forward	419,547	1,367,423	72,763	441,074	26,134	72,555	194,919	2,594,415
Accumulated depreciation and impairment carried forward as at 31 March 2014	(30,043)	(310,656)	(28,415)	(74,941)	(71)	0	(28,997)	(473,123)
Net book value carried forward as at 31 March 2014	**389,504**	**1,056,767**	**44,348**	**366,133**	**26,063**	**72,555**	**165,922**	**2,121,292**

Note 8. Long-term Investments

	31 March 2014 £000s	31 March 2015 £000s
Investments in organisations included in the group statements		
Manchester Airports Holdings Ltd	846,117	881,031
Investments in subsidiaries not included in the group statements		
Manchester Mortgage Corporation Plc Share Capital	6,067	6,131
Investments in associates not included in the group statements		
National Car Parks (Manchester) Ltd Share Capital	1,103	1,103
Eastlands Development Company Limited	1,300	1,300
	854,587	**889,565**
Other long-term investments	2,579	2,608
Total other long-term investments	**2,579**	**2,608**
Total Long-Term Investments	**857,166**	**892,173**

Further details can be found in the Council's accounts Note 31.

Note 9. 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 2015. 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.

	31 March 2014 £000s	31 March 2015 £000s
Short-term debtors - Manchester City Council		
Manchester City Council debtors and payments in advance	148,001	120,695
Adjustments for intra-company transactions	(3,358)	(2,697)
	144,643	**117,998**
Short-term debtors - Destination Manchester Limited		
Trade debtors	1,726	1,311
Prepayments and accrued income	1,422	1,465
Corporation tax	0	244
Other debtors	95	95
Total	**147,886**	**121,113**

Further details can be found in the Council's accounts Note 32.

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.

	31 March 2014 £000s	31 March 2015 £000s
Long-term debtors		
Mortgages		
Housing Revenue Account	118	52
General Fund	96	81
Manchester Airports Holdings Limited	83,168	83,168
Ex GMC debt	167	142
PFI prepayments	9,908	22,719
Private Sector Loans - soft loans	262	250
Private Sector Loans - embedded derivatives	8,016	8,323
Equity Mortgages	3,038	2,978
Eon Reality	2,200	2,200
Bluethorn Developments Ltd / Blueindale Ltd	3,468	3,738
Greater Manchester Loans Fund	1,258	2,312
Other	3,343	2,775
Total	**115,042**	**128,738**

Further details can be found in the Council's accounts Note 32.

Note 10. Analysis of Bank Overdraft and Cash and Cash Equivalents

Bank Overdraft and Cash and Cash equivalents	31 March 2014 £000s	31 March 2015 £000s
Cash at bank and in hand	(10,553)	24,666
Call accounts	28,506	40,341
Investments less than 3 months	21,001	63,507
Total	**38,954**	**128,514**

Note 11. 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 2015. Amounts owed by the Council to Destination Manchester Ltd have been removed as they are classed as intra-company transactions.

	31 March 2014 £000s	31 March 2015 £000s
Manchester City Council	139,684	167,305
Adjustments for intra-company transactions (trade creditors)	(382)	(723)
	139,302	**166,582**
Destination Manchester Limited		
Trade Creditors	959	1,614
Accruals and deferred income	4,430	5,342
Corporation tax	28	0
Other taxes and social security costs	495	556
Adjustments for intra-company transactions with the Council	(785)	(107)
Total	**144,429**	**173,987**

Further details can be found in the Council's accounts Note 34.

Note 12. Deferred Liabilities

	31 March 2014 £000s	Repaid in year £000s	Additions in year £000s	31 March 2015 £000s	Short Term 31 March 2015 £000s	Long Term 31 March 2015 £000s
Ex GMC debt	17,760	(1,812)	0	15,948	1,939	14,009
Finance leases	2,842	(1,192)	69	1,719	880	839
Private Finance Initiatives	150,775	(5,572)	7,423	152,626	8,534	144,092
Deferred taxation (Destination Manchester Ltd)	1,818	0	0	1,818	0	1,818
	173,195	**(8,576)**	**7,492**	**172,111**	**11,353**	**160,758**

Note 13. Group Reserves

	Restated 31 March 2014 £000s	31 March 2015 £000s
Usable Reserves		
Manchester City Council *	437,386	445,418
Unusable Reserves		
Manchester City Council *	1,291,698	1,161,538
Group Income and Expenditure Reserve (restated)		
Manchester Airports Holdings Ltd	733,763	768,678
Destination Manchester Ltd	5,735	6,072
Total Group Income and Expenditure Reserve (restated)	**739,498**	**774,750**
Total	**2,468,582**	**2,381,706**

* Further detail can be found in the Council's accounts Notes 39 and 40.

Note 14. 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 15. 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 nil in 2014/15 (£12.7m in 2013/14).

Note 16. Related Party Transactions

As at 31 March 2015 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 2014/15 to the value of £0.659m and had outstanding loans to the Council of £21.6m.

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 17. Cash Flow Statement - Adjustments to net deficit on the provision of services for non-cash movements

	Restated 2013/14 £000s	2014/15 £000s
Depreciation of non-current assets	(48,792)	(45,675)
Impairment of non-current assets	(122,585)	(116,792)
Amortisation of intangible non-current assets	(426)	(491)
Pension fund adjustments	(46,892)	(31,796)
Movement in market value of investment property	45,920	56,737
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	29	1,667
(Increase) in impairment for provision for bad debts	(7,585)	(6,962)
Contributions to provisions	(4,385)	(7,833)
Carrying amount of property, plant and equipment, investment properties and intangible assets sold	(55,663)	(87,701)
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	(40,066)	6,291
Other non-cash movements	(7,121)	23,499
Increase / (decrease) in inventories	228	(94)
Increase / (decrease) in debtors (less capital)	38,089	(14,124)
Increase / (decrease)in interest debtors	29	(4,588)
(Increase) in creditors (less capital)	(11,288)	(32,836)
(Increase) / decrease in interest creditors	(2,995)	53
Total	**(263,503)**	**(260,645)**

Note 18. Cash Flow Statement - Adjustments for items included in the net or deficit on the provision of services that are investing and financing activities

	2013/14 £000s	2014/15 £000s
Proceeds from the disposal of property, plant and equipment, investment properties and intangible assets	23,160	20,436
Capital Grants credited to deficit on the provision of services	67,720	74,931
Other adjustments for items included in the net deficit on the provision of service that are investing or financing activities	3,912	(18,182)
Total	**94,792**	**77,185**

Note 19. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2013/14 £000s	2014/15 £000s
Interest received	(7,014)	(16,734)
Interest paid	35,681	35,516
Dividends received	(27,346)	(27,335)
Taxation	170	(171)
Total	**1,491**	**(8,723)**

Note 20. Cash Flow Statement - Investing Activities

	Restated 2013/14 £000s	2014/15 £000s
Purchase of plant, property and equipment, investment property and intangible assets	193,897	155,722
Purchase of short term and long term investments	1,500	0
Proceeds of plant, property and equipment, investment property and intangible assets	(23,164)	(20,436)
Capital grants received	(47,023)	(61,125)
Other receipts from investing activities	(17,257)	(14,748)
Total	**107,953**	**59,413**

Note 21. Cash Flow Statement - Financing Activities

	2013/14 £000s	2014/15 £000s
Repayments of long and short term borrowing	55,000	12
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	5,995	6,501
Cash receipts of long and short-term borrowing	(39,555)	(11,764)
Net (receipts) relating to preceptors element of council tax	(1,138)	(973)
Net (receipts) relating to national non domestic rates	(22,327)	(6,298)
Total	**(2,025)**	**(12,522)**

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

Annual Governance Statement 2014/15

1. Introduction

1.1 This statement provides a concise overview of how the Council's governance arrangements operate, including how they are reviewed annually to ensure they remain effective. A brief summary of significant governance challenges which the Council faces is also given, alongside an explanation of what actions have been taken to bring about required improvements, and what work is still to be done. This provides transparency, and gives assurance that the Council is committed to continuously improve the way in which it functions. More detail on particular topics can be accessed by clicking on the hyperlinks which are highlighted and underlined throughout the document.

1.2 The Council operates in a complex and constantly evolving financial, policy and legislative environment. Significant governance challenges remain due to continued reductions in funding, and the need to work differently with partners to deliver services to people in ways which promote longer term independence. As well as challenges, there will also be opportunities arising from additional local powers and responsibilities as a result of the Devolution agreement. Therefore the Council must continue to engage in a broad programme of innovation and reform work so that it can maintain services for residents which are efficient, effective and value for money using available resources. This document explains the governance mechanisms in place to ensure appropriate oversight of this work. Whilst this document focuses on governance, the Council's Annual Report provides an overview of the context in which it operates, its performance and achievements, and how public money was spent.

2. Scope of Responsibility

2.1 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.

2.2 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.

2.3 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).

2.4 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).

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and through which it is accountable 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.

3.2 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.

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 2015 to ensure it reflected the Council's current governance arrangements. It was submitted for approval as part of the refreshed Constitution, at the Council meeting in May 2015. The table below includes examples of 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		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
To develop and clearly communicate its vision and intended outcomes.	✓ The Council and its partners have set out their objectives in the 'Manchester Way', Manchester's Community Strategy.	The Manchester Way
	✓ Directorate Business Plans set out how the Council's three directorates support the delivery of its objectives.	Business Plans
	✓ The Council is working with partners, and in consultation with the public, to develop a new vision for the city to replace the Community Strategy which concludes in 2015. Integral to this process is work to ensure clear communication of the vision to residents, staff and other stakeholders.	Strategic Narrative
	✓ The Council's objectives support those of Greater Manchester described in the Greater Manchester Strategy 2013 - 2020.	Greater Manchester Strategy
	✓ Progress towards the Council's objectives is set out in the annual State of the City report.	State Of The City Report
	✓ The Council has consulted with the public on its budget for 2015/16, and clearly set out the decision making process on its website.	The Budget Setting Process
	✓ The Council takes a strategic and long term planned approach to delivery of its	

	objectives, as demonstrated by the Strategic Response to the Budget, and the Medium Term Financial Plan. ✓ The Council leads the Strategic Education Partnership, working with schools and local business to promote economic growth, reduce dependency, and help people gain the skills needed to access rewarding jobs in the city. ✓ The Council has developed a School Governance Strategy to support and secure effective governance of schools in the City.	 The School Governance Strategy
To ensure that service users receive a high quality of service.	✓ A Performance Management Framework enables the Council and its Committees to access timely and accurate information about service delivery, supporting intervention to address any barriers to good performance. ✓ Workforce Plans are in place for each directorate, supporting staff to provide a high quality service and meet service and team objectives. ✓ Grievances can be reported directly to the Council's Corporate Complaints team, local Councillors or the Local Government Ombudsman, allowing the Council to understand where improvements may be required.	Performance Management Framework The Complaints Procedure
To make best use of resources and ensure that taxpayers and service users receive value for money.	✓ The Council compares its spending on services to other local authorities, so it can better understand where value for money can be improved. ✓ Public service reform is leading to reduced spending on high cost services, by supporting people into independence. ✓ The Council's Audit and Finance Committees provide oversight of mechanisms to control expenditure. ✓ The Council's Capital and Revenue Gateway processes ensure resources are allocated in a way which is consistent, clear, and transparent.	 Public Service Reform Audit Committee Finance Scrutiny Committee

	✓ The Council's external auditor, Grant Thornton, provide a Value for Money conclusion assessment in their Annual Audit Letter.	Annual Audit Letter

Principle 2: Having clear responsibilities and arrangements for accountability		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
To provide visible, accountable and effective leadership to the community.	✓ 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 Council's Member and Officer Relations Protocol is included in the Constitution. This is to provide guidance to ensure interactions between members and officers are conducted in a positive and constructive way.	The Council's Constitution
To ensure that effective governance arrangements are in place for partnership working, and that they are clearly communicated.	✓ The Council publishes its Partnership Governance Framework which standardises the approach to managing partnerships to strengthen accountability and financial security. ✓ The Council maintains a Register of Significant Partnerships to assess the risk governance arrangements pose to the Council's reputation, objectives and financial position. Audit Committee provide scrutiny of the assessment process and framework. ✓ Developing the skills and behaviours for collaborative working, including around governance, is a core component of the Council's leader and manager development programme. ✓ As part of the Council's strategy to support economic growth, it conducts its	Partnership Governance Framework Register of Significant Partnerships.

	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), Destination Manchester Ltd (DML) and a number of other entities. ✓ 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. External audit is provided by KPMG. ✓ DML is a subsidiary of the Council, which owns and manages the Manchester Central Convention Complex. Governance is overseen by the Company Board and external auditing is provided by Ernst and Young LLP. ✓ The Manchester Partnership allows the Council to work together with other public, private and third sector organisations to deliver the Community Strategy.	The Manchester Partnership
To seek to protect the wellbeing of employees and residents.	✓ The Council is working to improve health, wellbeing and life chances in Manchester by shifting services towards those which focus on prevention of problems and which intervene early to stop existing problems getting worse. The Health and Wellbeing Board (HWB) provides oversight of strategy setting, and promotes partnership working to achieve this objective. ✓ Separately from the role of the HWB, 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 Health and Wellbeing Board

Principle 3: Promoting the values of the Council and demonstrating values of good governance through maintaining high standards of conduct and behaviour.		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
To ensure its values are put into effective practice.	✓ 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.	The Council's Values The People Strategy
To ensure Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.	✓ The Council has a Code of Conduct for elected and co-opted Members, which is part of the Constitution (part 6, section A), as required by the Localism Act 2011. This requires Members' interests to be published in a Register, which is available online. ✓ The Standards Committee champion high standards of ethical governance from elected members and the Council as a whole. In 2014/15 it has overseen improved guidance for members on the appropriate use of Council resources, for example, ICT equipment. ✓ The organisation's Behavioural Framework articulates the key behaviours required within the workforce to support Public Service Reform. ✓ The Council has a zero tolerance approach towards fraud and corruption and this commitment is set out in the Council's Anti-fraud and Corruption policy. ✓ The Whistleblowing policy provides protection for individuals who raise any serious concerns they have about suspected illegal or illegitimate practices at the Council and explains how these will be investigated.	Local Code of Conduct for Members Members' Register of Interests Standards Committee Whistle Blowing Procedures

Principle 4: Taking informed and transparent decisions that are subject to effective scrutiny and managing risk		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
To be rigorous and transparent about how decisions are taken, and have effective measures to hold decision makers to account. The Council will listen and act on the outcome of constructive scrutiny.	✓ The Council's decision making process is clearly defined in its Constitution. ✓ All Council and Committee meetings are held in public with agenda and reports being produced in paper form and online. Live streamed webcasts of Council, Executive and Scrutiny committee meetings are available online, as well as in an archive which can be accessed on-demand. ✓ To promote transparency and wider engagement with Council decisions, residents can use Social Media to get updates from and interact with the Council. ✓ The Council publishes a Register of Key Decisions to notify the public of the most significant decisions it is due to take. ✓ The Council has six scrutiny committees which hold decision makers to account and play a key role in ensuring that public services are delivered in the way residents want. ✓ The Council follows the Local Government Transparency Code 2014, which includes requirements and recommendations for local authorities to publish certain types of data. ✓ The Council has an "Open Data" website to meet its commitment to publishing as much non-personal data as possible. This means partners and the public can freely make use of it, supporting transparency and accountability. ✓ 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	Constitution Council Meeting Agendas and Reports Online Videos of Council Meetings Social Media Updates Register of Key Decisions Scrutiny Committees Open Data

	regulations are complied with.	
Decision makers will have good-quality information, advice and support to ensure that the Council delivers services effectively to meet community needs.	✓ The Council maintains an Intelligence Hub, an online interactive tool for accessing ward-level statistics about the city. ✓ The Joint Strategic Needs Assessment statistics about the health of the population of Manchester provide the evidence base to support the Health and Wellbeing Board in the delivery of its aims; to improve the health and wellbeing of Manchester residents and reduce health inequalities. ✓ The Council ensures that it complies with its obligations under the Equality Act 2010, by having a robust Equality Impact Assessment (EIA) framework in place that informs decision making and budget considerations. ✓ The Council participates in the use of the Equality Framework for Local Government (EFLG). Assessment against the criteria allows it to measure how well it is performing in terms of equality activities and outcomes, and helps it to drive forward improvements. In 2015 the Council was assessed against this framework and rated as “Excellent”.	The Intelligence Hub Joint Strategic Needs Assessments Equality Impact Assessment Framework The Equality Framework for Local Government
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.	✓ 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 the Council’s objectives. ✓ Risk management is a key tool in ensuring maximum value for money and effective deployment of available resources. ✓ The Council has a risk management methodology which involves the following sequence; clarify objectives, identify the risk, record existing controls, evaluate the risk, assess acceptable levels of risk, identify responses to risk, identify risk owners, create risk register and record actions, and finally report and review.	Corporate Risk and Resilience Strategy 2014/15 Corporate Risk Register

	✓ A comprehensive risk management toolkit is available for officers to ensure consistency; this is supplemented by advice and guidance, workshops and training, including new online e-learning courses.	

Principle 5: Developing the capacity and capability of Members and officers to be effective		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
To ensure Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles.	✓ 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. ✓ A Skills Development Board works to ensure the delivery of the People Strategy objectives. ✓ 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. ✓ New Members receive an Induction and training throughout the year. The form and content of the Induction is reviewed annually with Members. Regular meetings to discuss the development needs of Councillors take place with the Deputy Leaders. ✓ Development opportunities are available for all members throughout the year including courses delivered by the North West Employers Organisation, Online e-learning and in-house briefing sessions. In 2014/15 a number of courses took place and they included; Introduction to Scrutiny, Scrutiny workshops, Carbon Literacy, The social and economic benefits of culture in Manchester, and benefits briefings.	People Strategy 2013/15.
Develop the capability of people with governance	✓ An Annual Members' Assurance Statement is compiled to identify governance challenges relating to the roles of elected members.	

responsibilities and the organisation's understanding of governance	✓ The Council regularly updates its 'Handbook' which includes guides for staff and elected members on all aspects of the Council's governance arrangements in plain, clear terms. This is easily accessible by all staff, and it is actively promoted. ✓ Revised Use of Council Resource Guidance for members has been published incorporating advice from Standards for England. ✓ A Members' Update on Ethical Governance has been produced, which contains details of the Department for Communities and Local Government's (DCLG) guidance on, for example, openness and transparency of personal interests.	Use of Council Resources Guidance for Members Members' Update on Ethical Governance
To ensure people can engage with the work of the Council and have opportunities to seek election to the Council.	✓ 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, and publishes guidance on its website. ✓ The Council has continued to support and develop a Youth Council to ensure young people can become involved with the work of the Council.	Consultations portal. Standing for Election Guidance Manchester Youth Council

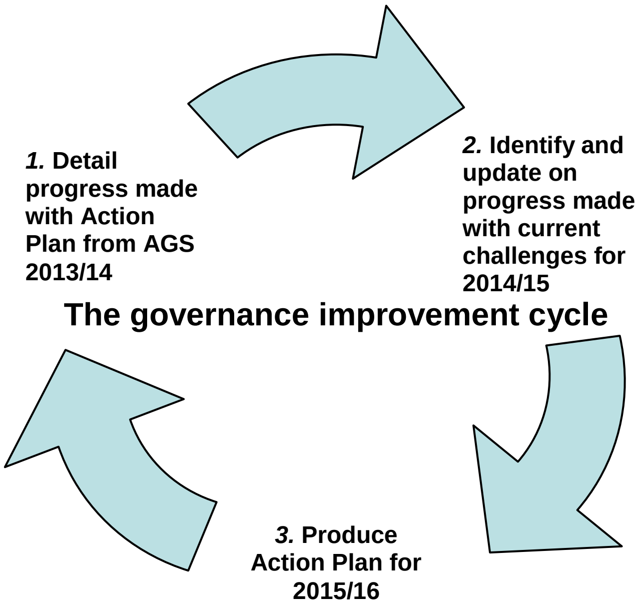
Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
To exercise leadership through a scrutiny function that engages local people and partnerships and develops constructive accountability.	✓ 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. The Council self-assesses against these standards annually.	Scrutiny Committee news bulletins Audit Committee

To 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.	✓ The Manchester Leaders' Forum is in place so that the Council can develop effective relationships with leaders of other organisations. The Forum will communicate and drive forward the city's priorities.	Manchester Leaders' Forum
	✓ The Council supports different ways for residents to present their and their communities concerns to elected members, for example via Ward Co-ordination.	
	✓ 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. There is a Social Media Code of Practice for staff in place to ensure a consistent approach, security of information, and avoid reputational damage.	Social Media Updates
	✓ A quarterly telephone survey is carried out to understand residents' perceptions of issues in their area. Results are publicly available via the Intelligence Hub.	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 have included the Council's 2015/17 Budget, and the Wilmslow Road Cycleway.	Consultations Hub
	✓ The Annual Report provides a concise and clear summary of the Council's activity over the previous year, so that residents can see where money has been spent and what this has achieved.	Annual Report
To meet consultation and engagement responsibilities to staff, and agree and enact policies which make best use of human resources.	✓ 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.	
	✓ There is effective engagement with staff via appraisals and one to ones, and the staff magazine "Cascade".	
	✓ Feedback from staff is gained by assessment against the Investors In People framework.	

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.

5.2 As well as providing overall assurance about the Council's governance arrangements, the review mechanisms detailed in this section are used to identify governance challenges. This process takes place in a cycle, to ensure a process of continuous improvement, as illustrated below. The next section details progress made in addressing these challenges.



Summary of the process of challenge and scrutiny by Council and its Committees

5.3 The Council has four bodies 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, oversees External Audit activity, 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.

Head of Audit and Risk Management Annual Opinion 2014/15

5.4 The review of effectiveness of the governance framework for the AGS is supported by the conclusions of the Head of Audit and Risk Management's annual assurance opinion for 2014/15, which is reported to Audit Committee. Production of an annual opinion complies with the requirements of the Public Sector Internal Audit Standards (PSIAS), the agreed professional standards for internal audit in local government under which the Internal Audit Service operate. The report provides overall assurance over the Council's internal control arrangements based on Internal Audit work, highlights matters for consideration and refers to plans for further assurance activity in areas of concern.

5.5 The Head of Audit and Risk Management could provide **moderate** assurance that the Council's governance, risk and control framework is generally sound and operated reasonably consistently. Overall governance, financial management arrangements, core systems and processes across the Council remain sound. Priorities and objectives are set through a clearly defined process that links budget, business and workforce planning with multiple layers of officer and Member challenge and scrutiny. There are many areas of innovation and excellence in risk and control as reflected in areas such as partnership working, devolution, reform, regeneration and city wide resilience.

5.6 However there are some key areas where improvement is required. In all of these the risks and issues are understood, improvement plans are in place with associated investment of resources and there is a positive capacity to improve. The delivery of improvement plans is underway but the risks that are presented in these areas currently impact on the overall level of assurance that can be provided for 2014/15. The key governance, risk and internal control issues of which the Head of Audit and Risk Management was made aware during the year, that impact the overall opinion related to:

- Children's Services - The Ofsted inspection in July 2014 reported an overall opinion that arrangements in place for Children's Services in Manchester were inadequate. As a result an independently chaired Improvement Board was established and an Improvement Action Plan developed to address the main recommendations made in five key assessment areas. Capacity and resources, senior management oversight and operational systems have been strengthened, including interim appointments and external support. Actions are underway to address areas such as Child In Need backlogs but sustained focus on delivery of plans must be maintained to ensure that the risks raised by Ofsted are fully addressed.

- Children's and Families Compliance – A number of limited assurance opinions were issued in the year in respect of Children and Families as referred to later in this report. These were in areas where management were largely aware of risks and concerns, particularly in the delivery of operational services, and audits were intended to help drive improvement in the face of increased demand, change and reduced resources. Nonetheless this is a cause for concern to be addressed with follow up planned in early 2015/16.

- Within ICT there remain key challenges to be addressed in terms of security, resilience, bringing more applications to the latest upgrade versions and the prioritisation of projects to provide infrastructure resilience and support the transformation to the scale of Council ambitions. There have been delays in the delivery of key projects including the data centre move, Public Services Network compliance and Digital Workplace Strategy that were originally planned for completion by year end. Plans to address this slippage have been established, external support is in place and a new senior management structure is due to be approved. In addition an updated ICT strategy, governance arrangements and new operating model are being developed to respond to these key risks.

- Continued progress has been made in year in developing information governance, information security and data protection arrangements across the Council. Despite positive developments a consensual audit by the Information Commissioner's Office in December 2014 assessed the Council's arrangements as limited. In response an action plan has agreed and implementation of recommendations is underway and will form part of an annual Information Risk Assessment and Assurance Plan to be agreed by the Corporate Information Assurance and Risk Group in May 2015.

- In the year we have issued a number of "limited assurance" opinions but have not issued any "no" assurance opinions. Where our audit work has highlighted areas for improvement recommendations have been made to address the risk and management action plans agreed or advice and guidance given to make changes.

- The context in which the Council operates remains a fundamental challenge to corporate objectives and delivery. Savings plans have been established for 2015/16 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 change required including reduced levels of resourcing and organisation change remains a fundamental risk to the control environment and needs to be effectively managed.

- There is unprecedented opportunity presented by changes in partnership working across health with additional opportunities presented by agreements supporting a Greater Manchester (GM) approach to public service reform and fiscal devolution, as well as business rates growth retention. These enable the Council, AGMA and partners to make fundamental changes to design and delivery of public services at scale and deliver improved outcomes within available resources. We have worked actively with management to identify and examine the areas of potential risk and support them in anticipating future risks and challenges this year and beyond.

Annual Review of the System of Internal Audit 2014/15

5.7 In accordance with the requirements of the Accounts and Audit Regulations 2011 an annual review of the system of internal audit was undertaken as part of the Council's governance assurance processes. The 2014/15 review demonstrated there was an effective system in place including a policy framework, internal audit function, Audit Committee and effective management engagement. Internal Audit operates in line with the PSIAS and codes of ethics for the delivery of audit work. The 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 confirmed they take assurance over the quality and extent of audit work done in 2014/15 including assurance over core financial systems and agreed the approach taken in the 2015/16 audit plan.

External Auditor's Review of the Effectiveness of Governance Arrangements

5.8 The Council's external auditor, Grant Thornton, produces an Annual Audit Letter which summarises the key areas highlighted by the work they have carried out. The Annual Audit Letter 2013/14 was reported to Audit Committee on 3 December 2014. The main conclusions of the Audit Letter regarding the key assessment areas were:

Value for Money;
"In September 2014 a report by the Office for Standards in Education, Children's Services and Skills (Ofsted), concluded that the overall arrangements for ensuring the effectiveness of Children's Services at the Council and the Local Safeguarding Board in the Manchester City Council area were judged to be inadequate. We comment further on the impact of the Ofsted report on our VfM conclusion on pages 7 - 9 of this report.
On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, with the exception of the matter reported above, 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 2014.
We issued a qualified ('except for') VfM conclusion for 2013/14 on 30 September 2014."

Annual Governance Statement;
"The Council has a robust process in place for preparing its AGS and this allows for senior officer and member scrutiny of the draft document at an early stage. We concluded that the AGS 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;
"We issued an unqualified opinion on the Council's and the Group 2013/14 financial statements on 30 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council."

5.9 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 External Audit Recommendations Monitoring Report was presented to Audit Committee on 26 March 2015 and the next report will be in September 2015. An explanation of what the Council is doing to address the improvements required following the Ofsted inspection is given in the next section.

Annual Review of the role and responsibilities of the Chief Finance Officer

5.10 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.

5.11 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 within Manchester City Council, given his role as the City Council's Section 151 Officer and City Council 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 across services

5.12 As part of the process of identifying any areas where governance needs to be strengthened across the organisation, services complete an annual questionnaire indicating whether they comply with each of the criteria in the Code of Corporate Governance. Analysis of the responses shows compliance with the Code is generally robust, but it has also identified areas to be strengthened, for example through the business planning process. Examples include;

- The Council's strategic priorities (as set out in the Community Strategy) need to be better understood and embedded in the work of individual services.
- Further improvements need to be made in information governance processes, and their understanding and implementation by staff.
- Further work needs to be done to ensure effective risk management methodology is understood and embedded across all services, which supports the priorities of the Risk and Resilience Strategy.

Evaluation of the effectiveness of processes to gain assurance about the robustness of governance arrangements in the Council's Significant Partnerships

5.13 The Council has a standardised approach to managing its partnerships as detailed in the Partnership Governance Framework. This supports officers and stakeholders in ensuring that good governance is understood and embedded from the outset, and throughout the lifetime of all partnerships. The governance arrangements of the Council's partnerships which are on the Register of Significant Partnerships are self-assessed annually, to provide assurance that effective arrangements are in place, and to highlight any governance challenges which need to be addressed.

5.14 The annual self-assessment process has been developed so as to provide clear accountability, and robust scrutiny and challenge. It can be summarised as follows;

Self-Assessment
An Officer assesses a range of assurance criteria, for example Finance, and Audit and Risk Management arrangements for each Partnership. A recommended assurance rating is provided.

↓

Independent Review
An independent panel of Officers review assurance ratings proposed for all the Partnerships, to assess whether sufficient evidence has been given to support the assurance level recommended.

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Strategic Management Oversight
Senior Officers oversee the proposed ratings to ensure they accurately reflect their knowledge of the partnership.

↓

Audit Committee
The Committee provide scrutiny and challenge of the Register.

5.15 The Council works to continuously improve both governance in partnerships, and the assessment process. For partnerships where the process has identified that there are governance challenges, every six months Audit Committee scrutinises the progress which has been made to implement improvements. The assessment process is also reviewed annually, for example in 2014/15 greater rigour has been provided by more in-depth assessment questions, and an increased focus on the evidence to support ratings which state high levels of assurance and low risk.

Leadership of governance and internal control

5.16 Responsibility for governance and internal control lies with the Chief Executive and the Strategic Management Team (SMT). There is an annual meeting of key SMT Leads, where emerging governance issues are considered so that improvement actions can be put in place, as detailed in the following section.

External inspection agencies

5.17 The Office for Standards in Education, Children's Services and Skills (Ofsted) inspects and regulates services which care for children and young people and those providing education and skills for learners. It publishes all school inspection reports on its website, in addition to the inspection reports for the services for children and families which the Council provides. Following on from Ofsted's "inadequate" judgement relating to Children's Services and the Safeguarding Board in September 2014, the Council has put in place a number of measures to bring about improvements. This is explained in the following section.

5.18 The Care Quality Commission (CQC) is the regulatory body responsible for the quality of health, mental health and adult social care services in England. The CQC advises

Councils that, although not a statutory requirement, it is good practice to produce "local accounts". 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 Council's Local Accounts are reviewed by Health Scrutiny Committee.

6 Progress in addressing the Council's governance challenges

This section provides an update on progress made addressing the Council's governance challenges which were identified in last year's 2013/14 AGS, and also on challenges identified in 2014/15. Challenges are grouped into themed areas where appropriate, and for those challenges where work has been on-going across more than one financial year, progress is shown chronologically.

Governance Area	Progress update for challenge identified in 2013/14
Public Service Reform	*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.* The Work and Skills Board, which includes health and education partners, leads this area of work setting priorities through the Work and Skills Plan for 2013-16, and reporting progress to Economy Scrutiny Committee. Key work of the Board has included; • Oversight of and Involvement in the implementation of the new Working Well service, which is supporting Employment and Support Allowance claimants overcome barriers to find work through motivational interviewing and an integrated service approach. • Support of the successful GM bid to Government for £2.6m of funding, to deliver employment support to residents with mental health conditions from April 2015. (This has now been aligned with the GM Devolution Agreement.) • Development of the Employment and Skills strategy which will provide a framework to help to ensure Manchester residents benefit from employment growth within the city. • Development of intelligence on training funding for Manchester residents aged 16+, to support adult training providers in the city to better plan their curriculum to meet employer demand. *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.* *Living Longer, Living Better (LLLB)*

	• The governance of the programme has been developed in conjunction with the Advancing Quality Alliance (AQuA), to allow effective working with all partners to take place. Progress is reported to the Health and Wellbeing Board and the Health Scrutiny Committee. • The programme's Citywide Leadership Group (CWLG) has developed a Strategic Plan, which means all partners now have shared objectives and timescales to work towards. The CWLG engages with other organisations and services outside of the core partners. For example work with the Age Friendly Manchester Team who are helping to develop LLLB-related services for older people in the city. • Manchester's Better Care Fund submission was approved by NHS England in 2014, and demonstrated strong examples of partnership working in action. By engagement with other programmes and organisations the programme is ensuring good practice in the city is adapted and adopted rather than reinvented. *Confident and Achieving Manchester (previously called complex dependency)* • The Partnership Board brings together partners across the public sector, for example the Police, Job Centre Plus, Probation Rehabilitation Company, Registered Providers, and Health. Progress is reported to Economy Scrutiny Committee. • The Board has helped to generate stronger commitment from partners to scaling up the delivery of support for people with complex needs. A number of partners have now dedicated their staff to be Key Workers, and to the city-wide Multi Agency Safeguarding Hub. The Board has helped to build partner engagement in the design of Early Help Hubs, which are multi-agency hubs of frontline professionals, and will go live in September 2015 in three areas of the city.
Progress update for challenge identified in 2014/15	
Health and Social Care Reform	*Understanding the likely financial impact of the implementation of the Care Act, and implementing its provisions within governance arrangements.* Implementation of the Care Act commenced in April 2015, however some of the key financial requirements will not come into effect until April 2016. There is a significant amount of work which has taken place, and is on-going in

	advance of full implementation; • Review resources required to support an increase in assessment and support planning activity. • Determine impact of new regulations on demand for services due to the changes to criteria. • Implement a national deferred payments scheme. • Estimate the number of people who may need advocacy. • Review carers services to ensure they are fit for purpose and Care Act compliant. • Define and deliver workforce development needs. • Undertake financial modelling of what the future cost will be, for example new payments to eligible carers. To ensure a co-ordinated approach to the implementation of the Act, a Care Act Board has been put in place to oversee governance arrangements, this is led by the Strategic Director for Families, Health and Wellbeing. The Board oversees a number of parallel areas of implementation work; • Specialist approaches across Greater Manchester. • Integration and partnership working. • Wellbeing and prevention. • Advice and information. • Commissioning strategy. • First contact and identifying needs. • Assessment and person centred planning. • Carers. Additional strategic capacity has been employed to lead the Care Act Board and this has been funded through an implementation grant of £125k. Further funding has been made available through the Local Development Fund which was approved at Health and Wellbeing Board and this has funded the work detailed above. This additional cost of the work above has been c£850k. The requirements have been approved at the Health and Wellbeing Board and the Care Act Board. Looking forward to 2015/16, costs will increase as more citizens request assessments and the Act is fully implemented. Likely costs for 2015/16 are estimated between £3.5m and £5m. The funding will be from a combination of Department of Health grant, Better Care Fund allocation and Council allocation as part of the budget process.

	Developing Health and Social Care integration. The Council is addressing governance challenges which fall into the three broad areas; 1) Enabling change at the required pace and scale. Because of the complexity of the delivery environment, with multiple partners in the LLLB programme, it is key that effective oversight and scrutiny is in place to assure quality. Two complimentary programme boards are in place, which allow the Council to interact effectively at both local and citywide level with its core partners. The programme boards oversee specialised workstreams organised by task, for example workforce, and ICT. 2) Council staffing capacity to input effectively into programme governance. As a citywide commissioner and provider, the Council contributes to governance forums both on a citywide, and a health locality level with hospital trusts and Clinical Commissioning Groups (CCGs). This presents a challenge in terms of availability of officers at management level, in light of reductions in numbers over the last three years. To address this, extra capacity has been engaged in the form of an Interim Head of Adult Social Work and Care Act Implementation which should support addressing challenges in this area. 3) Multiple decision making forums The complexity of programme governance arrangements provides a challenge in terms of providing the right information, in the right place, at the right time, and ensuring all eight partners are moving at the same pace. To address this there is a workstream in the programme dedicated to communications, with a responsibility to coordinate the dissemination of relevant, timely and consistent information throughout organisational governance structures.

Governance Area	Progress update for challenge identified in 2013/14
Implementing Savings	*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.* The Council has developed its medium term financial plan alongside the Manchester Strategy in the context of, • Continued population growth. • Constraints of the current Local Government Financing System, including a disproportionate share of reductions. • Delivery of circa £55m savings for 2015/16, whilst maintaining capacity to deliver strategic priorities. • Challenge of achieving the reduction in demand for targeted and specialist services required to deliver a sustainable budget. When developing the budget options the Council considered potential impact on local communities, and alignment with the priorities of Growth, Reform and Place. Due to the scale of the funding cuts, difficult decisions have been made which include service reductions. Where possible the Council has focused on changes which do not undermine its ability to deliver on its priorities for the city, and which maximise levers and interventions available to make optimal use of resources and achieve the most progress towards objectives. Closer working with partners has been key to effective delivery, for example a more integrated approach to health and social care, and scaling up the multi-agency troubled families approach, in order to make effective use of limited resources. A full public consultation was carried out for the budget options. The Executive’s recommended budget, which included a full set of proposals to deliver a balance budget for 2015/16 was reviewed by Finance Scrutiny Committee, before final budget setting at full Council in March 2015.

Progress update for challenge identified in 2014/15	
Implementing Savings *(continued)*	*Delivery of the volume of savings required by the Local Government Financial Settlement* On 4 February 2013 the Government issued the local government finance settlement for 2013/14 and 2014/15 which led to the need for the Council to identify c£78m of savings across the two years of the settlement to meet the impact of the loss of resources and other budget pressures. In order to bring the budget into balance across the two years and to fund the unavoidable pressures a programme of savings was approved totalling £78m across the two years. £67.7m of savings were to be found from service expenditure with a further £10.3m of reserves to bridge the gap until savings associated with reducing demand for services for people with high levels of need can be fully achieved. When considering which services were to be reduced a range of factors including cost, efficiencies, impact on equalities and local factors such as resident need and access to services were taken into account. The savings were originally profiled at £35.6m in 2013/14 and £32.1m in 2014/15 however these were reviewed as part of the 2014/15 budget setting process and £1.7m moved to 2015/16 giving a revised 2014/15 target of £30.4m. The requirement to achieve savings of £30.4m during 2014/15 posed significant challenges and required strong governance processes to implement effectively due to the level of service changes proposed, together with the considerable reduction in the workforce. The savings represented a risk and not only assumed the planned reduction in the workforce would be achieved in a timely manner but also the service reductions would be implemented with sufficient pace. Overview and Scrutiny committees held special meetings to look at the Budget Proposals and their delivery. Where relevant, directorates carried out full and comprehensive Equality Impact Assessments (EIAs) on their budget proposals for 2013/15. The assessments considered in detail what impact the proposals could have on protected characteristics such as age and disability, and action that will be taken to mitigate the risk of disproportionate impacts upon those with protected characteristics.

	To address the issue of risk the budget savings proposals were phased in a proper and timely way. Officers satisfied themselves with the robustness of the planned service changes and their broad deliverability. Full year savings were not assumed in respect of every reduction proposal, but only where appropriate. Proposals were drawn up on the basis that Strategic Directors were satisfied that this would enable them to continue to meet their statutory duties and the needs of the most vulnerable. The achievement of the savings was monitored by SMT throughout the year via a detailed savings tracker which was in place to provide monthly updates. This gave assurance that the full target was expected to be broadly achieved by the end of the two year budget period, with mitigations in place for any savings which are not being achieved as originally planned. The vast majority of approved savings were achieved and those that weren't were mitigated in year. Of the £30.4m target c£25.8m was achieved in 2014/15 (85%). As part of the 2015/16 budget setting process a review of the delivery of 2013/15 savings was carried out to ensure that there were no additional cost pressures that would impact on the budget position in 2015/16. These totalled £620k in 2015/16 reducing to £270k in 2016/17. The remaining shortfall largely related to Looked After Children and was addressed as part of 2015-17 savings plans within the Children and Families Directorate.
Governance Area	**Progress update for challenge identified in 2013/14**
Partnership Governance of Mental Health	*Ensuring high standards of partnership governance: mental health and new ways of working.* There is a Strategic Partnership Board in place to take forward new proposals for mental health services. This is chaired by the Council's Chief Executive in partnership with the CCGs, the Chief Executive of the Manchester Mental Health and Social Care Trust and the national Trust Development Agency. Monthly Executive to Executive meetings take place between the senior leadership team at the Manchester Mental Health and Social Care Trust (MMHSCT), CCG Chief Officers and the Council. In addition monthly performance meetings take place between Council commissioners and the MMHSCT as well as quarterly contract

	monitoring meetings chaired by the Head of Strategic Commissioning. These meetings are productive for both parties. Together with the MMHSCT, officers from the Council have developed improved systems for recording and reporting of safeguarding issues. The Strategic Board is working with the Trust Development Agency, the CCGs and MMHSCT to determine the future strategic direction of mental health services.
Governance Area	**Progress update for challenge identified in 2013/14**
Protecting Information	*Protecting information and outcomes of the Information Commissioner's Office (ICO) audit*. A working group was set up under the leadership of the Head of Audit and Risk Management to ensure that continued progress was being made across the Council in protecting information in advance of the ICO audit. This focused on ensuring adequate resources were in place to drive forward actions in key areas including staff awareness, refresher training for staff who handle personal information and updating of policies and procedures. Progress in relation to preparation for the audit was reported regularly to the Corporate Information Assurance and Risk Group (CIARG) and to the Council's Senior Information Risk Officer. The ICO audit took place in December 2014. The auditors provided verbal feedback on a number of areas of good practice and in particular were positive about the overall governance arrangements, training and awareness and some aspects of the Council's approach to handling data subject access requests. The auditors highlighted positive practice including: • Roles and responsibilities recognised as suitable and in some areas, such as use of Directorate Senior Information Risk Officers and recent establishment of Subject Access Request Co-ordinators were described as good. • Communications, including the simplification of policies and procedures and development of intranet resources for Protecting Information were noted. • Work to develop a network of Information Asset Owners. • Work to train staff who had no access to IT. • High levels of expertise and qualifications in Legal Services.

	• Well developed systems and processes in Children's and Families. The Council had already identified areas for improvement across the Council. Some of these areas were reflected in the audit and included: • Appointment of an information governance lead to include Data Protection Officer responsibilities • Records Management and retention strategies. • Development of a formalised work plan and annual risk and assurance assessment by CIARG with reporting to SMT. • Standardising registers and risk assessments of 'information' assets including regular reviews of user access across key ICT systems. • Raising general staff awareness of the rights of individuals to request access to their personal data. • Standardising and recording the approach taken to review and justify the application of exemptions and redactions in Subject Access Requests.
Progress update for challenge identified in 2014/15	
Protecting Information *(continued)*	*Response to the findings from the ICO audit* Subsequent to the ICO audit in December 2014, the final audit report has now been received, which highlights several areas of good practice including: • The allocation of roles at a senior level to drive improvement. • The approach to staff training for those without access to e-learning. • Well developed systems and processes in place in specific service areas. • Development of an online information security reporting tool. There were, however, as expected some areas highlighted for development. As a result of the audit report, the Council's Information Assurance and Risk Group have agreed that information governance priorities for 2015 will include the completion of certain actions including:

	• Further progressing council-wide Governance arrangements through development of strategy, as well as risk assessment and an action plan (including key performance indicators) • Development of the Data Protection aspects of staff training modules • Further standardisation of processes and guidance for dealing with subject access requests • Ensuring key processes are further embedded across the Council – e.g. the use of privacy impact assessments to ensure that data protection is a key consideration in any change programme. Progress against the action plan will be overseen by the Council's Information Assurance and Risk Group (CIARG) and will be reported to Elected Members. There will be further assessment by the ICO of progress in achieving audit recommendations in September 2015.
Governance Area	**Progress update for challenge identified in 2013/14**
ICT	*ICT security, resilience and capacity to support transformation.* Progress in the development of the Council's ICT infrastructure continued in 2014 with update reports presented to Finance Scrutiny Committee and Audit Committee setting out the position on a number of major projects, improvements and remaining risks. Strategic leadership of the service transferred to the Deputy City Treasurer in September 2014. A subsequent process of service review and project stock-takes took place to ascertain the current position on the delivery of key priorities including security, resilience and support to transformation. This approach included a specific focus on the delivery of three major infrastructure projects and the new elections system to maximise the likelihood of completion in these critical areas by year end. Governance of ICT was also refreshed with a new Engagement Board, Directorate ICT Boards and ICT Task Group to support service development and delivery of priorities. ICT infrastructure resilience and disaster recovery arrangements are not yet where they need to be but they have been improved and further actions are underway to support continued development. Investment and actions to date have had a positive impact as highlighted in monthly performance reporting which has shown reductions in reported ICT incidents and a substantial reduction in the time taken to resolve major issues over the last 24 months.

	Whilst there have been positive developments in the year a number of major challenges remain in delivering secure, resilient, robust ICT arrangements consistently across the Council. The plan and programme of on-going service and infrastructure improvement was refreshed and finalised in January 2015.
Progress update for challenge identified in 2014/15	
ICT *(continued)*	*ICT strategy, capacity and governance including strengthening of Directorate ICT Boards* The successful delivery of Council priorities is dependent on a resilient ICT application and infrastructure estate to develop the platforms needed for future stability and performance. Building on the transition of strategic leadership of ICT to the Deputy City Treasurer in September 2014 a comprehensive review of the current services and structure of ICT was commissioned in January 2015. This review concluded in late February 2015. The Council has developed a partnership with Actinista Ltd to gain independent industry advice on the future operating model when considering the current position and future needs. This partnership has also delivered a review of the major infrastructure programme related to the exit of the Council's Daisy Mill data centre, Public Services Network (PSN) compliance, and has provided assurance and a planned approach to successful delivery. It has been identified that there are a number of capacity gaps across ICT which has in some instances impacted on progress of delivery. These gaps have been addressed in short term through the use of agency resources and will be resolved on a longer term basis through a full service redesign in line with the new operating model. The outcomes of this work has also identified significant gaps within the current structure and operating model in relation to leadership, governance and delivery. This has, in the interim, been strengthened through the development of new portfolio management and governance arrangements to strengthen the Council's project and service delivery arrangements. Again, this will be resolved in the longer term through the service redesign. A Governance and Project Management Office (PMO) function has been established, thereby ensuring that highly effective reporting and governance has been implemented. Following personnel committee approval on 24 March 2015 recruitment has commenced to permanently strengthen leadership across ICT and ensure the Council has appropriate skills and capability to deliver the

	services needed over the coming years. Once appointed, ICT will be led by a Chief Information Officer (CIO) who will sit on SMT thereby putting ICT at the heart of the Council's leadership, helping to drive business and ICT strategy. In the short term this is being led by an interim CIO. Additionally, three new appointments are being made at Business Partner level, one for each directorate so that ICT can take a directorate by directorate view of their needs. An ICT board is now in place and directorate boards are now supported by ICT. ICT infrastructure resilience and disaster recovery arrangements remain below the ideal level of effectiveness. Whilst the Daisy Mill programme continues to progress, and facilities move to the Sharp Project, the Council will remain exposed to a degree of risk once this is completed but will benefit from greater resilience. The Council recognises the need for a strategic solution to be put in place to resolve this situation and will go to market in the second half of 2015.
Governance Area	**Progress update for challenge identified in 2013/14**
Internal communications, and staff development	*Internal communications, training and support.* This challenge was identified in particular relation to: • The effective communication of core policies and procedures to staff • Communication methods in Directorates related to embedding values in, and disseminating key policy information to front line staff, and new staff in teams • Ensuring and monitoring take-up of e-learning activity. The Council has a range of strategies in place both corporately and in individual Directorates to support communication and engagement with its employees. An action plan is in place to drive forward improvements, and key activities delivered or in progress aligned to this plan include: • The development of a corporate message calendar to more effectively schedule and coordinate key council internal communications • The re-focusing of the various corporate communications channels to ensure clarity of messages and enhance the opportunities for proactive communication

	• The development of a suite of communications toolkits for managers to provide support • The institution of a new corporate 'team brief' to cascade key messages from SMT level through managers to all employees • A programme of briefing sessions for the Council's Wider Leadership Team on key corporate priorities • Use of the Best Companies methodology to gain survey feedback from a sample of the workforce through the Workplace Insight Tool. SMT have taken a strong interest in this area and are driving the delivery of this action plan. They are also reviewing the communications resources available both centrally and in Directorates to ensure they are most effectively aligned to supporting this activity across the organisation. It is acknowledged that work is needed to strengthen the communication of the organisation's core workforce policies and procedures, and work is progressing to increase manager self-service and independence through improving this area. A range of activity is in place to support the understanding and delivery of public service reform and the needs for behaviour change to support new ways of working. This work is taking place via pilot project groups, which have their own communication plans. A detailed Internal Communications and Engagement action plan was developed for 2014/15, with the aim of achieving outcomes including; • Staff being clear about the Council's vision and values and the behaviours that are expected. This will influence engagement and produce better results for the organisation. • Staff feeling listened to by managers and the senior management team • Improved morale amongst staff • More consistent and coordinated engagement around transformation, changes and new ways of working being cascaded from the top down • Staff who feel they have greater involvement in the organisation or empowerment in their role – being able to shape and influence strategies. • Improved health and wellbeing of the workforce, lower levels of absenteeism and higher levels of productivity.

	In terms of E-Learning, this tool remains critical for the delivery of a number of core and bespoke training packages to a large number of the workforce with over 6,700 staff now having access to this tool. The need for effective communications and reporting to encourage and monitor the take-up of E-Learning has been acknowledged with focused and coordinated campaigns delivered around key training modules.
Progress update for challenge identified in 2014/15	
Internal communications, and staff development *(continued)*	*Improved internal communication of governance and strategy.* The Council is updating its online “Handbook” for staff. This guide is in place to help officers and Members to understand and perform their duties. It brings together and summarises the various codes, policies and protocols concerned with the governance of the Council. Throughout the guide there are signposts to more detailed policies and procedures and information about who staff should contact for help. As well as being promoted on the intranet, regular section highlights will be emailed to ensure staff are aware of guidance that might help them. As the new Manchester Strategy 2015-2025 is developed clear communication and engagement will be vital, to ensure that staff working in all service areas are aware of the Council’s strategic priorities and the part that they can play to deliver the strategy. The following actions are being put in place to enable this; • The Manchester Leaders’ Forum has been fully engaged in the development of the Strategy, and a draft version of the strategy was taken to the forum in March 2015. • The views and input of Members will be obtained at Finance Scrutiny Committee, prior to the public consultation in summer 2015. • Presentations will be made to Manchester Partnership Boards at key points in the strategy’s development. • A full internal communications programme will be put in place to ensure that all staff are aware of the process and understand the Council’s strategic objectives. • Following public consultation, the new strategy will be approved by full Council.

Governance Area	Progress update for challenge identified in 2014/15
External Inspectorate Ratings	*Addressing the governance challenges highlighted by the OFSTED Inspection through the OFSTED improvement plan.* Following the “inadequate” Ofsted judgement for the effectiveness of Children's Services at the Council and Manchester Safeguarding Children’s Board, the detailed report findings highlight several challenges to be addressed. An Improvement Board, which has both an Executive and an Operational function, has been set up to provide governance of the programme of required improvement work. In conjunction with partners, the Board has developed an Improvement Plan which sets out how the Council will address the recommendations in the Ofsted Report and the Department for Education (DfE) Improvement Notice. The Improvement Board; • Has agreed performance targets and timescales for delivery • Monitors progress against objectives • Reviews and manages risk, and provides challenge • Listens to the views of all stakeholders The Executive Board drives the delivery of the Improvement Plan, focusing on quality assurance, performance, mitigating risk and ensuring sustained change of improvement to services for children and families. The Operational Board is responsible for ensuring the experience of front-line staff informs decision making. It also makes sure the views of children and families are considered, and that there is effective communication and engagement with staff whilst the improvement work is carried out. Oversight of the improvement work is provided by Executive Members. This ensures senior officers are held to account for making swift and sustainable improvements. An Ofsted sub group of the Young People and Children Scrutiny Committee scrutinises the evidence to support the progress made by the Executive each month.
Governance Area	**Progress update for challenge identified in 2014/15**

Devolution	*Preparing to integrate the governance changes and new powers from the Devolution announcement within the Council's governance arrangements* In November 2014 the Chancellor of the Exchequer and the leaders of GMCA signed a devolution agreement, which will result in new powers and responsibilities for Greater Manchester. Following on from this, a new governance model is being developed for GM, and these arrangements will need to integrate with Manchester's governance. The changes will lead to a number of governance challenges which the Council is, or will be taking steps to address. These include; • Effective management of the capacity in place to support work which is happening at a GM level. • Ensuring the Council is appropriately represented in the decision making process. • Reflecting devolved responsibilities in the new Manchester Strategy and the Council's priorities for the City. • Alignment of the budget and business planning process. • Setting a clear work programme to enable effective implementation of the devolution agreement in Manchester, on all areas including health and social care, employment and skills, and measures supporting economic growth. The Council will be represented in all of the key GM member and officer governance groups on devolution, including the Combined Authority, AGMA Wider Leadership Team, and Executive groups to support themes of the devolution agreement. Implementation in Manchester will be led by SMT, with the Manchester Investment Board coordinating effective engagement with the Council's partners. Subsequent to the original devolution agreement, the GM CCGs and Local Authorities have signed a Memorandum of Understanding with HM Treasury to devolve the £6bn health and social care budget to GM. A delivery plan is in place, and governance arrangements are being developed, which will lead to full devolution by April 2016. This commenced with the establishment of shadow governance arrangements from April 2015, and the principle of "decisions about GM being taken within GM". As part of this agreement, GM will submit a plan which states how it will deliver financial and clinical sustainability in the context of the NHS "Five Year Forward View". The GM Plan will be built from locality plans based upon CCG and Local Authority footprints. The Council's Locality Plan will be developed in 2015/16 and will be a shared

	plan across all the organisations involved, overseen by the Health and Wellbeing Board.
Electoral Reform	*Risk of reductions in the number of Manchester citizens registered following the implementation of Individual Electoral Registration* During the transition to Individual Electoral Registration from June 2014 to December 2015, national reports suggested that electoral registers would be less complete and accurate than under the household system because people may not realise that they are required to register to vote individually and to register every time they move house. These reports highlighted that those local authority areas with large numbers of students and high levels of population churn such as Manchester would be particularly affected. To mitigate this risk, Manchester's Electoral Registration Officer (ERO) undertook a wide range of activity designed to ensure people are aware of the need to register themselves to vote and how to do so. From June 2014 this included various correspondence to non-individually registered individuals and most recently to every household in January, doorstep canvass visits to properties in areas with low registration, community engagement and awareness activity, work with schools, colleges and Universities and a communications and public awareness campaigns during the summer of 2014 and between February and April 2015. These activities were designed to ensure that as few people as possible were unable to vote in May because they were not aware of the need to register individually, issues which relate largely to specific demographic groups, notably young people, students and people who move often for other reasons. As a result of the work undertaken by the Electoral Registration Officer, nearly 50,000 people registered to vote between December 2014 and April 2015, 12,000 of which registered in the three weeks before the election. The local government electorate for Manchester was therefore just under 365,000, which represents a decrease of 3,000 since the Local and European Parliamentary Elections in May 2014. In addition, the Returning Officer for the parliamentary election put in place robust arrangements to manage registration issues on polling day to investigate the registration history of every individual who sought to vote at their local polling station, but who was not registered to vote at their current address. This dedicated helpline managed nearly 3,000 calls on polling day, and provided advice and support to Presiding Officers and voters on electoral registration issues. As a result of all of this activity, only a small number of Manchester residents were unable to vote on 7 May because they had not registered to vote.

	The first full IER household canvass is due to commence in July 2015 and will be completed when the first full IER register is published on 1 December. For the reasons outlined above, Manchester will continue to face significant challenges to maintain a complete and accurate electoral register, particularly through this canvass. The Elections and Registration Project Board, chaired by the ERO, will continue to evaluate progress in this regard and take all necessary steps to address the anticipated reduction in the number of registered electors.

7. Future actions for further improvements to governance arrangements

The review of governance arrangements has identified ten main areas where the Council will need to focus its efforts during 2015/16, to address changing circumstances and challenges identified. 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 2016.

What action is to be addressed	**Who is responsible for delivery**
Ensure effective delivery of Care Act requirements from April 2015, and preparation for funding provisions in 2016.	Strategic Director (Families Health and Wellbeing)
Improving partnership governance: childrens' and adults' safeguarding boards, and mental health services.	Strategic Directors (Families Health and Wellbeing, Children’s Services)
Responding to the findings of the external peer review of Adult Social Services by the Association of Directors of Adult Social Services (ADASS).	Strategic Director (Families Health and Wellbeing)
Delivery of savings in line with the requirements of the final 2015/16 budget.	Chief Executive, City Treasurer
Continuing to make governance improvements through the Children and Families improvement plan.	Strategic Director (Children’s Services)
Continue to prepare to implement governance arrangements resulting from Devolution, including development of the health and social care Locality Plan.	Chief Executive
Governance and delivery of ICT infrastructure improvements.	Deputy City Treasurer
Health and Social Care integration.	Strategic Director (Families Health and Wellbeing)
Continue to implement recommendations following the ICO audit	City Solicitor, Head of Internal Audit
Robust Governance and delivery of the Capital Programme and Operational Property Estate	Deputy Chief Executive (Growth and Neighbourhoods), Director of Capital Programmes and Property

Conclusion

The governance arrangements as described above have been applied throughout the year, and up to the date of the approval of the Accounts, 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