

**Manchester City Council
Report for Resolution**

Report to: Audit Committee – 27 June 2017

Subject: Annual Accounts 2016/17

Report of: The City Treasurer

Summary

To report the 2016/17 Annual Accounts, which have been signed by the City Treasurer, to the Committee.

Recommendations

To note the unaudited 2016/17 Annual Accounts signed by the City Treasurer.

Wards Affected:

All

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to four years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Working papers – consolidation of 2016/17 accounts files

Report of the City Treasurer to Audit Committee 6 March 2017 – Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty

1.0 Introduction

- 1.1 This report sets out the process of approval for the annual accounts.

2.0 Background

- 2.1 The Accounts and Audit Regulations issued by the Department for Communities and Local Government set out the requirements for the production and publication of the Annual Statement of Accounts.
- 2.2 The accounts are not required to be approved by a Committee of the Council prior to their submission to the external auditors. The requirement is that, by 30 June, the accounts will be certified by the City Treasurer as providing a true and fair view of the financial position of the Council as at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.
- 2.3 Whilst it is not a requirement for the Audit Committee to approve the accounts before their submission to the external auditors it is considered good practice that the Audit Committee should have the opportunity to consider the unaudited accounts.
- 2.4 The audited accounts together with the external audit report will be considered at the Audit Committee meeting in August.
- 2.5 The dates for submission of the 2017/18 accounts to the external auditors and the issuing of the audit opinion are being brought forward to 31 May 2018 and 31 July 2018 respectively.
- 2.6 In preparation for this earlier deadline the 2016/17 accounts were submitted to Grant Thornton on 6 June, over three weeks earlier than the 2015/16 accounts.

3.0 Key Issues in the Annual Accounts.

- 3.1 The general fund outturn shows an underspend across all budgets, of £0.689m. The underspend results in a net transfer from general reserves of £1.251m after the budgeted transfer from reserves of £0.011m and the 2015/16 approved budget carry forward requests of £1.929m funded from the 2015/16 underspend (£1.991m). The general reserve, after this transfer, is £26.226m.
- 3.2 The Council's Revenue Outturn report elsewhere on this agenda gives further details on the outturn variations.
- 3.3 Accounting issues, including the restatement of the 2015/16 figures following new presentation requirements, have been addressed early with the external auditors. Further detail regarding these changes is included within this report.
- 3.4 The accounts are available for public inspection from 3 July 2017 to 11 August 2017. During this period the external auditor must give electors or any

representative of an elector an opportunity to question them about the accounting records of the Council.

4.0 Summary of the Annual Accounts

- 4.1 As referred to elsewhere on the agenda the revenue underspends on general fund (£0.689m) and on the Housing Revenue Account (£12.62m) totalling £13.309m translate to a surplus on the Consolidated Income and Expenditure Statement (CIES) of £8.865m as a result of accounting adjustments predominately in respect of capital transactions and pension related costs. The CIES is prepared in accordance with International Financial Reporting Standards (IFRS) which seeks to present the figures on a consistent basis across organisations to which they apply.
- 4.2 The Balance Sheet shows an overall increase in net worth of £119.837m. This is due to an increase in usable reserves of £25.415m mainly due to the increase in the airport dividend and the Our Manchester reserves set aside as funding in the 2017/20 budget plus the capital fund reserve to fund contributions to major capital schemes and the town hall reserve to fund revenue costs of the Town Hall project. Unusable reserves have increased by £94.422m predominately due to the increase in the revaluation reserve due to revaluations of non-current assets during 2016/17
- 4.3 The HRA reserve has increased by £4.981m to £90.991m during 2016/17.
- 4.4 A review has been undertaken of the amount provided for council tax bad debts for 2016/17 and prior years. As a result of improved in year collection rates and in the amount of arrears collected an amount of £5.492m has been released into the collection fund. Together with an improved council tax base this has contributed to a total surplus from council tax of £17.827m against an estimated surplus of £6.993m in January 2017. The Council's share of the surplus (£15.165m) is taken account when setting future years' budgets.
- 4.5 The 2017/18 budget contains the estimated share of the 2016/17 business rates surplus as calculated in January 2017. The total estimated surplus was £29.867m with the Council's share being £14.635m. This contained an assumption of the level of appeals that would be submitted against business rates valuations whilst the list was open for appeals. The level of appeals submitted up to 31 March 2017 was less than anticipated. This together with growth in the base has resulted in a total surplus from business rates of £42.862m. The Council's share of this surplus is £21.002m.

5.0 Presentation of the Annual Accounts

- 5.1 The annual accounts contain the following sections:
- The Narrative Report which sets out the background to the financial year including a summary of the Council's outturn position.

- The Statement of Responsibilities for the Annual Statement of Accounts which details the responsibilities of the City Treasurer.
- The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost of the Council's activities rather than the amount to be funded from Council Tax. The analysis of the CIES is by Council Directorate rather than by the standard service classification previously required by the Service Reporting Code of Practice (SERCOP). This is as a result of the Chartered Institute of Public Finance and Accountancy (CIPFA) consultation 'Telling the Story' the aim of which is to make the accounts more understandable to the reader.
- The Movement in Reserves Statement (MIRS) which explains the movement in the Council's usable and unusable reserves during the year.
- The Balance Sheet which shows the total assets, liabilities and reserves of the Council at the end of the financial year (31 March).
- The Cash Flow Statement which shows the reasons for the change in cash and cash equivalents during the year.

Each statement is preceded by a note explaining its purpose and followed by notes explaining the statements. As a result of the 'Telling the Story' consultation there have been changes in requirements for notes in 2016/17. These are:

- The Expenditure Funding Analysis (EFA) (Note 3) which shows the movement from the net expenditure reported to Members in the outturn report to the net expenditure reported in the CIES. The movement is split between those items that relate to the amounts charged to general fund and HRA reserves such as interest paid and received, levies and transfers to and from reserves and those that are notional accounting adjustments and shown in the MIRS such as depreciation and pension adjustments.
- The Note to the EFA (Note 4) shows further analysis of these items.
- Due to the change in the presentation of the 2015/16 figures from how they were published in the 2015/16 accounts a prior period adjustment note (Note 5) is included showing those changes.
- An expenditure and income analysis is provided (Note 11) which replaces the segmental analysis which was previously required.

The main statements and notes are followed by three further sections:

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

- The Collection Fund account reports on the collection of local taxes and their distribution to the Council, Greater Manchester Police and Crime Commissioner, Greater Manchester Fire and Rescue Authority and Central Government.
- The Group Accounts shows the full extent of the Council's economic activities by reflecting the full extent of the Council's involvement with its material group companies and organisations. These include Destination Manchester Ltd and the Council's share of Manchester Airport Holdings Ltd (35.5%).

5.2 Each of the statements is supported by explanatory notes to the accounts.

5.3 The Annual Governance Statement, which gives a summary of the Council's review of the effectiveness of its overall governance arrangements including its system of internal control, accompanies the accounts.

5.4 The presentation of the accounts is governed by the accounting policies that the Council is required to follow. Further information is shown in Note 6 - Accounting Policies and Concepts.

5.5 Valuations have again been commissioned for the land and building assets of Manchester Airports Holdings Ltd and Destination Manchester Ltd and these have been used to produce the 2016/17 Group Accounts. The accounting policies of companies within the group are therefore on the same basis as the Council as required by the Code of Practice on Local Authority Accounting.

6.0 Timeline of the Annual Accounts Process

6.1 The timeline for the completion and audit of the 2017/18 annual accounts is as follows;

- Handover of annual accounts to External Auditors – 6 June 2017
- Submission of unaudited annual accounts to Audit Committee – 27 June 2017
- Audit of annual accounts completed – 31 July 2017
- Submission of annual accounts, including amendments agreed during the external audit, to Audit Committee – 31 August 2017
- Issue of audit opinion by Grant Thornton – by 30 September 2017

7.0 Recommendations

7.1 Members are requested to note the unaudited 2016/17 Annual Accounts signed by the City Treasurer.



Annual Report Incorporating Statement of Accounts 2016/17

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Content

This document contains the 2016/17 Annual Report and the 2016/17 Annual Statement of Accounts. The Annual Report precedes the Annual Accounts and provides information about the Council including its role in Greater Manchester. It contains information on devolution, reforming public services, the Council's aims, objectives and values plus details of how the Council works and how it performed in 2016/17 in relation to value for money and other performance indicators. The Annual Report summarises the Council's areas of spent in 2016/17; and how that money was raised.



Annual Report 2016-2017

Our Annual Report

The Annual Report takes you through our funding, key activities and achievements to show you what we have achieved and how as we work together towards our goal of happier, healthier and wealthier lives for Manchester residents.

Our City

Manchester has entered a new and exciting phase of its evolution. Following the decline of industry in the twentieth century, Manchester has successfully reinvented itself as a city with a large and diverse population and economy, and now it is driving forward its ambitious new plan, Our Manchester.

Manchester continues to support the economic growth of Greater Manchester; is at the heart of work to create a thriving Northern Powerhouse; and is strengthening its global connections. The city's growing population was estimated to be just under 550,000 as at June 2016, and by 2025 Manchester is forecast to be home to over 644,000 people (MCCFM figures¹).

The city continues to develop at a fast pace and create economic growth and new opportunities for Manchester citizens. St. Peter's square has been transformed throughout the last year and forms a central part of Manchester's civic and new business quarter. The new tram stop, trees, benches and cycle racks have helped to create an integrated, pedestrianised space for everyone which represents dynamism, confidence and creativity. The year also saw the completion of Two St. Peter's square which now proudly sits alongside the impressive offices of One St. Peter's square, to provide 12 floors of grade A office space in the heart of the city.

World class infrastructure and connectivity is vital to drive growth and Manchester has continued to become more accessible and connected over the past year. The Metrolink's Second City Crossing (2CC) now provides a direct link between Victoria Station and St. Peter's Square, the popular Oxford Road corridor has been transformed into a pedestrian friendly bus and cycle boulevard to ensure quicker and safer journeys, and the direct flight route between Manchester and Beijing now allows up to 100,000 passengers to travel between the cities each year.

The city also has host of exciting developments in the pipeline including a Higher Education Campus around Etihad Stadium, which will deliver a wide range of sports related courses, as well as a host of major mixed use commercial and residential developments including Factory, St Michaels, First Street, Mayfield, Noma and Oxford Rd Station.

The challenge for Manchester is to ensure all Mancunians and communities are connected to the opportunities presented by the city's success.

¹ Figures informed by a forecast (MCCFM W2016) by Public Intelligence, PRI, 2017. Manchester City Council's forecasting model (MCCFM) enhances ONS data by combining it with recent local administrative data. These are considered more accurate for the locality, but may not accord with officially published estimates.

Our Strategy and Objectives

Our Manchester is the new strategy for the city and it sets out the city's priorities up to 2025. Manchester residents and partners helped to develop the strategy with over 2,300 people and organisations contributing their views.

The shared vision is that in 2025 Manchester will be in the top flight of world-class cities. It will be a well-connected city with a competitive sustainable economy. It will have highly skilled, enterprising and industrious people from all backgrounds who feel safe, succeed and live well in neighbourhoods that are green, clean, attractive, and culturally rich. The [Our Manchester Strategy](#) which can be read in more detail on our website has five main themes:

- A thriving and sustainable city.
- A highly skilled city.
- A progressive and equitable city.
- A liveable and low-carbon city.
- A connected city.

The city will invest in growth and support our more vulnerable residents into independence through public services working together and supporting families to address problems early before they develop into crises.

On the way to 2025, we have set our objectives for the next three years ensuring that we invest in what Manchester people have said they value most. We aim to...

- Fix and Improve roads, bus and cycle lanes
- Have fewer children in care
- Increase recycling and reduce waste
- Have cleaner and greener places
- Integrate Health and Social Care
- Improve School Results
- Have better and affordable homes
- Get more people into work and support people to develop their skills and get better pay.

Our performance against all the goals of our new strategy will be reported each year in the [State of the City Report](#) which will be published on the Council's website in October.

Our City-Region

Now more than ever, Manchester's success is linked to that of its city-region. Greater Manchester (GM) is one of the country's most successful city-regions and is home to more than 2.7 million people. The Greater Manchester Combined Authority (GMCA) is made up of the ten GM Councils who work together with local services, businesses, communities and other partners to improve the city-region. Elections held on 4 May 2017 enabled the people of Greater Manchester, for the first time, to elect a Mayor of Greater Manchester. The Mayor will chair the GMCA.

The vision of GMCA is to make GM one of the best city-regions in the world. The Greater Manchester Strategy 'Stronger Together', sets out GMCA's vision that by 2020 the 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. The strategy fuses together strong plans for reforming public services with a continued drive for growth and prosperity. Whilst GMCA has met many of its strategy's priorities, ultimately, success will mean eliminating the gap between resources spent on public services and taxes raised, so that GM is self-reliant and contributing to national wealth.

GMCA has driven devolution and negotiated the transfer of powers, budgets, and responsibilities from government to the city region. As a result, decision-making on crucial public services in GM like transport, planning, health and skills has moved closer to GM people. With more decisions being made locally, the needs and aspirations of local people can be better met. With a raft of new devolved powers, GMCA has begun to develop plans for the future. Throughout 2016-17, GMCA consulted with local people, businesses and others to develop 'Greater Manchester 2040: Strong People, Strong Place'. This new strategy sets out the vision of how Greater Manchester should grow, change and develop over the years up to 2040.

Our Governance

The Council is committed to the highest standards of conduct; and to progressing towards the vision for the city with robust controls over the use of its resources, intelligent and open decision making, and adhering to the highest standards of accountability and transparency.

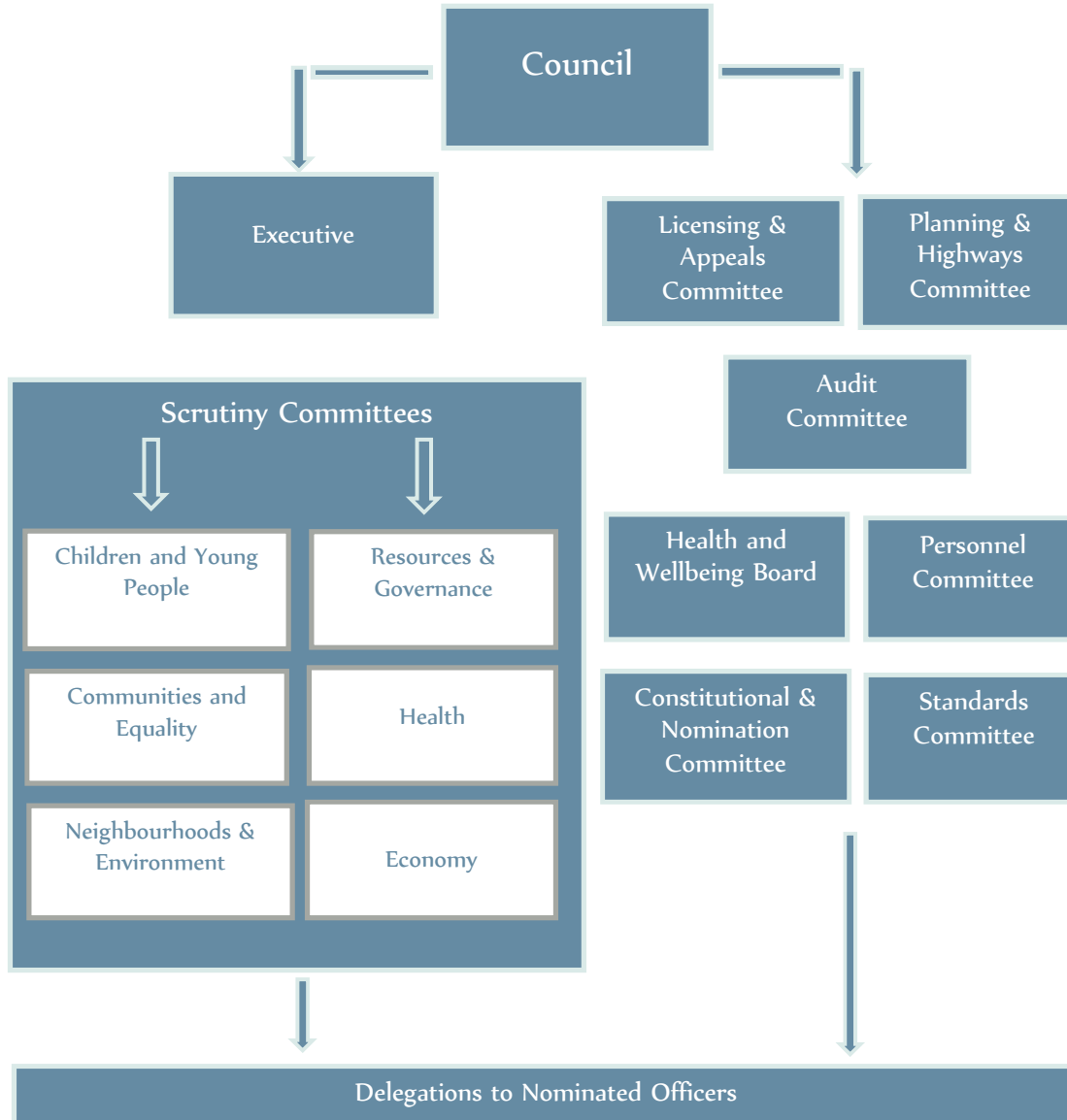
The Council takes decisions every day that affect the city and its residents. The most significant of decisions are taken at the Full Council meeting, such as setting the Council's budget. Decisions are also taken at the Executive or at other Council's Committees as appropriate, such as the Planning and Highways Committee which makes decisions regarding planning permissions. More frequently taken decisions in relation to the general running of the Council's activities are delegated to Council officers to make to ensure decision making is carried out efficiently.



We are committed to making our democratic processes as open and transparent as possible, making it easier for our residents to see how the decisions that affect them, their neighbourhoods and their communities are made. Council and Committee meetings are, with very limited exceptions, held in public and the public are welcome to attend or even watch those meetings which are broadcast live on the Council's dedicated [webpage](#).

Public attendance and participation occurs regularly at Planning and Highways Committees and is also common at Scrutiny Committees. Residents might speak at committees to give their opinions on planning applications or proposed changes to service provision for example.

The chart which follows shows the structure of the Council's decision making process.



The Council’s decision making process is designed to enable the organisation to take decisions efficiently and effectively with the most significant decisions reserved for Council to take with more regular, everyday decisions delegated to nominated officers.

For example only the **Council** meeting, where all 96 of Manchester’s Councillors meet together can decide the organisation’s overall budget, whereas it would be incredibly inefficient if decisions about issuing Fixed Penalty Notices were taken this way, and so these decisions are **delegated to officers**.

Council appoints one of its members to be the Council Leader, and the Leader then appoints other members to form an **Executive**. The Executive take decisions on a wide range of important matters to implement the Council’s budget and policies.

Some decisions are Non-Executive and these are outside of the Executive’s decision making powers. These include decisions to grant planning permission or a taxi license. Specific Committees are set up by the Council to take these decisions such as the **Planning and Highways** and **Licensing and Appeals Committees**.

The Council also sets up six **Scrutiny Committees**. These committees meet to inform and shape service delivery within their areas, making sure services are delivered how Manchester people would want. The Scrutiny Committees can also ‘call in’ and review major decisions taken by the Executive or by officers and either confirm the original decisions or recommend a different one. The Council also has:

- An **Audit Committee** to oversee the effectiveness of governance and risk management arrangements, internal systems of control, and anti-fraud and anti-corruption arrangement
- A **Standards Committee** to promote and maintain high standards of conduct by Council members
- A **Personnel Committee** to determine employee terms and conditions, grading of senior posts and pension policies
- A **Constitutional and Nomination Committee** to make recommendations to Council regarding byelaws, amendments to the Constitution and membership of committees and
- A **Health and Wellbeing Board** including the NHS and HealthWatch and senior Council Officers to work together planning, providing and commissioning health and social care services.

The Council sets out its commitment to the highest standards of governance in its Code of Corporate Governance which forms part of the Council's Constitution. The Code was updated to reflect the current practices of the Council and the most recent guidance² which came into effect last year. The Code has been highlighted by CIPFA as a good example of relating the principles of governance to the city's own values and objectives.

The Council is committed to reviewing its governance processes and systems of internal control on, at least, an annual basis, and considering the extent to which the standards in the Code have been met. The review is recorded in the Council's Annual Governance Statement. The last statement described some of the governance challenges we have been addressing in 2016/17 such as:

- working with our partners to implement Manchester's Locality Plan - "A Healthier Manchester", which will transform the delivery of health and care services, and
- overseeing the Highways Improvement Plan setting out the vision for Manchester's roads to reach and remain at a good standard, and also the challenges we will be focusing on next year such as,
- ensuring the refurbishment of the Town Hall, to bring it up to modern standards and ensure it is preserved for the people of the city and future generations, has strong governance to ensure it is designed and delivered to time, cost and quality standards.

Internal Audit

The Council's Internal Audit function provides assurance over the effectiveness of the Council's risk management, internal control and governance arrangements. Internal Audit support, advise and challenge management to assist the development of strategies, systems, policies and procedures which improve the way the Council works and ensure the best use of resources. Our external auditors, Grant Thornton, assess the Internal Audit function to make sure it forms an effective part of our control environment.

Risk Management

The Council has a robust process of identifying risks to the delivery of the goals in the Our Manchester Strategy, so that they can then be managed and potential negative impacts can be avoided or kept to a minimum. The Corporate Risk Register articulates the key risks impacting the Council, details the actions being taken to manage risks, informs risk management planning and names risk managers for key strategic risks. Over 2,000 officers across the Council have received formal training since 2014 to ensure a consistent risk management approach is adopted across the Council's business.

² The 2016 update to 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.

Business Continuity

The Council recognises the importance of responding to any form of incident that affects our ability to provide services and to return to “*business as usual*” as quickly as possible. We aim to do this whatever the cause of the incident (for example, loss of a building, a power failure, extreme weather). We also recognise that, whilst all services are important, some are absolutely vital; this means that we need to know what these services are, where they are situated and how quickly we need to restore them.

Every Council Service has a Business Continuity Plan to follow where there is an interruption; and the Council has a Corporate Business Plan it can enact where multiple services are affected by a major incident.

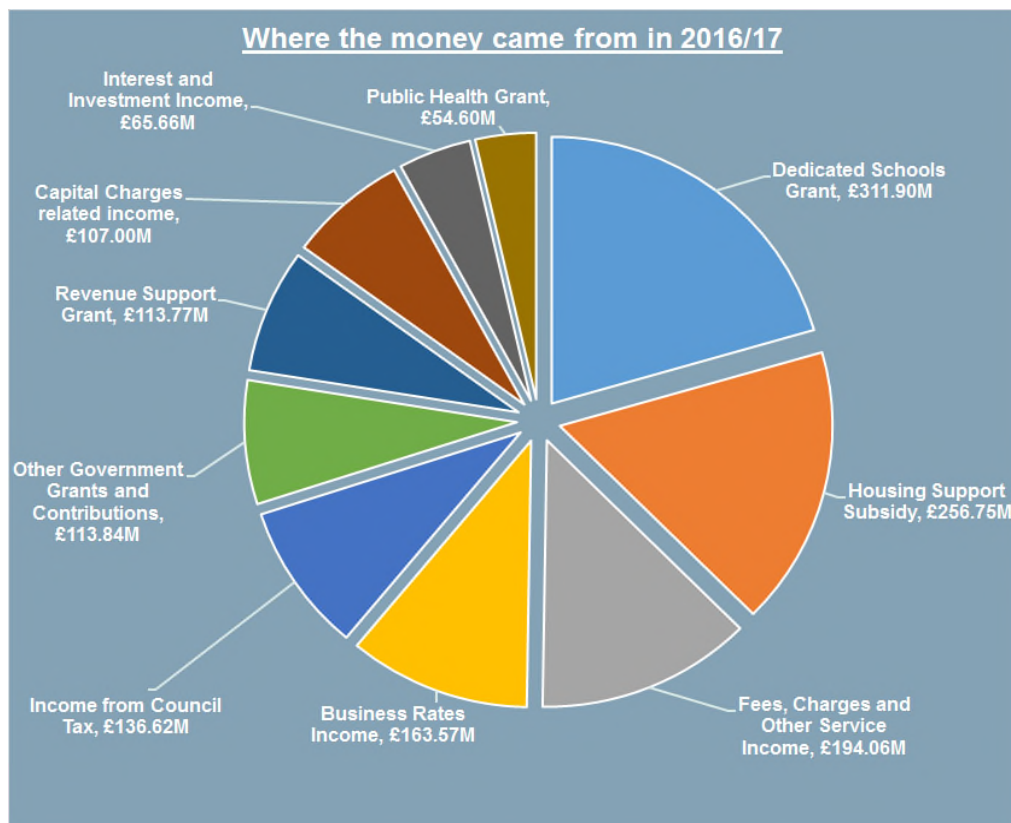
Integrated Reporting

The Council has adopted elements of the [Integrated Reporting](#) model to improve our communication of how we use our full range of resources to improve the economic sustainability of the city and the quality of life of its citizens. The report illustrates where the Council’s funding has come from, which areas it has been spent on and crucially what this spending has achieved.

Integrated reporting can provide greater assurance through bringing together our budget monitoring, workforce analysis, risk reporting and performance reporting enabling us to have a clearer picture of how we are progressing against our priorities for the City.

Our Funding

In 2016/17 the majority of our income (59%) 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 below shows how we funded our gross spending of £1,518 million in 2016/17 analysed across the different types of income received during the year.



<i>Income from Council Tax</i>	<i>The total amount of council tax due to the Council.</i>
<i>Fees, Charges and Other Service Income</i>	<i>The total of the fees and charges generated by the Council. For example residential and nursing home care, licences and planning application fees, property rental income, income for services provided to other councils, school meal income and contributions from other service users.</i>
<i>Public Health Grant</i>	<i>Grant for the provision of public health services which were transferred to local government on 1 April 2013.</i>
<i>Revenue Support Grant</i>	<i>Government grant received by the Council which the Council uses to support its revenue expenditure.</i>
<i>Capital Charges related Income</i>	<i>Grants received and other adjustments related to Capital expenditure.</i>
<i>Business Rates Income</i>	<i>The Council's share of business rates income due to the Council.</i>
<i>Dedicated Schools Grant</i>	<i>A ring fenced government grant which the Council uses to fund schools, primary and nursery education.</i>
<i>Housing Support Subsidy</i>	<i>Government grant to fund the Council's payment of housing benefits.</i>
<i>Other Government Grants and Contributions</i>	<i>The total of all the other revenue grants and contributions received by the Council including Pupil Premium, Arts Council, New Homes Bonus, Education Services Grant and Learning and Schools Council.</i>
<i>Interest and Investment Income</i>	<i>Items of income such as interest and investment income and dividends received.</i>

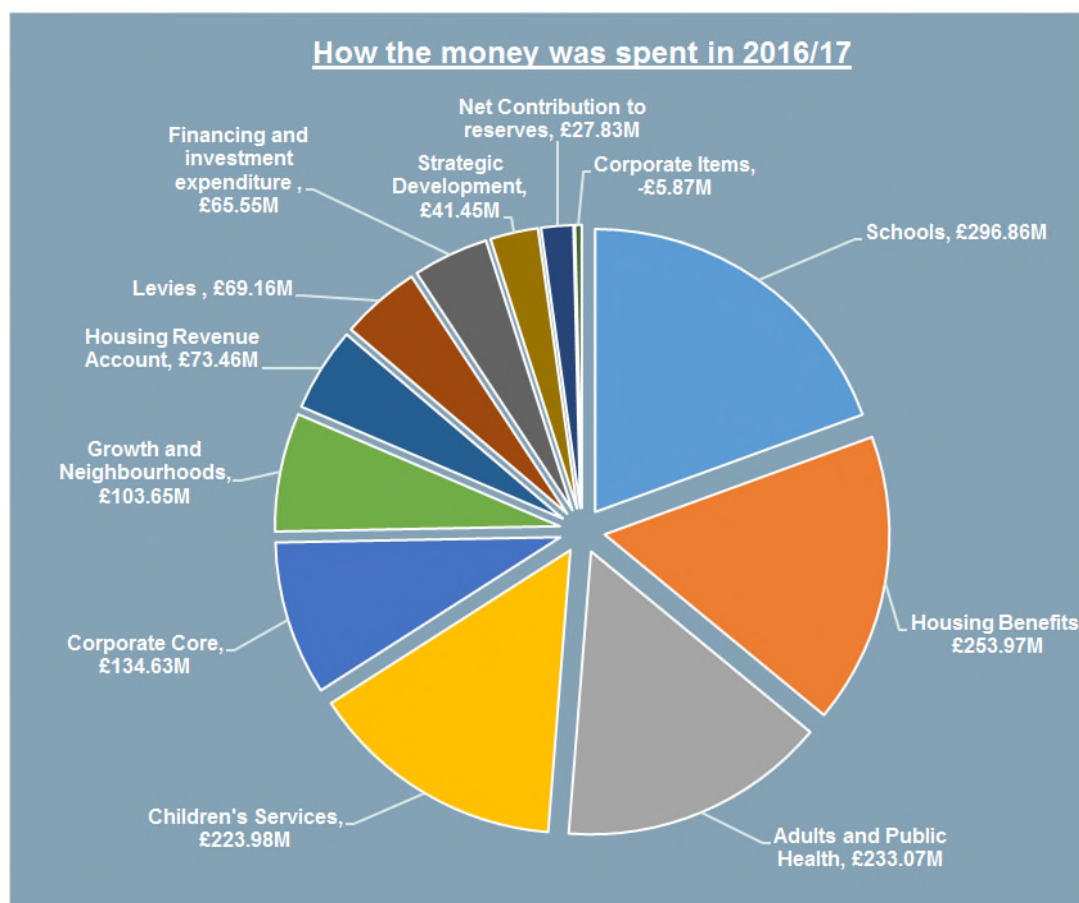
Our Spending

Revenue Spend

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 revenue spend was £1,518 million (gross). The chart below shows where our revenue money was spent in 2016/17 analysed across our services.



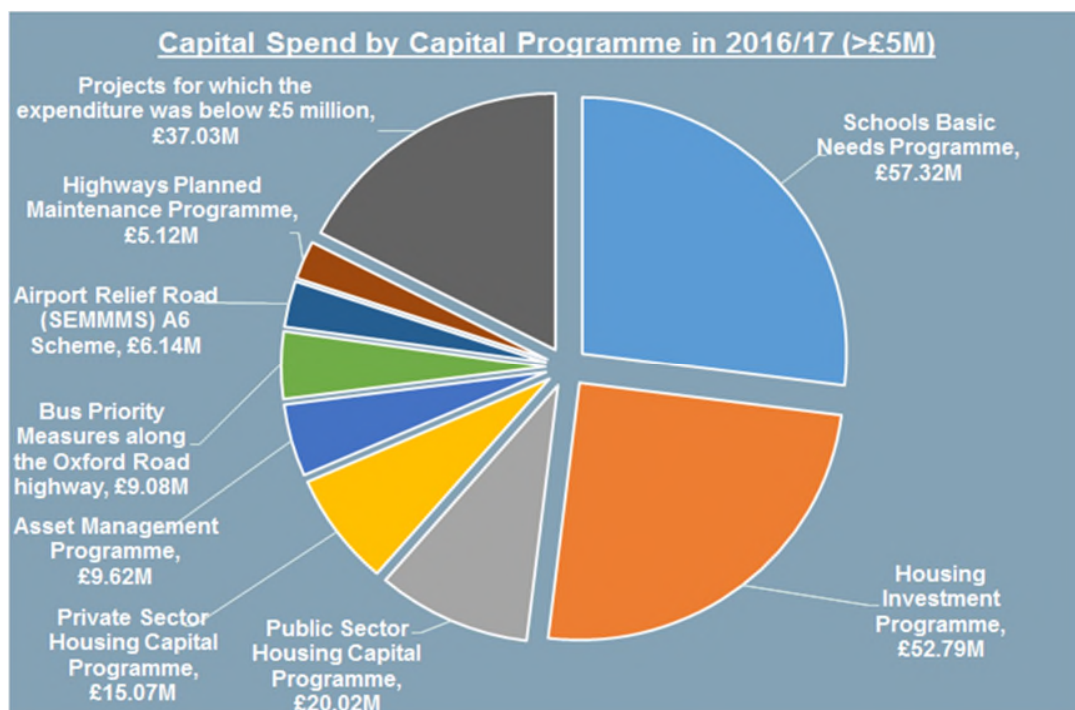
Spend Area	Description
<i>Children's Services</i>	<i>The Directorate is responsible for social care services for children with statutory responsibilities for safeguarding children and for statutory education functions, skills and youth services.</i>
<i>Schools</i>	<i>The provision of nursery, primary, secondary and specialist education services provided to children in Manchester.</i>
<i>Adults and Public Health</i>	<i>The Directorate is responsible for social care services, public health with statutory responsibilities for safeguarding adults.</i>
<i>Corporate Core</i>	<i>As well as driving change, the Corporate Core supports the rest of the organisation through Human Resources and Organisational Development (HR/OD), ICT, Finance, Legal, Communications and other services. The Core also delivers a range of services directly to residents including the collection of Council Tax and Business Rates, Highways, Customer Contact Centre and Registrars.</i>
<i>Growth and Neighbourhoods</i>	<i>The Growth and Neighbourhoods Directorate provides the leadership and focus for the sustainable growth and transformation of the City's neighbourhoods so that the City is clean, safe and green and communities take pride in and ownership of their area and lives. Specific services include waste collection, recycling and street cleaning, libraries and galleries, parks and leisure, planning and licencing and work and skills.</i>
<i>Strategic Development</i>	<i>The Directorate has a pivotal role in securing new commercial development, attracting inward investment and securing employment growth, along with providing leadership to the Council's Housing function and delivering the Council's Residential Growth Strategy. The management of the Council's land and property assets to promote growth is closely aligned with the management of the Council's operational and investment estates.</i>
<i>Housing Benefits</i>	<i>This includes the cost of benefits awarded, this is recouped from central government.</i>
<i>Corporate Items</i>	<i>This includes the costs of insurances and historic pension costs.</i>
<i>Financing and investment income and expenditure</i>	<i>This relates to items of expenditure such as revenue funding of capital, loan repayments and interest payments made by the Council.</i>
<i>Housing Revenue Account</i>	<i>The Housing Revenue Account (HRA) contains the costs of owning and maintaining properties which are let to tenants and income from renting Council houses to tenants.</i>
<i>Levies</i>	<i>Transport and Waste Disposal Levy payments for services provided at a Greater Manchester level and charged to districts</i>
<i>Net Contribution to reserves</i>	<i>The net cost of transfers to and from usable reserves which are held for spend and obligations in future years. The detail is provided in note 43 to the accounts.</i>

Capital Spend

The capital programme is developed in line with the strategic priorities for the City and the City Council. This will require investment now and in the future for transformation to define Manchester as an attractive place to live and further improve the quality of life for residents. Important to achieving this will be:

- to support, promote and drive the role and continuing growth of the City Centre as a major regional, national and international economic driver;
- to support businesses and residents to create thriving district centres with appropriate retail, amenities and public service offer;
- to support employment growth through a strengthening and diversification of its economic base and through the efficient use of land;
- to support investment in transport infrastructure;
- to provide an expanded, diverse, high quality housing offer, ensuring that the growth is in sustainable locations supported by local services and the public transport infrastructure;
- to support the delivery of a Schools Capital Programme to support new and expanded high quality primary and secondary school facilities for a growing population; and
- continuing to promote investment to secure an internationally competitive cultural and sporting offer and sustaining core lifestyle assets such as parks, leisure facilities and libraries within the City.

In 2016/17 the Council's capital programme spend totalled just over **£212 million** and this is highlighted in the chart below. Projects totalling in excess of £5m itemised separately on the chart. Those below £5m are broken down in the table which follows:



(The Housing Investment Programme of £52.79m is administered through the City Council on behalf of the GMCA).

Below is a breakdown of the capital projects for which expenditure was below £5m:

Capital Programmes for which expenditure was below £5M	Expenditure
Environmental Capital Programme including: Street Lighting, Waste Collection and Waste Reduction	£4.44m
The Factory Arts Centre	£4.24m
Leisure and Libraries Programmes	£4.02m
The Space Project	£3.93m
ICT Capital Programme	£3.52m
Strategic Acquisitions - purchases of land and property to support current and future regeneration and development within the City	£3.29m
Highways Maintenance Challenge Fund for additional maintenance works to key strategic city routes	£2.30m
Schools Capital Maintenance	£2.25m
St Peters Square	£2.03m
Airport City Power Infrastructure (Enterprise Zones)	£1.66m
Highways Capital Programme	£1.37m
Greater Manchester Loans Fund (<i>administered on behalf of GM</i>)	£1.00m
Strategic Development Capital Programme	£0.93m
Corporate Services Capital Programme	£0.90m
Schools Capital Programme	£0.66m
Adult Services Capital Programme	£0.35m
Building Schools for the Future	£0.12m
Other Cultural Capital Programmes	£0.02m

Our Performance

This section of the report sets out what has been achieved through the investment in public services set out under 'Our Spending'. For the main areas of our spending we have described the breadth of service activity delivered and highlighted examples of what each area of the Council has achieved with its funding throughout the 2016/17 year.

Adults and Public Health

We spent approximately £233 million on Adults and Public Health. The Directorate is responsible for social care services, safeguarding vulnerable adults and public health.

People in Manchester experience significantly worse health and have a shorter healthy life expectancy than people living in most other parts of the country. New devolution powers, however, have presented an opportunity to make real progress. The Council, its health partners, the voluntary sector and other stakeholders have come together to produce the 'Locality Plan' - A Healthier Manchester. The plan describes the vision for the future, using new powers to integrate health and social care to improve people's lives. It details the city's approach to improving health outcomes in Manchester, while also moving towards long-term financial and clinical sustainability.

The three pillars of the plan, which will drive the transformation needed to keep our city healthy are a Single Commissioning Function; a Single Local Care Organisation; and a Single Manchester Hospital service. Both the Single Hospital Service and the Local Care Organisation will deliver models of care which span both community and hospital settings to treat people as close to home as possible. Throughout 2016/17 work was undertaken to develop the new Single Commissioning Function and Manchester Health and Care Commissioning (MHCC) was established on 1st April 2017.

As well as paving the way for Integrated Health and Social Care, spend in this area this year has enabled long term social care support to be delivered for 10,545 adults in Manchester. Approximately half of these adults (5,300) were aged 18 to 64 and half (5,245) were aged 65 or above. This care could be home care, day care, residential and nursing care, supported accommodation, a cash personal budget or mental health professional support. On 31st March 2017, 6,833 adults were receiving long term support, an increase of 244 compared to the same point in 2016.

419 residents aged 65 and over were supported through admission to permanent residential or nursing care within 2016/17 which is 49 more than the number admitted within the previous year. The numbers of residents admitted to permanent residential or nursing care is reflective of the Council's commitment to ensuring that citizens are placed in the most appropriate care setting based on a robust assessment of their needs.

The 2016/17 Adult Social Care Survey was responded to by 400 social care citizens. When asked about their satisfaction with care and support services, 87.5% of respondents were either extremely, very or quite satisfied with the care and support they received, which was an improvement from 84.3% in 2015/16.

Reablement is a short term service provided by the council which supports people back to independence following a period of illness or disability. It can help people returning to their own homes after hospital or residential care to regain the skills and confidence to live independently. Reablement continues to support maximised independence with 78.46% of customers leaving the service in 2016/17 requiring no further care or a reduced service, maintaining the high levels of performance seen in 2015/16 (78.63%). The percentage of residents who left the Council's reablement service in 2016/17 and were classed as requiring no further care was 53.96% and this compared to 54.73% in 2015/16.

The next 12 months will see significant progress in implementing our plan "A Healthier Manchester" including the beginning of the merger of Central Manchester Foundation Trust and the University Hospital South Manchester, with North Manchester General to follow, moving towards a single hospital service.

Children's Services

We spent approximately £224 million on Children's Services throughout 2016/17. The Directorate is responsible for social care services for children and for education, skills and youth services, with statutory responsibilities for safeguarding children. The directorate aims to ensure that every child has the best possible start in life and that everyone in the city has the same opportunities, life chances and potential to lead safe, healthy, happy and fulfilled lives.

Since Children's Services received an 'inadequate' rating from Ofsted in 2014 significant improvements have been made which have been recognised in the three Ofsted monitoring reports throughout 2016/17. The Council is committed to delivering the required improvements as set out in the directorate's improvement plan.

At the end of March 2017, the directorate was supporting 5,393 children who were classed as Children in Need, which was a rate of 460 per 10,000 of the population, or 4.6%. Of these 5,393 children who were receiving some form of safeguarding support, 946 were subject to a Child Protection Plan and 1,170 were Looked After Children (LAC).

The Council's Looked After Children Strategy aims to reduce the number of LAC to 1,000 by 2019/20 so that there are less residential placements and more high-quality, local foster carers which will improve outcomes for our looked after children and reduce costs. Whilst the number of children in Manchester having to be taken into the Council's care is too high, progress is being made to safely reduce the numbers. The provisional LAC rate at the end of March 2017 (number of Looked after Children per 10,000 of the population aged under 18) was 100, which represents 1% of the population.

Provisional figures indicate that during 2016/17 80 children were adopted; this equates to 14.8% of the total number of children who no longer needed to be in the care of the local authority throughout the year (540). This compares to 87 adopted children, representing 17.4% of the total number who no longer needed to be in care throughout 2015-16 (500). Whilst this year's percentage adopted figure is slightly lower than that of the previous year, when we consider the increase in the overall number of children who were discharged from the care of the authority it is evident the performance continues to be positive.

The safeguarding referral rate (average number of referrals per 10,000 of the population aged under 18) was 981 in 2016/17. Whilst this was a slight increase from 970 in the previous year, levels of safeguarding referrals remain much lower than in 2014/15 (1,148).

The Council's Early Help Strategy has been designed to reduce the number of safeguarding referrals. Early help involves identifying needs within families early and providing support before complex problems emerge. We have continued to embed a consistent new approach to Early Help Assessments across all partners who work with or come into contact with children such as school staff, health workers, social workers, the police, the fire service and other organisations. The 'Signs of Strength' assessment focuses on strengths and what is important to families and encourages and supports families to make the changes which will impact positively on their lives. The total number of children linked to registered Early Help assessments throughout 2016/17 was 5,749, which was an average of 479 children per month. This was more than double the 2,314 children linked to assessments throughout 2015/16.

The development of the Single Commissioning Function, Single Hospital Service and Local Care Organisation (LCO) will provide a number of opportunities to shape and integrate the aspects of children's services with health provision whilst at the same time influence the wider service offer for children, young people and their families.

Corporate Core

Approximately £135 million was spent by services within the Corporate Core throughout 2016/17.

The role of the Core is to provide strategic leadership to drive the delivery of the Our Manchester Strategy ambitions, sustain growth across the city, better connect residents to that growth, create attractive places to live work and visit, and reduce the costly demands placed on public services by changing ways of working.

As well as driving changes the Core also supports the rest of the organisation through 'back office functions' such as Human Resources and Organisational Development, ICT, Finance, Communications, Policy and Reform and other services. The Core also delivers a range of services directly to residents including revenues and benefits, customer services and registrars.

The Core also hosts the Highways Service, which plays a major role in supporting the city's growth, securing efficient use of the Highways network and developing a robust investment strategy supporting the city's priorities.

The Corporate Core supports over 7,000 employees with Human Resource and ICT facilities as well as overseeing the totality of the Council's income and expenditure. It also includes the Customer Contact Centre which took over 700,000 calls throughout 2016/17 from residents accessing Council services.

Our roads are becoming increasingly safer with the number of people who were killed or seriously injured on Manchester's roads in 2015/16 (141), reducing by 34 to 107 in 2016/17. One of the key priorities from investment in Highways Services has been to keep traffic moving around the city. 88% of tracked journeys along key routes in the city in 2016/17 fell within the acceptable time limit, maintaining the journey time reliability levels of 2015/16 (88%).

Maintaining journey time reliability whilst the regional centre, the city's population and its economy continues to grow will ensure that those residents and commuters who choose to drive can properly plan their journeys with a minimum of disruption.

Recognising the value of our systems and ICT, we've continued on our journey by investing in more efficient ICT platforms which will help all staff work more efficiently, securely, and introduces the ability to work and provide services in new ways for our partners and residents. The Council has 'gone Google' enabling Council staff to have an ICT system which is easier to use, has better storage and search facilities, and provides better collaborative and communication tools. All this will help staff work more efficiently and provide differentiated services in line with the principles of Our Manchester furthermore supporting our drive for value for money.

The Council is committed to effectively engaging with its workforce so that staff feel connected to each other and the aims of the organisation, feel proud and are motivated to create an even more successful organisation. Our last annual BHeard survey resulted in a Best Companies Index score of 595, which was an increase from 594 in the previous year. The score is a reflection of the level and standard of employee engagement and the Council is aiming to gain a 'one to watch' accreditation which requires a score of 600 and indicates good levels of engagement. Responding to the results of our last BHeard staff engagement survey, we developed and launched the Our People Strategy in January 2017 and this focusses on internal communications and engagement, employee health and wellbeing, leadership and management and skills.

The Corporate Core also led on the design and agreement of a five year Capital Investment Strategy worth £1.6 billion, which will investment in the road network, leisure centres and libraries, housing and broader regeneration initiatives, carbon reduction and cycle routes as well as a host of other initiatives.

Along with other Greater Manchester authorities we are also piloting a 100% Business Rates retention scheme giving us greater flexibility in the Council's financial management.

Strategic Development

Strategic Development directorate oversaw just over £41 million of expenditure in 2016/17. The Directorate has a pivotal role in securing new commercial development, attracting investment into the city and securing employment growth as well as delivering the city's Residential Growth Strategy. It provides the organisational leadership and accountability for large development projects that deliver wealth, jobs, and new homes and helps to strengthen the Council's fiscal position. The Directorate also manages the Council's land and property assets and its operational and investment estate.

A number of significant commercial transactions were secured during 2016/17 including the expansion of Manchester Airport's Terminal 2. 5 million sq ft. of offices, hotels, logistics and retail space are being developed at Airport City, strengthening its economic role in the region through providing 20,000 jobs on site and a further 25,000 indirectly.

Further development of the extended city centre is a priority for the Council, particularly through promoting the major initiatives at the Northern and Eastern Gateways. Commercial development priorities are focussed on continuing work around the Etihad Stadium, the development and organisation of the Council's digital assets (including the SHARP Project, SPACE Project and One Central Park), and supporting key city centre initiatives, such as First Street, the Corridor, St. John's and Piccadilly Station, and supporting the delivery of the City Centre Strategic Plan.



These and other developments have helped the city to sustain growth in the number of employment opportunities created. The city hosted over 355,000 jobs in 2015 and this figure is forecast to increase to 414,000 by 2025.

Not only do the major developments overseen by the Strategic Development Directorate support job creation, they also support the city to continue to attract and host world class events such as the Manchester International Festival, which bring in many visitors from outside the city and outside the UK. This coupled with the growth of the Airport has supported an increase in the number of overseas visitors to Manchester which has grown to 1.15 million in 2015, over 150,000 more than 2014. Manchester's population continues to grow at a rapid rate and stood at approximately 540,000 in June 2016. The city's population is forecast to continue to grow to over 644,000 by 2025. This growth is reflective of the popularity of the city, the improvement in its neighbourhoods and the economic opportunities available. This growth has been supported by the city's Residential Growth Strategy which includes a target to construct 25,000 homes over the next ten years. The city aims to host good quality, affordable homes for sale and rent and 1,654 new homes were completed in 2016/17, a figure which is set to increase substantially this year.

Whilst initiatives to promote the City's residential, commercial and cultural development is underpinning the city's wider economic growth ambitions, the deployment of the City Council's land and property assets to support these ambitions is of paramount importance to securing the necessary economic, place based and fiscal objectives of the Council. In addition, the management, rationalisation and development of the Council's operational estate is supporting the Council's Our People Strategy, a contribution to the wider public sector reform agenda, and the Council's ambitions to support the growth and development of Manchester's voluntary and community sector.

Growth and Neighbourhoods

The Growth and Neighbourhoods Directorate provides the leadership and focus for the sustainable growth and transformation of the city's neighbourhoods so that the City is clean, safe and green and communities take pride in and ownership of their area. The Directorate supports the city's economic growth priorities. In carrying out these functions in 2016/17 the Directorate spent £104 million. This does not include the Waste Levy, as costs incurred in waste disposal under the Waste Disposal Levy are counted under 'Levies'.

Waste collection is an important area and provisional figures indicate that we collected 59,492 tonnes recycling material in 2016/17 and 105,000 tonnes of residual household waste. We reduced the size of the bins this year to encourage greater recycling and to address the level of expenditure on the levy, and we want to thank Manchester residents for adapting to this change in their bin size so well. There are signs that this is already having a big impact, with provisional figures for 2016/17 indicating that the proportion of household waste recycled has increased by approximately 4% to 36% from the levels in 2015/16 (32%).

Within Growth and Neighbourhoods we work with residents to ensure our neighbourhoods are looking their best. Since the national Great British Spring Clean campaign was launched at the start of March 2017 we have hosted a great number of Our Manchester Community led Clean Up events across the whole city; these events have not only helped ensure our neighbourhoods are clean and tidy but have brought communities closer together. We are also ready to take action against people who do drop litter, fly tip or cause other environmental issues. Throughout 2016/17 our Compliance and Enforcement Service, which now includes a dedicated Fly Tipping Enforcement Team, issued over 1,400 fixed penalty notices to individuals and businesses who dropped litter, fly tipped, or did not dispose of waste properly.

We have seen the city's appetite for culture grow ever larger with continued growth in the visitor numbers at MOSI, the Art Gallery, the Manchester Museum and the National Football Museum. Growing numbers of residents are also visiting the newly refurbished city library as well as the city's excellent neighbourhood libraries and sports and leisure facilities. In 2016/17 we had over 615,000 visitors to the city's art galleries, 2.9 million visitors to our libraries and over 3.4 million visitors to our sports and leisure facilities. These represent a significant growth over the 2015/16 figures in all three areas.

Schools

£297 million was used to fund schools throughout the 2016/17 year. This was spent on a combination of provision of nursery, primary, secondary and specialist education services provided to children in Manchester.

The city is committed to providing a sufficient amount of good quality school places for Manchester's growing number of children. We are increasing the number of school places by expanding existing schools and building new schools. As we grow the schools system we are working to ensure everyone has fair access to school places.

The percentage of schools in Manchester which have an Ofsted rating of 'good' or 'outstanding' is increasing and the city hosts a higher proportion of such schools than England as a whole. As at the end of August 2016, the percentage of schools in Manchester which had an Ofsted rating of 'good' or 'outstanding' was 90%. This compares to 89% of schools across England as a whole, and represents a 2% increase from the percentage in Manchester as at the end of August 2015.

A key objective is improving outcomes for Manchester's children. In the academic year of 2015/16, 52% of Manchester's primary school pupils achieved the expected standard in reading, writing and maths and this compared to 53% of England's pupils. Manchester's Key Stage 4 'Attainment 8' score was 47.1 for the 2015/16 academic year which was an improvement of 2.8 points from the result in the previous year and meant Manchester closed the gap with England (48.5) from 3.1 points to 1.4 points.

To support continued improvements in attainment at school and engagement and success in formal and informal learning the directorate is focusing on reading. Reading is the foundation for success in education and employment. It supports children to do well at school, develop broader skills and lead healthy, happy lives. As part of the directorate's focus on reading, the Council worked with the National Literacy Trust to launch Read Manchester in 2016. The initiative is bringing together a range of communities and partners such as family members, teachers, schools, businesses, and libraries in order to promote the importance of reading and boost literacy throughout the city. The campaigns activities include author and storytelling events, community book swaps, and the 'Bookbench Project' which celebrates the city's creativity and encourages children and adults to read for enjoyment. Schools and community groups have been busy decorating BookBenches with designs inspired by reading, and these will be displayed in cultural hubs, leisure and shopping centres across Manchester in 2017.

Our Manchester

The Our Manchester Strategy provides the overarching framework and priorities for action by the Council and partners. It includes 64 commitments, known as the '[We Wills](#)', made by a range of agencies to achieve the vision for the city. To deliver the commitments a radical change is required in our approach and the way we work with partners. This radical change is the Our Manchester approach.

The Our Manchester approach is a redefined role for the Council and public services as a whole. It puts people at the centre of everything we do, recognising that people are more important than processes, procedures or organisational boundaries, and changing the way that the Council works to reflect this. It is about listening, then learning, then responding. It is about creating capacity, interest and enthusiasm within individuals and communities so they are empowered to do things for themselves. Finally it is about working together more, by building long term relationships and having honest conversations which give a say and role to both those who need services and those who provide them.



Throughout 2016/17 a programme of activity has been developed by the Council and its partners to ensure the Our Manchester Approach is embedded throughout the Council and organisations working for the city. This will require clearly communicating what Our Manchester means and supporting people to adopt the Our Manchester Behaviours and develop new skills.

The Our Manchester Delivery Plan 2017/18 has three main areas of focus;

- **Placed based approaches within neighbourhoods** - This will involve services in a neighbourhood shifting from offering reactive services to offering more collaborative, strengths based, and proactive ways of working with communities. For example, in Benchill an 'Integrated Neighbourhood Management' approach involving 'doorstep conversations' allowed residents to discuss the antisocial behaviour of off-road motorcyclists on their streets. The Our Manchester approach resulted in resident-led groups working with local partners, winning grants and developing their own solutions such as filming a documentary on the issue and developing a social media campaign regarding an off road bike track.
- **Applying the Our Manchester Approach to the integration of Health and Social Care** - This will ensure that all care assessments are strengths based and focus on what matters to the person and what they can do. It also involves offering services within communities such as youth clubs or community centres, and making sure people can access these services to support people's health and wellbeing.
- **Broader Our Manchester activity** - This will support the adoption of the Our Manchester approach across the city as a whole. We will continue to talk to people, businesses and partners about what matters most to them and work to design new ways of delivering better services together.

"Growing Together"



Our Case Studies

City Centre Case Study

The city centre has changed substantially in recent years. Its business base has grown and diversified, its resident population has doubled over the past ten years and the city continues to build on its reputation for culture and the arts through events such as the Manchester International Festival and the HOME centre for international contemporary art, theatre and film. The city centre has also attracted major recent national events such as the EU Referendum Count, the Olympic Parade and the Somme commemorations.

The changing nature of the city centre and the complex demands on public services has been recognised and the Council is committed to ensuring the city centre remains a great place to work, live and visit. To support this goal a review of public services in the city centre was undertaken using the Our Manchester approach. In addition to assessing the demand on public services using traditional data analysis we wanted to understand what the experience of the city centre was like for people who work there, live there, visit and crucially deliver some of the vital services that keep our city centre running. As well as surveying people, we used an ethnographic approach, which means understanding what the city centre experience is for different people, using interviews and seeing first-hand the experience of some of our neighbourhood and police officers.

It was clear how proud Mancunians are of the city centre, and how it has managed to grow and drive the economy of the North in recent years. We know also there are massive challenges and it was clear that people sleeping rough, begging, litter, alcohol and drug abuse were amongst those that are a priority to address. An increase in rough sleeping and begging in recent years has been observed, and the recent trend in Spice abuse has heightened the problem. The Council working with Greater Manchester Police has put a number of measures in place to deliver real improvements, these include:

- More staff working with people sleeping rough to understand their needs and find appropriate housing solutions
- An Emergency Hub providing greater short term accommodation for rough sleepers
- 24 additional Police Officers present in the city centre
- An enhanced Out of Hours compliance team allowing action to be taken against fly tipping, dumping trade waste, illegal peddling and anti-social behaviour outside of normal office hours

We will be delivering these improvements and monitoring the impact throughout 2017/18.

Read Manchester Case Study

Read Manchester is a partnership between Manchester City Council and The National Literacy Trust. It brings together parents, teachers, family members, schools, local businesses, voluntary organisations and libraries to promote and celebrate reading.

Evidence shows that being able to read is the foundation for success in education and employment. We know that children who can read well do better at work, are confident speakers and are more able to lead healthy, positive lives. For adults, reading for pleasure has been shown to reduce tension and improve health and well-being. Reading is good for you!

The campaign has a vibrant programme of activities for children, young people and families and these include author and storytelling events, community book swaps, and the 'Bookbench Project'. The Book Bench Project celebrates the city's creativity and encourages children and adults to read for enjoyment. Schools and community groups have been busy decorating BookBenches with designs inspired by reading, and these will be displayed in cultural hubs, leisure and shopping centres across Manchester in 2017.

A key aim of Read Manchester has been to encourage more parents to read with their young children, and Sure Start Children's Centres have been an important partner for this. For example, at Martenscroft Nursery School and Children's Centre, Read Manchester has led to over 80 families joining the local library, and children, parents and staff members taking part in a 'walking bus' to Hulme Library. Families enjoyed activities including bookmark making, book making, storytelling and singing as well as creative activities based around the city's chosen top five most popular early years books. Other groups involved in Read Manchester include Manchester College, the Manchester Adult Education Service, childminders and early years settings across the city.

'Manchester Reading Ahead' is part of the Read Manchester campaign, aimed at encouraging adults to read for pleasure. Young people and adults of all reading abilities are invited to pick six reads and rate, record and review them. So far, across the city, 6,000 people are taking part. Wythenshawe Community Housing Group has taken up the challenge of Manchester Reading Ahead by setting up book corners and book swaps as well as promoting reading for pleasure with tenants in sheltered accommodation, with their over-55 age groups and through their extensive volunteering programme.

By focusing on reading for pleasure, Read Manchester aims to celebrate the enjoyment of reading in all our communities; support young children before they start school because the early years of a child's life can shape their life forever; increase library membership; and link with partners to promote the benefits of being part of a reading city.

Our Future

As well as our long term vision for the city for 2025, we've set some shorter-term goals for 2020, investing firstly in what Manchester people say they value most: children in need, roads and pavements and vulnerable adults. We're also investing now in early help, preventing future problems. Our Top Eight Objectives for the next three years are:

- Fix Roads, Bus and Cycle Lanes
- Fewer Children in Care
- More Recycling and Less Waste
- Cleaner, Greener Places
- Join up Health and Social Care
- Better School Results
- Better and Affordable Homes
- Work and Skills for Better Pay

Set out below are our intentions in each of these areas.

Fix Roads, Bus and Cycle Lanes

The people of Manchester have told us that we need to improve the quality of our roads, bus and cycle lanes. Beginning in 2017/18, £80 million is being invested over 5 years in maintenance. The percentage of Manchester's A, B and other minor roads and footpaths which were in need of repair (beyond mid-life grading) as at December 2016 was 16.58% which is up from 12.45% as at December 2015. A new Highways improvement Plan has been developed and this investment in highways maintenance will improve the road conditions across the city, focusing on those most in need.

Fewer Children in Care

Manchester has had comparatively high numbers of children looked after by the Local Authority (LAC) for many years. Progress has been made this year to safely reduce the numbers. Manchester's LAC rate per 10,000 children fell significantly from 151 in 2008 to 100 at the end of March 2017, moving Manchester closer to its statistical neighbours.

The LAC Strategy aims to achieve a rebalance in placements, with less residential placements and providing and commissioning more high-quality, local foster carers to reduce costs and improve outcomes for our looked after children. The Strategy includes a target to reduce the number of children looked after to 1,000 by 2019/20. The number of Looked after Children at the end of March 2017 was 1,170.

More Recycling and Less Waste

The Council is committed to reducing waste and increasing the amount of waste recycled to have a positive impact on the environment and reduce the costs of waste collection and disposal. By reducing our waste, reusing where we can, and recycling more, we can all play our part in the environment and help keep costs lower.

The proportion of household waste recycled in 2015/16 was 32% and a provisional 2016-17 figure of 36% indicates an increase of over 4%.

The provisional amount of waste collected per household in 2016/17 was 468kg which is 51kg less per household than that collected in 2015/16 (519kg). The introduction of smaller waste bins across the city in mid 2016 aimed to promote increased recycling and less waste. The full impact of this and other initiatives will become clear across a longer time scale but the 2016/17 results are encouraging.

Cleaner, Greener Places

We all want to make our neighbourhoods cleaner and tidier and people in Manchester have shown that they are also passionate about this and have been helping us by reporting issues so that we can take action. The number of street cleansing requests (relating mainly to litter) received by the Council in 2016/17 was 10,314, which was up from 7,626 in the previous year. Over the next three years we want to work with our local communities to keep our neighbourhoods clean and tidy places we are all rightly proud of.

'Manchester, A Certain Future', the city's climate change action plan, aims to reduce Manchester's emissions by 41% by 2020, from the levels in 2005. The latest government figures for carbon dioxide emissions in Manchester (in 2014) indicate that there has been a percentage decrease of 26.73% from the emissions in 2005, indicating there is some way to go in order to reach the 2020 target. We will work with our schools and businesses to ensure everyone plays their part in a low carbon society as well as ensuring our regulatory environment supports sustainable construction and transport.

Join up Health and Social Care

Care in Manchester needs to be better joined up. As part of the devolution agreement with the Government for Greater Manchester to take charge of health and social care spending and decisions, the Council and its partners are currently in the first year of implementing Manchester's Locality Plan – "A Healthier Manchester". Under this plan the city will commission and deliver health and social care services jointly across the city, and have a single hospital service spanning the entire local authority area.

One of the symptoms of a fragmented Health and Social System is delays in the transfer of care. Delays occur when a patient is assessed as ready to depart their current care setting, such as a hospital bed, but remains occupying a bed in this care setting. These delays can be from an NHS hospital setting, or a social care setting. The number of delayed transfers of Manchester residents from one care setting to another, per 100,000 of the population, was 13.6 in 2015/16 and this compared to a result of 12.3 for England. Nationally there has been a trend of an increasing rate of delayed transfers of care, with the result for England increasing to 14.9. The rate for Manchester has also increased but to a lesser degree. At 15.0, the gap between Manchester's result and England's result has reduced from 1.3 in 2015/16 to 0.1 in 2016/17.

Better School Results

Good school results are an essential part of ensuring that our children have the right skills to access the opportunities offered by the city's economy in the future. Many years ago Manchester's attainment results at Key Stage 2 and 4 lagged some way behind the national average, however sustained progress has seen that gap reduce year on year. In the academic year of 2015/16, 52% of Manchester's primary school pupils achieved the expected standard in reading, writing and maths and this compared to 53% of England's pupils. Manchester's Key Stage 4 'Attainment 8' score was 47.1 for the 2015/16 academic year which was an improvement of 2.8 points from the result in the previous year and meant Manchester closed the gap with England (48.5) from 3.1 points to 1.4 points. The city is now looking to build on this great achievement by Manchester's schools and its young people.

Better and Affordable Homes

In order to meet the demands of a growing population, the city will need to increase the amount of good-quality, energy efficient and affordable new homes for sale and rent in our neighbourhoods. 471 affordable homes became available for buying or renting in Manchester within 2016/17, which was a similar amount to that of the previous year (496). These are homes which were delivered via a range of Affordable Homes Schemes such as Shared Equity, Shared Ownership, Help-to-Buy and a range of schemes supported by public and private partnerships. In January 2017, the Council and its partners secured funding to build 1,400 new affordable homes in Manchester. The Council's new Affordable Housing Framework sets out a vision to deliver decent and secure housing that meets the needs of residents whose incomes are below the city's average, and from 2017 has a broad target of making over a thousand new affordable homes available for sale or rent each year as well as maintaining the number of social and affordable housing units available and making best use of the existing housing stock to maintain the balance between residents income and housing costs.

Work and Skills for Better Pay

Inclusive Growth is a key priority for us; we want to better connect Manchester people to the economic opportunities across the city.

Providing residents with the skills and qualifications that are needed by our employers is an important part of this priority. According to the 2016 Annual Population Survey, the percentage of the working age (16-64) population in Manchester who were qualified to the equivalent of National Vocational Qualification level 2 (roughly equivalent to 5 A*-C at GCSE level) was 73.8%. This represented an increase of 3.1% from levels in 2015 (70.7%) and decreased the gap to England's result from 2.7% in 2015 to 0.4% in 2016. Manchester's result is higher than the average result for all the Core Cities combined, which increased by 1.3 percentage points from 70.6% in 2015 to 71.9% in 2016.

In November 2016 the number of claimants of out of work benefits stood at 47,350, a reduction of 2,165 people since November 2015. The reduction in the number of people claiming out of work benefits is a positive reflection of the Manchester economy and the skills and employment support offer in the city. However the number of claimants of Employment Support Allowance/ Incapacity Benefit, who have health barriers to moving into employment, has not reduced at the same rate as other benefits.

One of the key programmes to support people who have health conditions and other barriers to employment is ‘Working Well’, which involves organisations working together to provide intensive holistic support for benefit claimants looking to find work. Working Well provides up to two years of support for people to overcome their barriers and develop skills to move closer to work. As of the end of March 2017 the Working Well Pilot and Expansion programmes had supported a combined total of 207 Manchester residents to move into employment. We want to connect many more residents to employment opportunities to improve their lives and their families’ wellbeing.

Communicating Our Approach



It is important to us that we make it easy for the people of Manchester to understand where the Council’s money has come from, where it has been spent and what this has achieved.

To support this the Council is developing a short video which will take people through the key details of this report, with a link to the full report.

This will be part of the *Our Manchester Days* series which will shine a light on how Council services strive to provide excellent services for Manchester and achieve value for money in everything they do.

Further information

If you have any comments or questions about our Annual Report you can write to us at:

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Town Hall Extension
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Or email us at;

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**MANCHESTER
CITY COUNCIL**

Annual Statement of Accounts 2016/17

Narrative Report to the Annual Accounts

The Narrative Report is the first section of the Annual Accounts and provides a financial summary and introduction to the annual accounts for 2016/17.

Financial Summary 2016/17

The Council had a net revenue budget of £530.445m in 2016/17. The Net Revenue budget is mainly the sum of MCC Retained Business Rates, Revenue Support Grant and Council Tax Receipts. The gross budget is as reported to Budget setting Council in March each year and is the total gross spend of the Council including transfer payments such as housing benefits, school payments and provision for transfers in to reserves and spend from reserves.

Between 2011/12 and 2015/16 the Council has had to deliver £309m of savings with a further £27m was required in 2016/17, following the reduced government 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 is reported to Executive. This information is consolidated into the accounts within the Comprehensive Income and Expenditure 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 as they are an accounting entry and not a true cost to the Council. It also shows the change in the general fund reserves. A reconciliation showing the outturn position and the change in general reserves is shown later in the narrative report.

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 following table 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 £689,000 (before approved carry forward of underspends).

The outturn is a transfer from general reserves of £1.251m, this is (made up of £11,000 budgeted transfer, the 2015/16 approved carry forwards of £1.929m partly offset by the 2016/17 underspend of £689,000. This results in a General Fund Reserve of £26.226m.

The table below sets out the year end position.

	Revised Budget	Outturn	Variance
	£,000	£,000	£,000
Total Available Resources	(530,445)	(532,874)	(2,429)
Planned Use of Resources:			
Total Corporate Budgets	105,390	98,620	(6,770)
Directorate Budgets			
Children's Services	103,227	108,290	5,063
Adults and Public Health	159,763	167,264	7,501
<i>Chief Executive</i>	<i>40,092</i>	<i>38,944</i>	<i>(1,148)</i>
<i>Corporate Services</i>	<i>24,721</i>	<i>22,282</i>	<i>(2,439)</i>
<i>Highways</i>	<i>15,774</i>	<i>15,774</i>	<i>0</i>
Corporate Core Total	80,587	77,000	(3,587)
Growth and Neighbourhood	74,979	73,977	(1,002)
Strategic Development	6,499	7,034	535
Total Directorate Budgets	425,055	433,565	8,510
Total Use of Resources	530,445	532,185	1,740
Total (under) spend	0	(689)	(689)

This table will be reported to the Executive as part of the Revenue Outturn Report.

The spend per directorate in the table is different to that shown in the Comprehensive Income and Expenditure Statement (CIES). This is because the directorate spend reported to Executive does not contain items that are at nil cost to the Council, for example depreciation. The Expenditure and Funding Analysis Note shows the reasons for the differences in the directorate figures reported in the CIES and those included in the outturn report to Executive. This is a new note introduced for 2016/17 in order to provide an improved link to the information reported during the financial year.

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 £2.429m higher than budgeted mainly due to increased corporate grants, unbudgeted income and additional dividends.

The underspend on the Corporate Items budgets totals £6.770m. 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 and historic pension liabilities.

The net position on budgets for services is an overspend of £8.510m. The main reasons are as follows:-

- The overall position for Children's Services is an overspend of £5.063m. This mainly relates to safeguarding as a result of the number of placements and unit costs of placements being higher than the budget available.
- Adults and Public Health have an overspend of £7.501m. This largely relates to costs of care and support for the increasing numbers of people with learning difficulties, mental health needs and people requiring care at home or residential care.
- The Corporate Core has an underspend of £3.587m. The underspend is predominantly due to staff savings, underspends on administration costs and higher than budgeted income including agency client group and shared service centre income. There were pressures within highways, offset by higher than budgeted bus lane income.
- The overall position for Growth and Neighbourhoods is an underspend of £1.002m due to staff vacancies in libraries and neighbourhood teams, an improved trading position in business units and higher than budgeted income from planning fees reflecting the increase in activity in the City.
- Strategic Development has an overspend of £0.535m largely relating to the cost of supporting the investment estate partly offset by an underspend on facilities management.

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) contains the costs of owning and maintaining properties which are let to tenants and income from renting Council houses to tenants. This is shown separately from the general fund revenue budget position. The final outturn position for the HRA is an overall underspend of £12.62m compared to budget in 2016/17, this mainly related to lower than budgeted revenue contributions to capital due to delays in the capital programme.

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. The Council and its residents receive a benefit from the capital expenditure invested in the assets for a long period of time (more than one year). In contrast, revenue expenditure is spent on the day to day running costs of the Council which includes repair and maintenance costs needed to keep existing capital assets in working order but where benefits are shorter term, usually for up to just one year.

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 Council spent £212.2m on capital projects in 2016/17, which is summarised in the following tables.

This was against a budget of £273.9m equating to 77.5% delivery of planned capital schemes.

Capital Expenditure by Asset Type	£000s
Council Dwellings	18,118
Other Land and Buildings	16,613
Vehicles, Plant and Equipment	9,112
Infrastructure (e.g. Roads, Street Furniture)	19,752
Community Assets (e.g. Parks)	712
Assets Under Construction	17,863
Surplus Assets	4,332
Heritage Assets	88
Capital Expenditure not Relating to Council Assets	60,913
Investment Properties	2,941
Assets Held for Sale	6,840
Long-Term Loans	54,901
Total	212,185

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This has been spent on the following capital programmes:

Capital Expenditure by Capital Programme	£000s
Highways Planned Maintenance Programme	5,115
Airport Relief Road (SEMMMS) A6 Scheme	6,138
Highways Maintenance Challenge Fund for additional maintenance works to key strategic city routes	2,301
Bus Priority Measures along the Oxford Road highway	9,080
Highways Capital Programme	1,365
Environmental Capital Programme including: Street Lighting, Waste Collection and Waste Reduction	4,439
Leisure and Libraries Programmes	4,025
The Factory Arts Centre	4,235
Other Cultural Capital Programmes	16
Strategic Acquisitions - purchases of land and property to support current and future regeneration and development within the city	3,286
Asset Management Programme	9,623
Corporate Services Capital Programme	901
The Space Project	3,927
St Peters Square	2,027
Airport City Power Infrastructure (Enterprise Zones)	1,665
Strategic Development Capital Programme	932
Private Sector Housing Capital Programme	15,071
Public Sector Housing Capital Programme	20,020
Building Schools for the Future	119
Schools Basic Needs Programme	57,321
Schools Capital Maintenance	2,255
Schools Capital Programme	664
ICT Capital Programme	3,520
Adult Services Capital Programme	348
Housing Investment Programme on behalf of Greater Manchester	52,792
Greater Manchester Loans Fund	1,000
Total	212,185

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A summary of capital spend against budget is shown in the following table. Further details are contained in the outturn report to Executive.

	Outturn	Budget	Variation
	£m	£m	£m
Manchester City Council Programme			
Highways	24.0	27.0	-3.0
Growth and Neighbourhoods	8.5	14.1	-5.6
Strategic Development	26.6	49.4	-22.8
Housing – General Fund	15.0	14.5	0.5
Housing – HRA	20.0	23.5	-3.5
Children’s Services	60.4	82.4	-22.0
ICT	3.5	5.4	-1.9
Corporate Services	0.4	0.7	-0.3
MCC Total	158.4	217.0	-58.6
Projects carried out on behalf of Greater Manchester	53.8	56.9	-3.1
Total Capital Outturn	212.2	273.9	-61.7

The financing of this expenditure was by the following methods:

	2015/16	2016/17
	£m	£m
Borrowing	55.3	72.6
Government Grants such as Basic Need funding from Department of Education to fund additional school places	80.4	46.7
External Contributions such as contributions from Transport for Greater Manchester to support transport initiatives	26.2	14.4
Capital Receipts from the sale of Council properties and loan repayments	33.6	52.3
HRA Major Repairs Reserve	25.2	19.2
Revenue Contributions by the Council	25.9	7.0
Total	246.6	212.2

Introduction to Manchester City Council's Annual Accounts

The annual statement of accounts has been prepared in accordance with the 2016/17 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 introduction 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 have to be used in 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 Comprehensive Income and Expenditure Statement (CIES)
- The Movement in Reserves Statement (MIRS)
- The Balance Sheet
- The Cash Flow Statement

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

These are followed by three further sections:

- The Housing Revenue Account (HRA) sets out the costs and income of owning and maintaining council properties which are let to tenants. The costs and income are also shown within the main statements.
- The Collection Fund Account includes 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 including the Council's involvement with its group companies and organisations.

These are also 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. This 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 International Financial Reporting Standards (IFRS) in 2010/11. These accounts are compliant with the IFRS based Code.

The change in method of valuation of roads, footpaths, cycle tracks, bridges, street lighting, street furniture and land intended to be introduced in 2016/17 has been postponed by CIPFA.

The accounting policies are set out in note 6 to the financial statements.

Presentation Changes to the Accounting Statements

In July 2015 CIPFA undertook a consultation on improving the presentation of local authority financial statements known as 'Telling the Story'. As a result of that consultation changes to the presentation of the financial statements have been made for 2016/17.

The analysis within the Comprehensive Income and Expenditure Statement (CIES) is now shown by Council Directorates rather than by the standard service classifications previously required by the Service Reporting Code of Practice (SERCOP). This format aims to be more meaningful for users of the financial statements as it follows that of the budget and financial monitoring reports produced by the Council.

As the Council operates and manages most of its corporate and support services separately from the other directorates these services are shown separately and not apportioned across the other directorates. As a result costs are shown within the directorate that controls the budget.

The directorate figures in the CIES show the accounting cost of Council activities including the notional accounting entries (such as depreciation) that have to be made. Information is provided in note 11 showing a subjective analysis of the amounts included in the net surplus on the provision of services in the CIES.

The Movement in Reserves Statement has been simplified. The items included in the CIES but removed in the MIRS and those included in the MIRS but not included in the CIES have been combined into one line. The unusable reserves have also been combined into one column.

There is an additional note called the Expenditure and Funding Analysis (note 3) which brings together the Council's performance as reported against the budget with the performance reported in the CIES.

The Expenditure and Funding Analysis shows, for each of the Council's directorates, a comparison of the net expenditure as per the revenue outturn report to Executive and the net expenditure in the CIES and explains the differences between the two. This note has replaced the Segmental Reporting Analysis note previously required.

Greater Manchester, Cheshire East and Cheshire West and Chester Business Rates Pool

The Council was a member of the Greater Manchester and Cheshire East Business Rates Pool in 2015/16. This was extended to include Cheshire West and Chester Council in 2016/17. The purpose of pooling rates across the individual authorities is not intended to alter individual authorities income levels but to retain any levy that might be payable by some authorities to Central Government enabling it to be invested in the locality.

As a minimum all members of the Pool retain the business rates income that they would have received had no pool existed.

For those authorities generating a levy payment in 2016/17 Cheshire East and Cheshire West and Chester retain 50%, Trafford and Stockport retain 33.3%. The remainder of the levy is retained centrally by the Pool.

The use of the levy held centrally will be agreed with the Greater Manchester District Councils, the Greater Manchester Combined Authority, Cheshire East and Cheshire West and Chester Councils to benefit the Region.

The summary of the pool position for 2016/17 is shown below –

Local Authority	Levy Saving £000	Retained by Local Authority £000	Retained by Pool £000
Cheshire West and Chester	2,544	1,272	1,272
Cheshire East	2,185	1,093	1,092
Stockport	112	37	75
Trafford	84	28	56
	4,925	2,430	2,495
Less administration costs			(20)
Retained by Pool			2,475

The amount retained by the Pool has been transferred to the accounts of the Association of Greater Manchester Authorities (AGMA).

Business Rates Growth Retention Pilot

In the 2015 Budget the Chancellor of the Exchequer announced a pilot to retain 100% of additional business rates growth for specific localities including Greater Manchester and Cheshire East. The scheme set a growth baseline above which named authorities, including Manchester, would retain 100% of growth.

The additional growth is allocated 49% to the metropolitan authority and 1% to the fire and rescue authority. No growth was recognised in the 2015/16 accounts as the DCLG

formula used to calculate the growth had not been finalised. The formula for 2015/16 has now been agreed and the growth relating to 2015/16 is included in the 2016/17 accounts and transferred to AGMA. The growth relating to 2016/17 has been transferred to the Council's business rates reserve.

The Financial Statements

The Council's Comprehensive Income and Expenditure Statement

This shows the accounting cost of Council activities, including the notional accounting entries, as well as the actual money spent and funded by Council Tax.

The statement is broken down into three sections:

- Net cost of services
- Other operating expenditure
- Corporate expenditure and income

The Net Cost of Services is the cost of providing the Council's services as reported in the revenue monitoring reports and also including accounting adjustments for items such as depreciation and impairment. These would be a significant cost in a commercial organisation but legislation is in place that ensures these costs do not have to be funded by council tax or housing rent payers. (Details of the accounting adjustments are shown in the Expenditure and Funding Analysis Note). These items are therefore transferred to unusable reserves in the Movement in Reserves Statement.

The Total Net Cost of Services (including the technical accounting adjustments) totals £441.943m. Details of the accounting adjustments are shown in the Expenditure and Funding Analysis Note.

The second section contains other operating expenditure. These include real expenditure such as levies paid and payments made in relation to the pooling of HRA capital receipts and technical adjustments such as the loss on the disposal of non-current assets (including schools transferred to academies). This is called Other Operating Expenditure and totals £111.764m.

The third section contains

- corporate expenditure and income such as interest paid and received, investment property rentals received and the change in values of investment properties (net income totalling £36.853m)
- general income due to the Council from Council taxpayers, National Non Domestic ratepayers (NNDR) and general government grants including grants to fund capital expenditure (net income totalling £525.719m)

These three sections are totalled to produce an overall surplus on the provision of services of £8.865m.

The Total Other Comprehensive Income and Expenditure section at the bottom of the CIES reconciles to the movement in the balance sheet by adding

- the surplus on the provision of services to the revaluation of non-current assets

- impairment losses on non-current assets charged to the revaluation reserve
- the deficit on available for sale investments
- re-measurements of the defined benefit pension scheme relating to changes in pension assumptions.

The table below shows the reconciliation from the underspend on the general fund and HRA as shown in the revenue outturn reports to the surplus in the Consolidated Income and Expenditure Statement.

	General Fund £000	HRA £000	Total £000
Underspend	689	12,620	13,309
Budget carry forwards agreed from 2015/16 underspend	1,929	.0	1,929
Budgeted transfer (to) / from general reserves	11	7,639	7,650
Net transfer (to) / from general reserves	1,251	(4,981)	(3,730)
HRA share of other income and expenditure including interest paid and received	6,245	(6,245)	0
Transfers (to) earmarked reserves	(24,213)	0	(24,213)
Notional accounting adjustments	40,673	(21,595)	19,078
Deficit / (Surplus) per CIES	23,956	(32,821)	(8,865)

Note 12 to the accounts shows the notional accounting adjustments which are required to be included under the CIPFA Code so as to present the figures on a consistent basis across organisations to which International Financial Reporting Standards apply.

The Council's Movement in Reserves Statement

This shows the movement in the Council's reserves from 1 April 2015 to 31 March 2017.

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 Balance Sheet

The Balance Sheet below shows a summary of the Council's financial position at the 31 March 2017, 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	482,521	Borrowing	539,961
Other Land and Buildings	1,722,162	Provisions for Future Liabilities	218,246
Heritage Assets	539,468	Liability for Pension Scheme	832,654
Investment Properties	402,715	Capital Grants Received in Advance	29,739
Other Assets	97,665	Money owed by the Council	191,296
Investments	137,013		
Money owed to the Council	326,423		
Total	3,707,967	Total	1,811,896
	Net Worth of the Council		1,896,071

The net worth of the Council is £1,896,071m. This is split between usable reserves of £409,039m and unusable reserves of £1,487,032m.

Usable Reserves

The usable reserves are held for the following purposes:-

	31 March 2016	31 March 2017
Type of Reserve	£000	£000
CAPITAL Reserves held for capital purposes including capital receipts and capital grants unapplied	65,540	63,012
SUB TOTAL	65,540	63,012
REVENUE Statutory reserves that have to be set aside e.g. On street parking reserve	9,529	8,766
Reserves held for PFIs to meet contracted future costs	1,970	1,726
Reserves held to smooth risk or for assurance including the insurance reserve of £15.917m and airport dividend reserve of £29.161m as dividend is used a year in arrears	59,410	65,735
Business Rates Reserves	8,717	10,328
Revenue reserves held to support capital including the Capital Fund	60,012	66,886
Reserves held to encourage economic growth or for public sector reform e.g. Children's and Families investment reserve	17,866	28,617
Small specific reserves	1,965	2,953
Grants and contributions held to meet expenditure commitments over more than one year	16,346	17,828
SUB TOTAL	175,815	202,839
Housing Revenue Account reserve (£35.106m earmarked for future PFI payments and other potential liabilities)	86,010	90,991
General Fund reserve	27,477	26,226
Schools reserves (this belongs to schools and is for their use only)	28,782	25,971
TOTAL	383,624	409,039

Details of changes in these reserves are shown in Note 43 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 unusable reserves are shown in the table below:-

Unusable Reserve	31 March 2016 £000s	31 March 2017 £000s
Revaluation Reserve	864,440	968,042
Available for Sale Financial Instruments Reserve	3,852	6,318
Pensions Reserve	(783,824)	(832,654)
Capital Adjustment Account	1,295,891	1,311,226
Deferred Capital Receipts Reserve	2,232	2,567
Financial Instruments Adjustment Account	1,469	1,498
Collection Fund Adjustment Account	14,938	36,167
Short-term Accumulated Absences Account	(6,388)	(6,132)
	1,392,610	1,487,032

The negative pensions reserve of £832.654m has increased by £48.83m from the previous year. This matches the pension liability in the balance sheet as measured under International Accounting Standard (IAS) 19. This is as a result of a decrease in the net discount rate over this period; partially offset by higher than expected 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 actuarial triennial valuations of the fund, IAS19 calculations will produce different results. IAS19 valuations have no effect on the level of contributions that need to be paid into the fund which are set by the triennial actuarial valuation. 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 increased by £119.837m during 2016/17.

The increase in usable reserves of £25.415m is mainly due to:

- Airport dividend reserve which is used to support 2017/18 budget £6.4m

- Capital fund reserve to fund revenue contributions to major capital schemes £7.1m
- Our Manchester reserve to fund investment set aside in the 2017/20 budget £5.7m
- Town Hall reserve to fund revenue costs of the town hall restoration project £9.1m

The increase in unusable reserves of £94.422m is mainly due to:

- £103.6m increase in revaluation reserve due to revaluations of non-current assets, during 2016/17
- £21.2m increase in the collection fund adjustment account due to the Council's share of council tax and business rates and
- £15.3m increase in the capital adjustment account.
- £48.8m increase in the minus pension reserve following the IAS19 actuarial valuation of the pension liability as outlined above

The increase in the net worth is matched by an increase in value of net assets of the Council of £119.837m.

Borrowing Limit

In 2016/17 the Council had an authorised limit for borrowing of £1,488.5m (£1,272.5m 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 2017 is £539.961m.

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:

	2015/16 £000s	2016/17 £000s
Long-term Borrowing	501,785	524,789
Short-term Borrowing	32,234	15,172
Total	534,019	539,961

Long term borrowing is reclassified as short term borrowing when it is due to be repaid within the next twelve months.

Whilst the 2016/17 Capital Programme was funded notionally by borrowing of £72.6m, the debt outstanding on the balance sheet at 31 March 2017 has only increased by £5.942m 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 interest 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 2017 had reduced by £0.23m from 31 March 2016.

Major Acquisitions and Disposals

The Council's significant acquisitions of non-current assets during 2016/17 included: A building located on the site of St Matthews RC High School £1.5m, former Gala Bingo site £1.8m, properties in the Ben St. regeneration area £0.8m.

Significant disposals in 2016/17 included schools which transferred to academy status. Their value upon disposal was £45.2m. Other significant disposals were land at Leaf Street £0.8m and land at Abingdon Street £0.6m.

Private Finance Initiatives (PFI)

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

As at 31 March 2017, 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 schemes were funded as follows:

Scheme	Funding Source
Housing schemes	PFI grant and Housing revenue Account (HRA)
Schools schemes	PFI grant and Dedicated Schools Grant (DSG)
Street Lighting scheme	PFI grant and Council resources

Further details on these schemes are shown in Note 13.

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 event has therefore been included.

The piloting of 100% business rates.

Further details of this post balance sheet event are shown in Note 58 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 current value (i.e. the amount that would be paid for an asset in its existing use). Where sufficient market evidence is not available, the 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 Consolidated Income and Expenditure Statement, the Group Movement in Reserves Statement, the reconciliation of the single entity surplus to the group deficit / surplus, 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 Extension (Floor 5)
Manchester
M60 2LA

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

The Annual Statement of Accounts can also be viewed on the Council's website here:

http://www.manchester.gov.uk/info/200110/budgets_and_spending/864/annual_statement_of_accounts

Please contact us if you have any comments on the presentation of the Annual Statement of Accounts.

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 will be advertised on the Council's website on 30 June 2017. The Council also publishes its future spending plans in its Capital and Revenue Budget Reports, which are available on the Council's website.

Manchester City Council Annual Statement of Accounts 2016/17

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).

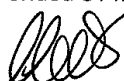
In preparing this statement of accounts, the City Treasurer has:

- 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 2017 and their income and expenditure for the year ended 31 March 2017.



Carol Culley
City Treasurer
6 June 2017

Comprehensive Income and Expenditure Statement

Manchester City Council Annual Statement of Accounts 2016/17

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. A full explanation is provided as part of the Introduction to the accounts.

Restated 2015/16 Gross Expenditure £000s	Restated 2015/16 Gross Income £000s	Restated 2015/16 Net Expenditure £000s		Notes	2016/17 Gross Expenditure £000s	2016/17 Gross Income £000s	2016/17 Net Expenditure £000s
226,909	59,582	167,327	Continuing operations		232,478	65,971	166,507
571,200	387,286	183,914	Adults and Public Health		560,163	387,800	172,363
415,443	321,695	93,748	Children's Services		401,719	310,422	91,297
122,494	58,417	64,077	Corporate Core		112,267	51,303	60,964
57,661	29,546	28,115	Growth and Neighbourhoods		48,121	15,951	32,170
4,733	52,288	(47,555)	Strategic Development	1	5,385	58,605	(53,221)
18,537	0	18,537	Corporate Items		4,684	0	4,684
63,959	86,731	(23,372)	Council Wide Costs	2	56,053	88,884	(32,821)
1,480,336	995,545	484,791	Housing Revenue Account		1,420,880	978,937	441,943
			Net cost of services				
10,409	3,455	6,954	Other operating expenditure		42,636	3,578	39,058
72,568	0	72,568	Loss on disposal of non-current assets	24	69,164	0	69,164
2,275	0	2,275	Leases not included in net cost of services		3,542	0	3,542
85,252	3,455	81,797	Payments to government housing capital receipts pool	43a(1)	115,342	0	115,342
161,912	168,960	(7,048)	Total other operating expenditure		160,900	197,753	(36,853)
0	523,457	(523,457)	Financing and investment income and expenditure	16	0	525,719	(525,719)
1,727,600	1,691,417	36,083	Taxation and non-specific grant income	17	1,697,122	1,705,987	(8,865)
			Deficit / (Surplus) on provision of services				
			Items that will not be subsequently classified in Deficit / (Surplus) of Provision of Services				
			(39,936) (Surplus) on revaluation of non-current assets	44a			(148,663)
			14,488 Impairment losses on non-current assets charged to the revaluation reserve	44a			14,313
			(256,162) Re-measurements of the net defined benefit liability	46			19,844
			Items that will be subsequently classified in Deficit / (Surplus) of Provision of Services				
			(2,059) (Surplus) / deficit on revaluation of available for sale financial assets -	44b, f			3,534
			(283,669) Total other comprehensive income and expenditure				(110,972)
			(247,586) Total comprehensive income and expenditure				(119,837)


Carol Cutley
City Treasurer

6 June 2017

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 unusable 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.

	Note	General Fund Reserves £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Major Repairs Reserve £000s	Total Usable Reserves £000s	Total Unusable Reserves £000s	Total Council Reserves £000s
Balance at 1 April 2015		(259,166)	(86,686)	(37,943)	(54,876)	(6,747)	(445,418)	(1,083,230)	(1,528,648)
Movement in reserves during 2015/16									
(Surplus) / deficit on provision of services	CIES	53,891	(17,808)	0	0	0	36,083	0	36,083
Total comprehensive income and expenditure	CIES	0	0	0	0	0	0	(283,669)	(283,669)
Total adjustments between accounting basis and funding basis under regulations	4b and 12	(26,799)	18,484	(6)	29,194	4,838	25,711	(25,711)	0
(Increase) / decrease in year		27,092	676	(6)	29,194	4,838	61,794	(309,380)	(247,586)
Balance at 31 March 2016		(232,074)	(86,010)	(37,949)	(25,682)	(1,909)	(383,624)	(1,392,610)	(1,776,234)
Movement in reserves during 2016/17									
(Surplus) / deficit on provision of services	CIES	17,711	(26,576)	0	0	0	(8,865)	0	(8,865)
Total comprehensive income and expenditure	CIES	0	0	0	0	0	0	(110,972)	(110,972)
Total adjustments between accounting basis and funding basis under regulations	4b and 12	(40,673)	21,595	(1,186)	3,188	526	(16,550)	16,550	0
(Increase) / decrease in year		(22,962)	(4,981)	(1,186)	3,188	526	(25,415)	(94,422)	(119,837)
Balance at 31 March 2017		(255,036)	(90,991)	(39,135)	(22,494)	(1,383)	(409,039)	(1,487,032)	(1,896,071)

Manchester City Council Annual Statement of Accounts 2016/17

Balance Sheet

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

31 March 2016 £000s		Note	31 March 2017 £000s	
	Non-current assets			
2,086,537	Property, plant and equipment	23	2,183,307	
521,154	Heritage assets	26	539,468	
387,118	Investment properties	32	402,715	
485	Intangible non-current assets		346	
131,311	Long-term investment in subsidiaries, associates and joint ventures	35	128,744	
4,241	Other long-term investments	35	3,269	
173,593	Long-term debtors	36	156,765	
3,304,439	Total non-current assets			3,414,614
	Current assets			
0	Short-term investments	35	5,000	
912	Inventories and long-term contracts		484	
110,906	Short-term debtors	36	169,658	
96,550	Cash and cash equivalents	52	96,320	
6,152	Short-term assets held for sale	28	21,376	
569	Intangible current assets	37	515	
215,089	Total current assets			293,353
3,519,528	Total assets			3,707,967
	Current liabilities			
(32,234)	Short-term borrowing	42	(15,172)	
(191,801)	Short-term creditors	38	(189,156)	
(21,490)	Short-term provisions	41	(15,368)	
(17,469)	Short-term deferred liabilities	40	(13,642)	
(262,994)	Total current liabilities			(233,338)
3,256,534	Total assets less current liabilities			3,474,629
	Long-term liabilities			
(2,191)	Long-term creditors	38	(2,140)	
(44,530)	Long-term provisions	41	(49,261)	
(501,785)	Long-term borrowing	39 & 42	(524,789)	
(141,185)	Long-term deferred liabilities	40	(139,975)	
(6,785)	Capital grants receipts in advance	38	(29,739)	
(783,824)	Pensions liability	46	(832,654)	
(1,480,300)	Total long-term liabilities			(1,578,558)
1,776,234	Net assets			1,896,071
	Financed by:			
383,624	Usable reserves	43		409,039
1,392,610	Unusable reserves	44		1,487,032
1,776,234	Total reserves			1,896,071



Carol Culley
City Treasurer

6 June 2017

Cash Flow Statement

The Cash Flow Statement shows the reason for changes in the Council's cash balances (including investments for periods of less than three months) during the year. It shows whether that change is due to operating activities, investing or financing activities (such as repayment of borrowing or other long term liabilities).

2015/16 £000s		Note	2016/17 £000s
36,083	Net deficit / (surplus) on the provision of services		(8,865)
(161,014)	Adjustments to net deficit / (surplus) on the provision of services for non-cash movements	53	(124,341)
73,662	Adjustments for items included in the net deficit / (surplus) on the provision of services that are investing and financing activities	54	105,107
(51,269)	Net cash flows from operating activities		(28,099)
89,519	Investing activities	56	44,220
(10,528)	Financing Activities	57	(15,891)
27,722	Net decrease in cash and cash equivalents		230
124,272	Cash and cash equivalents at the beginning of the reporting period		96,550
96,550	Cash and cash equivalents at the end of the reporting period	52	96,320

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Note 1. Corporate Items

The table below analyses the figure included in the corporate items line of the Comprehensive Income and Expenditure Statement.

	2015/16 £000s	2016/17 £000s
Gross Expenditure		
Insurance Costs	3,931	4,822
Contribution to Central Bad Debt Provision	564	0
Other Central Expenditure	238	563
	4,733	5,385
Gross Income		
Insurance Income	306	1,152
Higher Education Fund Grant	1,386	1,290
Public Health Grant	50,418	54,596
Other Central Income	178	1,568
	52,288	58,606
Total Corporate Items	(47,555)	(53,221)

Note 2. Council Wide Costs

The table below analyses the figure included in the council wide costs line of the Comprehensive Income and Expenditure Statement.

	2015/16 £000s	2016/17 £000s
Pensions Past Service Costs	2,909	2,009
Pensions Curtailments and Settlements	(17,058)	0
Depreciation - Non Operational Properties	236	218
Impairment - Non Operational Properties	32,450	2,457
Total Council Wide Costs	18,537	4,684

Manchester City Council Annual Statement of Accounts 2016/17

Note 3. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows for each of the Council's directorates, a comparison of the net expenditure as per the revenue outturn reports to Executive and the net expenditure in the CIES and explains the differences between the two.

2015/16					2016/17					
As reported to Members	Adjustments to arrive at net amount chargeable to the general fund and HRA balances	Net expenditure chargeable to the general fund and HRA balances	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement		As reported to Members	Adjustments to arrive at net amount chargeable to the general fund and HRA balances	Net expenditure chargeable to the general fund and HRA balances	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
	Note 4a		Note 4b				Note 4a		Note 4b	
164,152	1,334	165,486	1,841	167,327	Adults and Public Health	167,264	(3,146)	164,118	2,389	166,507
108,923	14,966	123,889	60,025	183,914	Children's Services	108,290	19,270	127,560	44,803	172,363
75,330	(2,575)	72,755	20,993	93,748	Corporate Core	77,000	(2,074)	74,926	16,371	91,297
75,723	(25,339)	50,384	13,693	64,077	Growth and Neighbourhoods	73,977	(21,807)	52,170	8,794	60,964
7,237	17,458	24,695	3,420	28,115	Strategic Development	7,034	17,264	24,298	7,872	32,170
(38,256)	(9,299)	(47,555)	0	(47,555)	Corporate Items	(54,556)	1,714	(52,842)	(379)	(53,221)
0	0	0	18,537	18,537	Council Wide Costs	0	0	0	4,684	4,684
676	(5,563)	(4,887)	(18,485)	(23,372)	Housing Revenue Account	(4,981)	(6,245)	(11,226)	(21,595)	(32,821)
393,785	(9,018)	384,767	100,024	484,791	Net Cost of Services	374,028	4,976	379,004	62,939	441,943
(393,479)	36,480	(356,999)	(91,709)	(448,708)	Other Income and Expenditure	(377,758)	(29,189)	(406,947)	(43,861)	(450,808)
306	27,462	27,768	8,315	36,083	Deficit / (Surplus) on Provision of Services	(3,730)	(24,213)	(27,943)	19,078	(8,865)
Opening General Fund and HRA Reserves		345,852			Opening General Fund and HRA Reserves			318,084		
Surplus / (Deficit) on General Fund and HRA Reserves in year		(27,768)			Surplus / (Deficit) on General Fund and HRA Reserves in year			27,943		
Closing General Fund and HRA Reserves at 31 March		318,084			Closing General Fund and HRA Reserves at 31 March			346,027		

The explanations of the items included in each column are shown in note 4.

The split of the general fund and HRA reserves is shown in the movement in reserves statement.

Manchester City Council Annual Statement of Accounts 2016/17

Note 4. Note to the Expenditure and Funding Analysis

(a) Adjustments to arrive at net amount chargeable to the general fund and HRA balances 2015/16			
Other Adjustments	Adjustments relating to other income and expenditure (i) £000	Adjustments relating to transfers to / from reserves (ii) £000	Total Adjustments £000
Adults and Public Health	(171)	1,505	1,334
Children's Services	1,144	13,822	14,966
Corporate Core	931	(3,506)	(2,575)
Growth and Neighbourhoods	(35,164)	9,825	(25,339)
Strategic Development	15,467	1,991	17,458
Corporate Items	(10,686)	1,387	(9,299)
Housing Revenue Account	(5,563)	0	(5,563)
Net Cost of Services	(34,042)	25,024	(9,018)
Other Income and Expenditure from the Expenditure and Funding Analysis	34,042	2,438	36,480
Difference between General Fund and HRA Deficit and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	0	27,462	27,462

(a) Adjustments to arrive at net amount chargeable to the general fund and HRA balances 2016/17			
Other Adjustments	Adjustments relating to other income and expenditure (i) £000	Adjustments relating to transfers to / from reserves (ii) £000	Total Adjustments £000
Adults and Public Health	(171)	(2,975)	(3,146)
Children's Services	4,569	14,701	19,270
Corporate Core	2,267	(4,341)	(2,074)
Growth and Neighbourhoods	(28,114)	6,307	(21,807)
Strategic Development	12,872	4,392	17,264
Corporate Items	152	1,562	1,714
Housing Revenue Account	(6,245)	0	(6,245)
Net Cost of Services	(14,670)	19,646	4,976
Other Income and Expenditure from the Expenditure and Funding Analysis	14,670	(43,859)	(29,189)
Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Surplus on the Provision of Services	0	(24,213)	(24,213)

(i) Adjustments relating to other income expenditure include levies, PFI grants, transactions relating to investment properties and service specific interest payments and receipts which are reported as part of service costs in the outturn report but are not included in net cost of services in the CIES.

(ii) Transfers to and from reserves which are included in the outturn report but are not shown within the CIES.

Manchester City Council Annual Statement of Accounts 2016/17

(b) Adjustments between Funding and Accounting Basis 2015/16					
Adjustments between funding and accounting basis	Adjustments for Capital Purposes (i) £000	Pension Adjustments (ii) £000	Collection Fund Adjustments (iii) £000	Other Adjustments (iv) £000	Total Adjustments £000
Adults and Public Health	559	1,204	0	78	1,841
Children's Services	56,187	3,605	0	233	60,025
Corporate Core	18,474	2,399	0	120	20,993
Growth and Neighbourhoods	11,267	2,351	0	75	13,693
Strategic Development	3,619	211	0	(410)	3,420
Corporate Items	0	0	0	0	0
Council Wide Costs	32,686	(14,149)	0	0	18,537
Housing Revenue Account	(18,605)	120	0	0	(18,485)
Net Cost of Services	104,187	(4,259)	0	96	100,024
Other Income and Expenditure from the Expenditure and Funding Analysis	(78,825)	31,996	(44,947)	67	(91,709)
Difference between General Fund and HRA Deficit and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	25,362	27,737	(44,947)	163	8,315

(b) Adjustments between Funding and Accounting Basis 2016/17					
Adjustments between funding and accounting basis	Adjustments for Capital Purposes (i) £000	Pension Adjustments (ii) £000	Collection Fund Adjustments (iii) £000	Other Adjustments (iv) £000	Total Adjustments £000
Adults and Public Health	857	1,686	0	(154)	2,389
Children's Services	40,254	4,579	0	(30)	44,803
Corporate Core	13,721	2,654	0	(4)	16,371
Growth and Neighbourhoods	7,199	1,633	0	(38)	8,794
Strategic Development	7,471	353	0	48	7,872
Corporate Items	0	0	0	(379)	(379)
Council Wide Costs	2,675	2,009	0	0	4,684
Housing Revenue Account	(21,706)	116	0	(5)	(21,595)
Net Cost of Services	50,471	13,030	0	(562)	62,939
Other Income and Expenditure from the Expenditure and Funding Analysis	(36,514)	15,956	(21,230)	(2,073)	(43,861)
Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Surplus on the Provision of Services	13,957	28,986	(21,230)	(2,635)	19,078

(i) Adjustments relating to capital include depreciation, amortisation of intangible assets impairment, revenue funded from capital under statute, movements in investment property valuations, gain / loss on disposal of non current assets, capital grants and contributions, HRA PFI adjustments, minimum revenue provision and revenue contribution to capital outlay.

(ii) Adjustments relating to pensions are the removal of employee pension costs for the Local Government Pension Scheme and their replacement with current service costs and past service costs plus the net interest on the defined pension liability. The main change in the pension figures between 2015/16 and 2016/17 is that there were settlements of £17.16m in 2015/16 but none in 2016/17. These mainly relate to the transfer of staff and their pension assets and liabilities to Biffa Municipal in July 2015.

(iii) This represents the difference between what is chargeable under statutory regulations for council tax and NNDR i.e. the amount estimated in the preceding January and the actual income due on an accruals basis. This difference and is held within the Collection Fund.

(iv) Other adjustments include soft loans, reversal of contributions to capital bad debt provisions, employee benefit accruals and the payment to the housing capital receipts pool.

Note 5. Prior Period Restatement

The prior period is restated so that 2015/16 is presented in a comparable way to 2016/17.

Service Expenditure and Income

Expenditure and income on services are shown in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its 'reportable segments'; these are based on the Council's internal management reporting structure.

This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of practice (SERCOP).

Where services have transferred between directorates the 2015/16 figures have been restated so that they are reported on the same basis as 2016/17.

The three tables below shows how the net expenditure, gross expenditure and gross income have been restated.

	As reported in the 2015/16 CIES £000	Adjustments between SERCOP classifications and internal reporting classifications £000	As restated 2015/16 £000
Net Expenditure			
SERCOP Service Line			
Adult social care	130,934	(130,934)	0
Central services to the public	2,985	(2,985)	0
Education and children's services	195,636	(195,636)	0
Cultural and related services	49,327	(49,327)	0
Environmental and regulatory services	39,620	(39,620)	0
Planning services	23,513	(23,513)	0
Highways and transport services	16,106	(16,106)	0
Housing services	22,133	(22,133)	0
Housing Revenue Account	(23,372)	23,372	0
Public Health	1,379	(1,379)	0
Corporate and democratic core	8,078	(8,078)	0
Non-distributed costs	18,452	(18,452)	0
Directorate Line			
Adults and Public Health	0	167,327	167,327
Children's Services	0	183,914	183,914
Corporate Core	0	93,748	93,748
Growth and Neighbourhoods	0	64,077	64,077
Strategic Development	0	28,115	28,115
Corporate Items	0	(47,555)	(47,555)
Council Wide Costs	0	18,537	18,537
Housing Revenue Account	0	(23,372)	(23,372)
Total Net Cost of Services	484,791	0	484,791

Gross Expenditure			
SERCOP Service Line			
Adult social care	180,770	(180,770)	0
Central services to the public	14,172	(14,172)	0
Education and children's services	608,238	(608,238)	0
Cultural and related services	58,514	(58,514)	0
Environmental and regulatory services	50,650	(50,650)	0
Planning services	67,125	(67,125)	0
Highways and transport services	36,435	(36,435)	0
Housing services	322,661	(322,661)	0
Housing Revenue Account	63,359	(63,359)	0
Public Health	51,797	(51,797)	0
Corporate and democratic core	8,163	(8,163)	0
Non-distributed costs	18,452	(18,452)	0
Directorate Line			
Adults and Public Health	0	226,909	226,909
Children's Services	0	571,200	571,200
Corporate Core	0	415,443	415,443
Growth and Neighbourhoods	0	122,494	122,494
Strategic Development	0	57,661	57,661
Corporate Items	0	4,733	4,733
Council Wide Costs	0	18,537	18,537
Housing Revenue Account	0	63,359	63,359
Total Net Cost of Services Gross Expenditure	1,480,336	0	1,480,336

Gross Income			
SERCOP Service Line			
Adult social care	49,836	(49,836)	0
Central services to the public	11,187	(11,187)	0
Education and children's services	412,602	(412,602)	0
Cultural and related services	9,187	(9,187)	0
Environmental and regulatory services	11,030	(11,030)	0
Planning services	43,612	(43,612)	0
Highways and transport services	20,329	(20,329)	0
Housing services	300,528	(300,528)	0
Housing Revenue Account	86,731	(86,731)	0
Public Health	50,418	(50,418)	0
Corporate and democratic core	85	(85)	0
Directorate Line			
Adults and Public Health	0	59,582	59,582
Children's Services	0	387,286	387,286
Corporate Core	0	321,695	321,695
Growth and Neighbourhoods	0	58,417	58,417
Strategic Development	0	29,546	29,546
Corporate Items	0	52,288	52,288
Housing Revenue Account	0	86,731	86,731
Total Net Cost of Services Gross Income	995,545	0	995,545

Movement in Reserves Statement

This note sets out the changes that have been made to the Movement in reserves Statement. They are as follows:

The CIPFA Code for 2016/17 now requires the total General Fund Balance and the total Housing Revenue Account Balance to be presented. In previous years earmarked General Fund Reserves and Housing Revenue Account Reserves were shown separately.

In 2015/16 total the Total Other Comprehensive Income and Expenditure was analysed as in the CIES. For 2016/17 this is shown as a single line.

In addition in 2015/16 the total adjustments between accounting basis and funding basis under regulations were shown as two separate lines - reversal of items debited or credited to the comprehensive income and expenditure statement and insertion of items not debited or credited to the comprehensive income and expenditure statement. These have now been combined into one line.

The 2015/16 Movement in Reserves Statement has been amended for these changes.

Note 6. Accounting Concepts and Policies

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year end 31 March 2017. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 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 2016/17 (The Code) 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.

6.1. Underlying Assumptions

6.1.1 Going Concern

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

6.1.2 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 which 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.

6.2. Accounting Policies

6.2.1 Property, Plant and Equipment (PPE)

Property, Plant and Equipment assets have physical substance and are held for use in the provision of services, for rental to others 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 60% (65% in 2015/16) 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 40% (the social housing discount). In addition all property, plant and equipment, where expenditure in excess of £500,000 has been incurred during 2016/17, 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 current value, determined as the value that would be paid for the asset in its existing use. Where sufficient market evidence is not available, for example schools and leisure centres, current 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 measured 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 the highest or best use of the asset from a market participant's perspective. These are assets that are not in use by the Council but do not meet the definition of investment property or 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 current or 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 have a valuation date of 1 April 2016. 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 loss charged to the Deficit / Surplus 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.

6.2.2 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 higher than the notional Major Repairs Allowance (MRA) (formerly part of housing subsidy) the difference is transferred from the MRR. Where the depreciation is lower than the notional MRA the difference is transferred to 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.

6.2.3 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 an asset disposal in excess of £10,000 is classed as a capital receipt. 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.

6.2.4 Private Finance Initiatives (PFIs) and Similar Contracts

PFI and similar contracts (service concessions) 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 relating to PFIs and similar contracts, 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 / Surplus 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 / Surplus 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 / Surplus 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 / Surplus 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.

6.2.5 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 Central Library).

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. Where a valuation is not available and cannot be obtained at a cost which is commensurate with the benefits to the users of the financial statements the assets are not recognised on the balance sheet.

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 6.2.9). 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 6.2.3).

6.2.6 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 or is held for sale.

Investment Properties are initially measured at cost. After initial recognition they are measured at fair value - highest and best use. 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.

6.2.7 Schools

In accordance with the Code of Practice on Local Authority Accounting the Council has 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.

Capital expenditure on schools shown on the Council's balance sheet is added to the value of 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 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 2017 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 Children's Services line.

6.2.8 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 / Surplus on the Provision of Services.

6.2.9 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 / Surplus 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.

6.2.10 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 annually by the Council within the Treasury Management Strategy.

An amendment to the MRP policy within the Treasury Management Strategy was approved by Council in January 2017. For all non-HRA capital expenditure funded by supported borrowing, otherwise known as supported capital expenditure, the Council's policy is to charge 2% (previously 4%) of the capital financing requirement from 1 April 2016. The assets created or acquired under Supported Capital Expenditure predominantly have long asset lives of approximately fifty years, such as land or buildings. It is therefore considered reasonable, whilst remaining prudent, to amend the MRP charge on Supported Capital Expenditure funded through borrowing to 2% of the outstanding balance.

For all non-HRA unsupported borrowing MRP is calculated using the estimated life of the asset. Dependent upon 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.

6.2.11 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 / Surplus 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 6.2.16c.

6.2.12 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.

6.2.13 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.

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.

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.

6.2.14 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of no 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.

6.2.15 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 and a reliable estimate can be made of the amount of the obligation but the timing of the transfer is uncertain. Examples include a legal case that could result in a payment of compensation.

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.

6.2.16 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.

6.2.17 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.

6.2.18 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.

6.2.19 Value Added Tax (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.

6.2.20 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 current 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.

6.2.21 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 / Surplus 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.

6.2.22 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 / Surplus 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.

6.2.23 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 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 Adults and 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 within council wide items as they are costs that are not attributable to a particular service . 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 council wide items.
- 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

6.2.24 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 subsequently carried at their amortised cost (where the interest received is spread evenly over the life of the loan).

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 per the loan agreement.

The Council has made a number of loans to individuals at less than market rates of interest (these are known as soft loans). When the loans are made the amount of interest forgone over the life of the loan 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 is applied. This could be a discounted cash flow analysis of dividends received or a valuation of the Council's share of the company. The inputs to the measurement techniques are categorised into three levels –

- Level 1 inputs – quoted price in an active market for identical assets that the Council can access at the balance sheet date
- Level 2 inputs – inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset.

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.

6.2.25 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 mortgages and loans 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.

6.2.26 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.

6.2.27 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.

6.2.28 Contingent Assets and Liabilities

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

6.2.29 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.

6.2.30 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.

6.2.31 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.

6.2.32 Interests in Companies and Other Entities

The Council has material interests in companies and other entities and therefore group accounts have been prepared for the Council and its material interest in its subsidiary and joint venture. Inclusion in the Council group is dependent upon the extent of the Council's interest and power to influence an entity. The determining factor for assessing the extent of interest, 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 those 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.

6.2.33 Joint Operations

Joint Operations are arrangements where the parties are bound by a contractual arrangement, have joint control of the arrangement and have rights to the assets and obligations for the liabilities relating to the arrangement. The Council recognises its share of the assets, liabilities, income and expenditure of the joint operation in its single entity accounts.

6.2.34 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.

6.2.35 Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

Note 7. Critical Accounting Judgements

In applying the accounting policies set out in Note 6 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:

7.1 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 25 to the accounts.

7.2 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 £217.970m (£193.815m in 2015/16) are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

The operators' models were examined to identify the service element of the unitary charge. Where that charge could not 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.

7.3 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 £0.501m (£0.648m in 2015/16) are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

7.4 Investment Properties

The Council has reviewed all assets in accordance with the accounting policy for investment properties and as a result assets valued on that basis total £402.715m (£387.118m in 2015/16) and are recognised as Investment Properties in the Council's Balance Sheet.

7.5 Valuation of Property Plant and Equipment

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

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

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, Roger Hannah and Co and Jacobs, external valuers commissioned by

the Council with a valuation date of 1 April 2016. Jacobs provided indexation factors for the percentage increase in value from the date of the last valuation to 31 March 2017 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.

7.6 Valuation of Heritage Assets

The Code permits councils to measure community assets in the same way as heritage assets. However 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. Where this information is not available, and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets are not recognised in the Balance Sheet. Items with a value of less than £100,000 are excluded from the balance sheet.

As a result assets valued at £539.468m (£521.154m in 2015/16) have been classed as Heritage Assets.

7.7 Better Care Fund (BCF)

The Better Care Fund Pooled Budget arrangements commenced on 1 April 2015. The Council is the host for the Manchester BCF. The accounting arrangements for the BCF are dependant on whether the Council, as host, has control of the fund. The agreement with the Manchester Clinical Commissioning Groups (CCG's) states that relevant decisions have to have unanimous agreement, all members of the fund hold providers to account for delivery of services and risks are borne in line with the agreement. The Council's view is that the BCF should be accounted for as a joint operation and as a result accounts for its share of the funds assets, liabilities, expenditure and income.

7.8 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. Turnover and assets and liabilities are assessed individually. An entity could be material but still not consolidated (if all of its business is with the Council and eliminated on consolidation) – i.e. the consolidation would mean that the group accounts are not materially different to the single entity accounts. The assessment of materiality also considers qualitative factors such as whether the Council depends significantly on these entities for the continued

provision of its statutory services or where there is concern about the level to which the Council is exposed to commercial risk

7.9 Association of Greater Manchester Authorities (AGMA)

Following the introduction of the Local Audit and Accountability Act 2014 joint committees, including AGMA, are no longer required to prepare separate accounts. AGMA is therefore classed as a joint operation and the Council should include its share of AGMA's assets, liabilities, expenditure and income. Given the value of these items the Council has chosen to continue to account for its contributions to AGMA as previously. This does not have a material effect on the accounts.

Note 8. 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 2017 for which there is a risk of adjustment in the following financial year are:

8.1 Revaluation of Property, Plant and Equipment (PPE)

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 £17.9m for every 1% increase in valuation.

8.2 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 £3.8m for every year the useful lives are reduced.

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

Roger Hannah and Co have 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.

8.3 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 investments in Manchester Mortgage Corporation, Manchester Working, National Car Parks (Manchester), Matrix Homes and One Education are shown as the value of the Council's share of their reserves based on its percentage shareholding. The remainder of the shares totalling £1.376m 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.

8.4 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 £0.109m to the provision required. An increase of 1% in the likelihood of each claim being settled would have the effect of adding £0.038m to the provision.

8.5 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 percentage reductions in rateable values for hereditaments where there was an outstanding appeal at 31 March 2017. The percentages used are based on information from the VAO on the percentage reductions, per category of property and type of appeal, to the valuation list following previously settled appeals. Appeals raised against hereditaments with larger RVs have been considered separately. This provision includes the estimated impact on 2016/17 income of appeals anticipated to be lodged up to the final allowable date for the 2015 list (September 2017). An increase of 1% in

the percentage reduction would have the effect of adding £10.5m to the total provision required (Council's share £5.1m).

8.6 Arrears

At 31 March 2017 the Council had a balance of short term debtors of £268.982m. This included sundry debtors of £192.343m (including housing benefit overpayments), housing rent debtors of £7.868m, council tax debtors of £54.946m and business rates debtors of £13.825m. A review of these outstanding balances suggests that an impairment of doubtful debts of £99.324m (£48.250m sundry debtors, £5.396m housing rents, £38.102m council tax and £7.576m 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 £1.667m (£0.971m sundry debtors, £0.044m housing rents, £0.538m council tax and £0.114m business rates) to be set aside.

8.7 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 £333m, a 0.5% increase in the salary increase rate would result in a £45m increase in the pension liability and a 0.5% increase in the assumed pension rate increase would result in a £283m increase in the pension liability.

Note 9. Impact of Accounting Changes Issued 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 2016/17 Code.

The Code has introduced changes in accounting policies which will be required from 1 April 2017 and will therefore be valid for the 2017/18 accounts. The changes introduced by the 2017/18 Code are:

- A new disclosure relating to pension fund scheme transaction costs
- Clarification to the reporting of pension fund investment concentration

These changes relate to Pension Fund Accounts and do not have any implications for the Council.

Note 10. Significant items warranting additional disclosure

The following items of material expenditure occurred during the year:

Impairment including downward revaluation and reversal of past impairment

Impairment of property plant and equipment and investment properties of £24,695,000 (£87,051,000 in 2015/16) has been included within net cost of services:

	Restated 2015/16 £000s	2016/17 £000s
Adults and Public Health	332	112
Children's Services	26,527	1,409 a
Corporate Core	0	2,354
Growth and Neighbourhoods	5,100	320
Strategic Development	321	2,185
Council Wide Costs	32,451	2,457 b
Housing Revenue Account	9,349	1,837 c
Investment properties	12,971	14,021
Total	87,051	24,695

The impairment on Council wide costs relates to non-operational property i.e. properties not used by the Council but classed as held for sale or surplus.

a. The reduction relating to Children's Service is as a result of impairments being charged to the revaluation reserve as a result of previously upward revaluations.

b. The reduction in impairment classed as council wide costs is a result of there being significant downward revaluations in 2015/16.

c. The reduction in HRA impairment is as a result of impairments being charged to the revaluation reserve following increases in values due to the reduction in the social housing discount.

Note 11. Expenditure and Income Analysis

The Council's income and expenditure is analysed as follows:

	2015/16 £000	2016/17 £000
Expenditure		
Employee Benefit Expenses	449,647	467,305
Other Service Expenses	841,173	832,286
Capital Charges including Depreciation and impairment (205,461	137,766
Interest Payments	36,444	34,545
Pensions Interest Costs	109,523	109,878
Precepts and Levies	72,568	69,164
Payments to Housing Capital Receipts Pool	2,275	3,542
Loss on Disposal of Non-current Assets (general fund)	10,409	42,636
Total Expenditure	1,727,500	1,697,122
Income		
Fees, Charges and Other Service Income (b)	(220,395)	(222,847)
Interest and Investment Income	(52,711)	(65,326)
Return on Pension Assets	(77,333)	(82,437)
Capital Charges related income	(98,695)	(106,999)
Income from Council Tax	(125,506)	(142,533)
Business Rates Income	(178,439)	(178,889)
Government Grants and Contributions	(934,883)	(903,378)
Gain on Disposal of Fixed Assets (HRA)	(3,455)	(3,578)
Total Income	(1,691,417)	(1,705,987)
Deficit / (Surplus) on the Provision of Services	36,083	(8,865)

(a) Segmental Split of Capital Charges including Depreciation and Impairment

	2015/16 £000	2016/17 £000
Adults and Public Health	850	1,155
Children's Services	74,116	62,826
Corporate Core	20,390	16,125
Growth and Neighbourhoods	17,777	10,070
Strategic Development	25,285	14,663
Council Wide Costs	45,659	16,696
HRA	21,384	16,231
Total Capital Charges including Depreciation and Impairment	205,461	137,766

(b) Segmental Split of Fees, Charges and Other Service Income

	2015/16 £000	2016/17 £000
Adults and Public Health	(29,577)	(31,300)
Children's Services	(6,910)	(5,075)
Corporate Core	(46,395)	(46,256)
Growth and Neighbourhoods	(46,854)	(49,027)
Strategic Development	(26,856)	(23,643)
Corporate Items	(647)	(2,082)
Other Income	(27)	(183)
Housing Revenue Account	(63,127)	(65,281)
Total Fees, Charges and Other Service Income	(220,394)	(222,847)

Note 12. 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. It shows the technical items that are removed that do not impact on the funded position and replaces them with other items that are funded.

The table below shows the adjustments made in 2015/16:

	Usable Reserves						Unusable Reserves
	General Fund Reserves	Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Usable Reserves	Total Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Reversal of items debited or credited to the comprehensive income and expenditure statement:							
Depreciation	(37,793)	0	0	0	(11,989)	(49,782)	49,782
Amortisation of intangible assets	(144)	0	0	0	0	(144)	144
Transfer from HRA to major repairs reserve	0	8,404	0	0	(8,404)	0	0
Impairment / revaluation losses charged to the comprehensive income and expenditure statement	(77,702)	(9,349)	0	0	0	(87,051)	87,051
Movement in fair value of investment property	18,614	0	0	0	0	18,614	(18,614)
Financing of capital expenditure on council dwellings	0	0	0	0	25,231	25,231	(25,231)
Capital grants and contributions	36,664	80	0	69,766	0	106,510	(106,510)
Revenue expenditure funded from capital under statute	(27,856)	(46)	0	(40,572)	0	(68,474)	68,474
Gain / (loss) on disposal of non-current assets	(10,409)	3,455	0	0	0	(6,954)	6,954
Amount by which pension costs calculated in accordance with IAS19 are different from pension contributions due	(27,617)	(120)	0	0	0	(27,737)	27,737
Reversal of private finance initiative charges to the HRA	0	16,034	0	0	0	16,034	(16,034)
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	2,932	0	0	0	0	2,932	(2,932)
Reversal of contribution to capital bad debt provision	(300)	0	0	0	0	(300)	300
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	44,946	0	0	0	0	44,946	(44,946)
Statutory provision for the repayment of debt - minimum revenue provision	23,539	0	0	0	0	23,539	(23,539)
Statutory provision for the repayment of debt - finance lease liabilities	295	0	0	0	0	295	(295)
Statutory provision for the repayment of debt - private finance initiatives	2,676	0	0	0	0	2,676	(2,676)
HRA capital receipts to housing central pool	(2,275)	0	2,275	0	0	0	0
Revenue contribution to finance capital	25,906	26	0	0	0	25,932	(25,932)
Premiums and discounts charged to revenue	329	0	0	0	0	329	(329)
Principal repayment of ex-GMC debt	1,941	0	0	0	0	1,941	(1,941)
Capital receipts received	0	0	(30,585)	0	0	(30,585)	30,585
Use of capital receipts reserve to finance capital expenditure	0	0	33,624	0	0	33,624	(33,624)
Write down of long term debtor	(24)	0	0	0	0	(24)	24
Capital receipts for long term debtors	0	0	(5,320)	0	0	(5,320)	5,320
Transfer to short term accumulated absences account	(521)	0	0	0	0	(521)	521
Total adjustments	(26,799)	18,484	(6)	29,194	4,838	25,711	(25,711)

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The table below shows the adjustments made in 2016/17:

	Usable Reserves						Unusable Reserves
	General Fund Reserves	Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Usable Reserves	Total Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Reversal of items debited or credited to the comprehensive income and expenditure statement:							
Depreciation	(37,687)	0	0	0	(14,333)	(52,020)	52,020
Amortisation of intangible assets	(138)	0	0	0	0	(138)	138
Transfer from HRA to major repairs reserve	0	4,355	0	0	(4,355)	(0)	0
Impairment / revaluation losses charged to the comprehensive income and expenditure statement	(22,858)	(1,837)	0	0	0	(24,695)	24,695
Movement in fair value of investment property	28,789	0	0	0	0	28,789	(28,789)
Financing of capital expenditure on council dwellings	0	0	0	0	19,214	19,214	(19,214)
Capital grants and contributions	46,263	623	0	28,511	0	75,397	(75,397)
Revenue expenditure funded from capital under statute	(35,529)	(61)	0	(25,323)	0	(60,913)	60,913
Gain / (loss) on disposal of non-current assets	(42,636)	3,578	0	0	0	(39,058)	39,058
Amount by which pension costs calculated in accordance with IAS19 are different from pension contributions due	(28,870)	(116)	0	0	0	(28,986)	28,986
Reversal of private finance initiative charges to the HRA	0	14,925	0	0	0	14,925	(14,925)
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	5,944	0	0	0	0	5,944	(5,944)
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	21,230	0	0	0	0	21,230	(21,230)
Statutory provision for the repayment of debt - minimum revenue provision	15,597	0	0	0	0	15,597	(15,597)
Statutory provision for the repayment of debt - finance lease liabilities	147	0	0	0	0	147	(147)
Statutory provision for the repayment of debt - private finance initiatives	3,130	0	0	0	0	3,130	(3,130)
HRA capital receipts to housing central pool	(3,542)	0	3,542	0	0	(0)	0
Revenue contribution to finance capital	6,872	123	0	0	0	6,995	(6,995)
Premiums and discounts charged to revenue	332	0	0	0	0	332	(332)
Principal repayment of ex-GMC debt	2,056	0	0	0	0	2,056	(2,056)
Capital receipts received	0	0	(24,650)	0	0	(24,650)	24,650
Use of capital receipts reserve to finance capital expenditure	0	0	52,303	0	0	52,303	(52,303)
Write down of long term debtor	(24)	0	0	0	0	(24)	24
Capital receipts for long term debtors	0	0	(32,381)	0	0	(32,381)	32,381
Transfer to short term accumulated absences account	249	5	0	0	0	254	(254)
Total adjustments	(40,673)	21,595	(1,186)	3,188	526	(16,550)	16,550

Note 13. Long-term Contracts

Undischarged obligations arising from PFI and similar transactions as at 31 March 2017 were as follows:

Scheme	Payments					Indexation	Contract Expiry	Scheme Details
	Liability Repayment £000s	Lifecycle Costs £000s	Interest Charges £000s	Service Charges* £000s	Total £000s			
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	261	93	86	108	548			
Payments within 2 to 5 years	530	163	77	203	973			
	791	256	163	311	1,521			
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	1,723	3,476	3,160	7,053	15,412			
Payments within 2 to 5 years	9,794	13,902	11,164	29,170	64,030			
Payments within 6 to 10 years	10,866	17,378	11,061	46,563	85,868			
Payments within 11 to 15 years	13,075	17,378	7,508	55,179	93,140			
Payments within 16 to 20 years	16,837	17,378	3,316	63,259	100,790			
	52,295	69,512	36,209	201,224	359,240			
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	536	730	1,727	2,263	5,256			
Payments within 2 to 5 years	2,654	2,918	6,292	9,831	21,695			
Payments within 6 to 10 years	4,379	3,648	6,132	14,604	28,763			
Payments within 11 to 15 years	6,764	3,648	3,345	17,055	30,812			
Payments within 16 to 20 years	2,081	730	219	3,437	6,467			
	16,414	11,674	17,715	47,190	92,993			
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	166	0	261	273	700			
Payments within 2 to 5 years	941	0	853	1,161	2,955			
Payments within 6 to 10 years	1,541	0	401	1,281	3,223			
	2,648	0	1,515	2,715	6,878			
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	953	461	1,492	1,565	4,471			
Payments within 2 to 5 years	4,469	1,844	5,312	6,778	18,403			
Payments within 6 to 10 years	7,414	2,305	4,812	9,743	24,274			
Payments within 11 to 15 years	10,137	2,305	2,090	11,327	25,859			
Payments within 16 to 20 years	139	27	9	150	325			
	23,112	6,942	13,715	29,563	73,332			
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	1,746	620	1,660	2,871	6,897			
Payments within 2 to 5 years	8,111	2,479	5,635	12,202	28,427			
Payments within 6 to 10 years	13,126	3,098	4,288	16,983	37,495			
Payments within 11 to 15 years	7,657	1,394	680	8,552	18,283			
	30,640	7,591	12,263	40,608	91,102			
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	-19,910	0	3,142	2,198	-14,570			
Payments within 2 to 5 years	-15,397	0	16,986	9,604	11,193			
Payments within 6 to 10 years	9,158	0	18,860	13,082	41,100			
Payments within 11 to 15 years	8,791	0	15,590	14,635	39,016			
Payments within 16 to 20 years	17,531	0	9,978	16,804	44,313			
Payments within 21 to 25 years	9,975	0	1,306	6,336	17,617			
	10,148	0	65,862	62,659	138,669			
Refuse Vehicles Service Concession						Various	2023	Refuse vehicles utilised in the provision of refuse collection services to the Council. The service contract commenced in 2015 and the purchase of new vehicles to be utilised in the contract commenced in 2016.
Payments within 1 year	378	0	52	13,750	14,180			
Payments within 2 to 5 years	1,568	0	145	54,520	56,233			
Payments within 6 to 10 years	513	0	26	13,718	14,257			
	2,459	0	223	81,988	84,670			
Total	138,507	95,975	147,665	466,258	848,405			

*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 Refuse Vehicle Service Concession liability is being introduced onto the balance sheet as assets are purchased.

The Council has seven PFI Schemes and one Service Concession 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
- Refuse Vehicles Service Concession

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 was 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.

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.

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.

Changes to the Street Lighting PFI contract are currently being negotiated. These relate to the procurement and installation of low energy LED street lighting technology and a management system for centralised control. The equipment is designed to deliver long term sustainable benefits and revenue savings, whilst providing high quality lighting to recognised statements.

Refuse Vehicles Service Concession

The contract to provide refuse collection service to the Council stipulates that new vehicles will be purchased by the contractor to provide these services. The nature of the contract means that it must be classified under the IFRIC12 standard as a Service Concession and the vehicles capitalised on the Council's balance sheet.

Note 14. 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:

	2015/16 (Surplus) / Deficit * £000s	2016/17 Turnover £000s	2016/17 Expenditure £000s	2016/17 (Surplus) / Deficit* £000s
Highways maintenance	599	(17,201)	19,566	2,365
Schools and welfare catering	(84)	(13,867)	13,816	(51)
Other catering	(763)	(1,070)	266	(804)
Corporation estates	(2,078)	(3,497)	2,339	(1,158)
Markets	(990)	(10,061)	9,151	(910)
Total (Surplus) / Deficit	(3,316)	(45,696)	45,138	(558)

* Included within the cost of all trading operations are costs that do not affect usable reserves such as depreciation, impairment and IAS19 pension costs.

Note 15. 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.

Better Care Fund

The Better Care Fund has been established by the Government to provide funds to local areas to support the integration of health and social care. It was a requirement of the Better Care Fund that the three Manchester Clinical Commissioning Groups (CCGs) and the Council establish a pooled fund from 1 April 2015 for this purpose.

	2015/16 £000s	2016/17 £000s
Funding		
Manchester City Council	6,223	14,623
Manchester CCGs	37,638	72,380
Total Funding	43,861	87,003
Expenditure		
New Delivery Models of Integrated Care	17,580	48,175
Protection of Adult Social Care	12,219	12,430
Reablement	5,000	15,871
Non Elective Risk Reserve	3,159	3,248
Care Act Responsibilities	1,451	1,533
Capital Expenditure	4,452	4,546
Transfer to Capital Grants Unapplied Reserve	0	1,200
Total Expenditure	43,861	87,003
Overspend / (Underspend)	0	0

There were no outstanding assets or liabilities at 31 March 2016 or 31 March 2017 relating to the Better Care Fund.

The Council is the local Social Services Authority for Manchester within the meaning of the Local Authority Social Services Act 1970 and a commissioner and provider of health and social care services to people of all ages in Manchester. The aims and benefits of the partners in entering into this agreement are to:

- give the Council and the three Manchester CCGs greater transparency and control over the use of funding to support local integration of health and care services
- realise benefits from integration in terms of efficiencies in how services are delivered, reducing reactive unplanned health and social care activity and improving long term health outcomes for people
- deliver reform of the local health and care system based on agreed strategic objectives for the Living Longer, Living Better programme and national conditions for use of the Better Care Fund
- protect health and / or social care as relevant to the partners in so far as this delivers the Better Care Fund national conditions.

Further detail can be found in the report to the Manchester Health and Wellbeing Board dated 25 March 2015.

http://www.manchester.gov.uk/meetings/meeting/2262/health_and_wellbeing_board

The Council and NHS have committed to having twelve neighbourhood hubs across the City with a 'One Team' approach integrating teams across organisational boundaries to create a single point of contact for clients, these teams include reablement, integrated out of hospital community based health provision, primary and social care services.

For 2016/17, the expansion of the pooled fund commenced aligning to this approach with the first phase covering single point of access, neighbourhood teams and integrated immediate care and reablement.

The fundamental ambition behind pooling of resources is to support transformational change. Financial arrangements will support integration and be very different from previous experience, in particular:-

- access to the GM transformation fund, together with pooled resources, will enable investment in the initial phase of implementing new care models for the future.
- investment into the new care models will be tracked in terms of impact on activity levels in the acute sector and in residential care in particular.
- A transition will happen over a four year period so that existing models of care are gradually replaced with the new integrated models of care.

Note 16. Financing and Investment (Income) and Expenditure

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

	2015/16 £000s	2016/17 £000s
Interest payable on debt	23,745	24,024
Interest element of finance leases (lessee)	61	39
Interest payable on PFI unitary payments	9,249	10,481
Net interest on the net defined benefit liability	32,188	27,441
Write back of concessionary loan interest	267	0
Investment interest income	(13,295)	(14,305)
Rentals received on investment properties	(19,281)	(20,397)
Expenses incurred on investment properties	2,718	2,457
Investment properties Impairment	12,971	14,021
Change in fair value of investment properties	(18,613)	(28,789)
Impairment of Shareholding	200	0
Dividends receivable	(36,495)	(51,021)
(Gain) on trading accounts (not applicable to a service)	(763)	(804)
Total financing and investment income and expenditure	(7,048)	(36,853)

Note 17. Taxation and non-specific grant income

The table below analyses the figure included in the taxation and non-specific grant income line of the Comprehensive Income and Expenditure Statement.

	2015/16 £000s	2016/17 £000s
Council Tax Income	125,506	142,533 a
Business Rates Income	170,927	171,314
Business Rates Retention Top Ups	7,512	7,575
Business Rates Section 31 Grants	7,123	5,787 b
Enterprise Zone Relief Grant	894	1,217 c
Revenue Support Grant	138,358	113,768 d
Education Services Grant	5,686	5,134
New Homes Bonus Grant	10,265	13,128 e
New Homes Bonus return of top slice	521	373
Council Tax Freeze Grant	1,532	0 f
Housing Benefit and Council Tax Support Administration Grant	5,053	4,430
Private Finance Initiative Grant (General Fund)	6,580	6,580
Other Grants	3,981	1,355
Gain on concessionary interest loan	2,775	5,639 g
Capital Grants and contributions	36,744	46,886
Total taxation and non-specific grant income	523,457	525,719

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. Section 31 grants are 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 Autumn Statement including capping the increase in business rates to 2%.

c. The government refunds the costs of business rate discounts awarded within the Enterprise Zones.

d. Revenue Support Grant has decreased by 18% in line with reductions to central government funding

e. New homes bonus grant started in 2011/12 and is paid for six years therefore there is an additional years entitlement in 2016/17.

f. As the Council froze Council Tax in 2015/16 it was entitled to this grant which is calculated at 1% of the protected council tax base.

g. The Council has received interest free loans of £9.016m from the Homes and Communities Agency repayable in 2022, £8.470m repayable in 2024 and £11.063m from HM Treasury repayable in 2028. This amount represents the saving to the Council over the remaining length of the loans of them being interest free.

Note 18. 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

	2015/16 £000s	2016/17 £000s
Dedicated Schools Grant	312,345	311,903
Pupil Premium	28,602	27,050
Housing and Council Tax Support	267,415	256,750
Public Health Grant	50,418	54,596 ^a
Private Finance Initiative Grant (Housing Revenue Account)	23,603	23,598
Learning and Skills Council Grants	7,484	7,706
Asylum Seekers Grant	4,189	5,314
Universal Free School Meals Grant	4,627	4,781
Sixth Form Funding Grant	2,524	1,765
Troubled Families Grant	1,981	2,429
Independent Living Fund	1,725	2,185
Youth Justice Board Grants	1,646	1,160
Higher Education Funding Council Grant	1,386	1,290
Other Home Office Grants	1,446	1,424
PE and Sports Grant	1,049	1,021
Other Grants	4,750	5,375
Total revenue grants credited to the Comprehensive Income and Expenditure Statement	715,190	708,347

a. Public Health grant has increased due to the full year transfer of function for 0-5 years Public Health funding which happened in October 2016.

Note 19. Members' Allowances

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

	2015/16 £000s	2016/17 £000s
Members' allowances	1,953	1,985
Members' expenses	4	2
Total	1,957	1,987

Note 20. 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.

Non schools based staff

The Council employs 7,073 non-schools based staff (6,975 in 2015/16). 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.

	2015/16 Staff Who Have Not Received Severance Payments	2015/16 Staff Who Have Received Severance Payments	2015/16 Total	2016/17 Staff Who Have Not Received Severance Payments	2016/17 Staff Who Have Received Severance Payments	2016/17 Total
£50,000 - £54,999	38	0	38	40	0	40
£55,000 - £59,999	27	0	27	22	0	22
£60,000 - £64,999	18	0	18	32	0	32
£65,000 - £69,999	15	0	15	19	0	19
£70,000 - £74,999	14	0	14	13	0	13
£75,000 - £79,999	3	0	3	6	0	6
£80,000 - £84,999	3	1	4	8	0	8
£85,000 - £89,999	6	0	6	6	0	6
£90,000 - £94,999	3	0	3	6	0	6
£95,000 - £99,999	2	0	2	0	0	0
£100,000 - £104,999	1	0	1	2	0	2
£105,000 - £109,999	0	0	0	1	0	1
£110,000 - £114,999	0	0	0	0	0	0
£115,000 - £119,999	0	0	0	0	0	0
£135,000 - £139,999	0	0	0	0	0	0
£140,000 - £144,999	1	0	1	0	0	0
	131	1	132	155	0	155

Schools based staff

The Council employs 7,207 schools based staff (7,914 in 2015/16). 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.

	2015/16 Staff Who Have Not Received Severance Payments	2015/16 Staff Who Have Received Severance Payments	2015/16 Total	2016/17 Staff Who Have Not Received Severance Payments	2016/17 Staff Who Have Received Severance Payments	2016/17 Total
£50,000 - £54,999	67	0	67	65	0	65
£55,000 - £59,999	25	0	25	34	0	34
£60,000 - £64,999	23	0	23	27	0	27
£65,000 - £69,999	21	0	21	24	0	24
£70,000 - £74,999	14	0	14	18	0	18
£75,000 - £79,999	4	0	4	11	0	11
£80,000 - £84,999	3	0	3	3	0	3
£85,000 - £89,999	4	0	4	5	0	5
£90,000 - £94,999	3	0	3	3	0	3
£95,000 - £99,999	0	0	0	1	0	1
£100,000 - £104,999	1	0	1	0	0	0
£105,000 - £109,999	1	0	1	2	0	2
£110,000 - £114,999	2	0	2	0	0	0
£115,000 - £119,999	0	0	0	1	0	1
	168	0	168	194	0	194

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	
	2015/16 £	2016/17 £	2015/16 £	2016/17 £	2015/16 £	2016/17 £	2015/16 £	2016/17 £	2015/16 £	2016/17 £
Chief Executive of the Council and Head of Paid Service of the Greater Manchester Combined Authority, Sir Howard Bernstein	203,934	205,974	0	0	0	0	0	0	0	0
City Treasurer of the Council and the Treasurer of the Greater Manchester Combined Authority, Richard Paver (a)	154,914	26,077	1,289	361	0	0	0	0	0	0
City Treasurer of the Council (a)	0	108,333	0	0	0	20,692	0	0	0	0
City Solicitor of the Council and Monitoring Officer of the Greater Manchester Combined Authority	111,011	120,061	0	0	20,315	22,932	0	0	0	0
Deputy Chief Executive (People)	130,002	131,302	0	0	23,790	25,079	0	0	0	0
Deputy Chief Executive (Growth and Neighbourhoods)	107,325	119,806	0	0	19,640	22,883	0	0	0	0
Strategic Director of Children's Services (b)	6,048	126,250	0	0	1,155	25,269	0	0	0	0
Strategic Director of Adult Social Services	120,000	123,580	0	0	21,960	23,604	0	0	0	0
Joint Director of Health & Social Care (c)	70,833	126,250	555	1,013	12,963	24,114	0	0	0	0
Chief Information Officer (d)	57,207	156,886	0	0	10,469	29,965	0	0	0	0
Director of Public Health	97,970	97,970	0	0	14,010	14,010	0	0	0	0
Director of Education and Skills	115,002	116,152	0	0	21,045	22,185	0	0	0	0
Strategic Director Reform (e)	70,557	0	0	0	14,110	0	0	0	0	0
Strategic Director (Strategic Development)	120,000	121,200	880	882	21,960	23,149	0	0	0	0

(a) Richard Paver became full time Treasurer of the Greater Manchester Combined Authority on 1 June 2016. The replacement City Treasurer of the Council was appointed on 1 June 2016.

(b) The current postholder was appointed on 14 March 2016.

(c) Post was established on 7 September 2015.

(d) Post created on 26 October 2015.

(e) The former postholder left on 17 January 2016. This post was replaced by the Director of HR / OD who is not a member of SMT.

Note 21. Exit Packages

The number of agreed exit packages and the total cost of these within each band is shown below.

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 2015/16 and 2016/17.

	2015/16 Number of Staff Departures Agreed	2015/16 Total Cost of Exit Packages £000s	2016/17 Number of Staff Departures Agreed	2016/17 Total Cost of Exit Packages £000s
£0 - £19,999	25	238	30	255
£20,000 - £39,999	2	64	11	323
£40,000 - £59,999	2	93	1	45
£60,000 - £79,999	0	0	1	61
£80,000 - £99,999	2	180	0	0
	31	575	43	684

Note 22. Audit Fees

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

	2015/16 £000s	2016/17 £000s
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	166	176
Fees payable to Grant Thornton for the certification of grant claims	12	12
Fees payable to Grant Thornton for services relating to other returns	8	7
	186	195

The 2015/16 figure includes a refund of £41,000 from Public Sector Audit Appointments.

The 2016/17 figure includes a refund of £31,000 from Public Sector Audit Appointments.

Note 23. Property Plant and Equipment

Movements on property, plant and equipment during 2016/17 were as follows:

	Property, Plant and Equipment							Total £000s
	Council Dwellings	Other Land and Buildings	Vehicles, Plant, and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Movement in 2016/17								
Gross book value brought forward	449,078	1,150,263	83,176	483,727	28,405	18,277	171,843	2,384,769
Accumulated depreciation and impairment brought forward	(31,023)	(75,468)	(26,730)	(90,227)	(71)	0	(74,713)	(298,232)
Net book value carried forward as at 1 April 2016	418,055	1,074,795	56,446	393,500	28,334	18,277	97,130	2,086,537
Additions	18,118	16,613	9,112	19,752	712	17,863	4,332	86,502
Revaluations recognised in revaluation reserve	68,260	44,825	0	0	0	0	9,844	122,929
Downward Revaluations recognised in surplus on the provision of services	(1,604)	(3,281)	0	0	0	0	(1,568)	(6,453)
Derecognition - disposals	0	(45,279)	0	0	0	0	(572)	(45,851)
Transferred (to) held for sale assets	(5,565)	71	0	0	(1)	0	(11,096)	(16,591)
Other transfers	(173)	1,829	1,353	(745)	12	(3,654)	1,225	(153)
Other movements in cost or valuation - newly recognised leased / PFI assets / donated assets	11,475	14,310	1,033	0	0	0	0	26,818
Depreciation	(14,199)	(22,236)	(7,496)	(7,870)	0	0	(218)	(52,019)
Impairments charged to the comprehensive income and expenditure statement	(188)	(3,107)	(36)	0	0	0	(888)	(4,219)
Impairments covered by the revaluation reserve	(11,658)	(2,503)	0	0	0	0	(32)	(14,193)
Net book value carried forward as at 31 March 2017	482,521	1,076,037	60,412	404,637	29,057	32,486	98,157	2,183,307
Gross book value carried forward	508,251	1,160,612	91,292	502,734	29,128	32,486	127,490	2,451,993
Accumulated depreciation and Impairment carried forward as at 31 March 2017	(25,730)	(84,575)	(30,880)	(98,097)	(71)	0	(29,333)	(268,686)
Net book value carried forward as at 31 March 2017	482,521	1,076,037	60,412	404,637	29,057	32,486	98,157	2,183,307

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Movements on property, plant and equipment during 2015/16 were as follows:

	Property, Plant and Equipment							Total £000s
	Council Dwellings	Other Land and Buildings	Vehicles, Plant, and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Movement in 2015/16								
Gross book value brought forward	427,755	1,196,981	74,829	462,051	28,064	50,416	192,484	2,432,580
Accumulated depreciation and impairment brought forward	(32,691)	(121,278)	(25,665)	(82,461)	(70)	0	(106,022)	(368,187)
Net book value carried forward as at 1 April 2015	395,064	1,075,703	49,164	379,590	27,994	50,416	86,462	2,064,393
Additions	25,004	49,401	10,369	22,933	693	6,122	20,015	134,537
Revaluations recognised in revaluation reserve	21,985	(2,160)	(2)	0	0	0	12,551	32,374
Downward Revaluations recognised in deficit on the provision of services	(1,849)	(29,644)	(3)	0	0	0	(28,881)	(60,377)
Derecognition - disposals	0	(11,593)	(848)	0	0	0	0	(12,441)
Transferred (to) held for sale assets	(3,020)	(4,963)	0	(826)	0	(23)	(1,708)	(10,540)
Other transfers	(611)	28,665	680	(247)	(352)	(38,238)	10,964	861
Other movements in cost or valuation - newly recognised leased / PFI assets	10,758	0	2,945	0	0	0	0	13,703
Depreciation	(11,885)	(23,851)	(5,859)	(7,950)	(1)	0	(236)	(49,782)
Impairments charged to the comprehensive income and expenditure statement	(7,477)	(2,656)	0	0	0	0	(1,570)	(11,703)
Impairments covered by the revaluation reserve	(9,914)	(4,107)	0	0	0	0	(467)	(14,488)
Net book value carried forward as at 31 March 2016	418,055	1,074,795	56,446	393,500	28,334	18,277	97,130	2,086,537
Gross book value carried forward	449,078	1,150,263	83,176	483,727	28,405	18,277	171,843	2,384,769
Accumulated depreciation and impairment carried forward as at 31 March 2016	(31,023)	(75,468)	(26,730)	(90,227)	(71)	0	(74,713)	(298,232)
Net book value carried forward as at 31 March 2016	418,055	1,074,795	56,446	393,500	28,334	18,277	97,130	2,086,537

Note 24. Disposal of Assets

The note below shows the value of assets disposed of and the gain and loss on the disposal.

	2015/16 £000s	2016/17 £000s
Disposals of Assets		
Held for Sale - Council dwellings (right to buy)	4,093	5,565
Held for Sale - Other	23,908	12,293
Other Disposals including transfers to academies	15,789	45,851
	43,790	63,709

The schools that transferred to academies in 2016/17 were; Parrs Wood High School, Old Moat Primary School and Chorlton Park Primary School.

(Gains) and Losses on Disposal of Non-current Assets

	2015/16 £000s	2016/17 £000s
HRA assets	(3,455)	(3,578)
Removal of schools transferring to academy status from the balance sheet	7,147	45,278
Other non-HRA assets	3,262	(2,642)
	6,954	39,058

Note 25. Accounting for Local Government Schools

The Council has the following maintained schools:

	Community	Voluntary Controlled	Voluntary Aided	Foundation
Number of schools, excluding PFI schools	61	14	44	2
Value of Land and Buildings at 31 March 2017	£302,997,000	N/A	N/A	£10,544,000
Value of Land and Buildings at 31 March 2016	£313,436,000	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 2017	£5,560,000	N/A	N/A	£37,517,000
Value of Land and Buildings at 31 March 2016	£5,256,000	N/A	N/A	£35,889,000

Non Current assets

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.

In the table above there were no values for foundation schools at 31 March 2016 as they were excluded from the balance sheet as they had external trustees.

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 23). 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 Children's services line.

Revenue Funding

Dedicated Schools Grant (DSG) is a ring-fenced government grant used to fund the running costs of schools and is credited to the Comprehensive Income and Expenditure Statement within gross income on the Children's Services line based on amounts due from the Department for Education. 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 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 43).

Included within the Council's Comprehensive Income and Expenditure Statement and Balance Sheet are the following amounts relating to each category of school.

	Community	Voluntary Controlled	Voluntary Aided	Foundation	Total
	£000s	£000s	£000s	£000s	£000s
Opening schools reserves	17,814	2,937	7,213	818	28,782
Funding, including DSG	161,243	26,137	90,463	16,207	294,050
Net expenditure incurred by schools	(163,496)	(26,171)	(90,988)	(16,206)	(296,861)
Closing schools reserves	15,561	2,903	6,688	819	25,971

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 26. Heritage Assets

Movements on heritage assets during 2016/17 were as follows:

	Heritage Assets					Total £000s
	Fine Art Works £000s	Civic Plate £000s	Monuments Statues and Fountains £000s	Town Hall Sculptures £000s	Other £000s	
Cost or valuation						
Balance at 1 April 2016	510,835	2,959	619	3,462	3,279	521,154
Additions/ Donations	0	0	0	0	88	88
Revaluations	18,226	0	0	0	0	18,226
Balance at 31 March 2017	529,061	2,959	619	3,462	3,367	539,468

Movements on heritage assets during 2015/16 were as follows:

	Heritage Assets					Total £000s
	Fine Art Works £000s	Civic Plate £000s	Monuments Statues and Fountains £000s	Town Hall Sculptures £000s	Other £000s	
Cost or valuation						
Balance at 1 April 2015	502,975	2,959	619	3,462	225	510,240
Revaluations	7,860	0	0	0	0	7,860
Reclassifications	0	0	0	0	3,054	3,054
Balance at 31 March 2016	510,835	2,959	619	3,462	3,279	521,154

a) Heritage Assets Nature and Scale of Assets Held

Manchester City Galleries (Manchester Art Gallery and Platt Hall) currently holds around 46,000 objects in trust on behalf of the People of Manchester. The collection comprises of approximately 13,600 items of fine art, 10,200 items of decorative art, and 22,200 items of costume.

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:

- Manchester Art Gallery Collection Development Policy 2016
- Resource and Governance Overview and Scrutiny Committee 17 November 2011 – Heritage Assets Report

b) Heritage Asset Management and Preservation

Manchester City Galleries Collection

The management and care of the collection is overseen by the Deputy Director, in partnership with the Senior Curator, Senior Registrar and Senior Conservator.

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

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

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

The condition of the art works is maintained through a programme of effective collection care to reduce damage and deterioration by reducing risk from physical damage (including handling), theft and vandalism, fire and water/flood, inappropriate relative humidity, light and pollutants.

Further details can be found in the following documents:

- Manchester City Galleries Constitution
- Manchester Art Gallery Strategic Plan 2016-2020
- Manchester City Galleries Procedures Manual 2016
- Manchester City Galleries Collections Development Policy 2016-17
- Manchester City Galleries Loans Policy 2016
- Manchester City Galleries Conservation and Collection Care Policy 2016
- Manchester City Galleries Handling Guidelines 2016
- Manchester City Galleries Collection Information Policy 2016

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 from Manchester City Galleries. Database records are currently 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 pre-arranged access to storage areas.

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

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.

Over the course of the year the valuations of works which are due to go out on loan are checked and amended if necessary. Valuations are also updated on an incidental basis if a curator becomes aware that a particular work may have increased or decreased in value. Changes in value during 2016/17 amounted to £18.2m.

Civic Plate / Lord Mayors Regalia / Model of HMS Manchester

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

Town Hall Sculptures

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

Town Hall and Central Library Furniture

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

Statues and Monuments in the Public Realm

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

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

There have been on 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.

The value of Victoria Baths was transferred to heritage status in 2015/16 in recognition of the nature of this historical asset. There has been expenditure of £88,000 on Victoria Baths in 2016/17.

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.

Note 27. 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 historic cost net of depreciation
- assets under construction are held at historic cost until brought into use.
- surplus assets have been valued on the basis of market value for the highest or best use

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	18	52
Adult Education Facilities	6	11
Car Parks	18	23
Children's Home / Family Centres	11	42
Day Centres / Luncheon Clubs	8	46
Galleries	32	57
Depots	12	53
Housing Offices	7	29
Leisure Centres / Sports Facilities	8	53
Libraries	4	58
Markets	14	19
Offices	13	57
Park Buildings	2	51
Schools	3	51
Youth Clubs / Children's Centres / Nurseries	6	53
BMX / Skate / Bike Facilities	16	23
Cemeteries and Crematoria	9	34
Vehicles, Plant, Furniture and Equipment	1	24
Infrastructure Assets	49	52
Surplus Assets	1	27

Council dwellings are valued annually. All other assets, with the exception of those valued at historic 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 internal Council valuers and Roger Hannah and Co and Jacobs, external valuers commissioned by the Council with a valuation date of 1 April 2016. Jacobs have provided indexation factors for the percentage increase in value from the date of the last valuation to 31 March 2017 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 2016/17 were carried out, 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 £122,929,000 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 £6,453,000 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	2015/2016
Buildings within parks	2015/2016
Libraries	2015/2016
Markets	2015/2016
Cemeteries and Crematoria	2016/2017
Depots	2016/2017
Car Parks	2015/2016
Day centres, luncheon clubs, resource centres	2015/2016
Schools	2015/2016
Youth clubs, children's centres, nurseries	2015/2016
Offices	2016/2017
Council dwellings	2016/2017
Housing area offices	2016/2017
Adult Education premises	2013/2014
Investment Properties	2016/2017
Art Galleries	2014/2015

Surplus Assets

Fair Value Hierarchy

Details of the Council's surplus properties and information about the fair value hierarchy as at 31 March is as follows:

		31 March 2016 £000	31 March 2017 £000
Quoted price in active market	Level 1	32,471	32,023
Other significant inputs	Level 2	1,557	1,456
Significant unobservable inputs	Level 3	63,102	64,678
		97,130	98,157

All surplus property has been valued in accordance with IFRS13 under the fair value hierarchy. The fair value measurement requires the valuer to determine:

- the highest and best use of the asset and whether it is used in combination with other assets or on a stand alone basis
- what is legally, physically and financially feasible
- the market in which an orderly transaction would take place for the asset
- the appropriate valuation technique to use maximising the use of relevant observable inputs (market data such as market rents and yields or actual information about transactions such as lease details or covenant strength) and minimising observable inputs (these are inputs where market data is not available and are developed using the best information available about the assumptions market participants would use when pricing the asset such as comparable land or property values. Where such evidence is not available the use of sales values and cost of development to produce a residual value has been used).

The fair value of surplus assets has been measured using the market valuation technique and has taken account of the following factors - market evidence of capital values, location, size and layout. As the future use of these assets is yet to be determined, the current use cannot be assumed to be highest and best, however in estimating the fair value of surplus properties, the highest and best use of the properties has been adopted in accordance with the Code.

There have been no transfers between levels of fair value hierarchy in 2016/17.

Reconciliation of Fair Value Measurements Categorised within Level 3 of the Fair Value Hierarchy

	2015/16 £000	2016/17 £000
Balance at 1 April	47,262	63,102
Transfers to / (from) surplus assets	12,304	(7,022)
Total (losses) included in deficit / surplus on provision of services resulting from changes in the fair value	(14,140)	(1,994)
Total gains included in other comprehensive income and expenditure	12,581	9,844
	58,007	63,930
Additions	5,149	964
Depreciation	(54)	(216)
Balance at 31 March	63,102	64,678

Total gains / (losses included in deficit / surplus on provision of services resulting from changes in the fair value are shown within council wide costs in the Comprehensive Income and Expenditure Statement.

Note 28. Assets Held For Sale

Assets are categorised as held for sale when an asset is available for immediate sale in its present condition, the sale is highly probable, it is being actively marketed (if applicable) and the sale is expected to be within one year of classification as 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	10,018
Movement in 2015/16	
Reclassifications	16,385
Additions	10,048
Disposals	(28,001)
Revaluations	(2,298)
Net book value carried forward as at 31 March 2016	6,152
Movement in 2016/17	
Reclassifications	18,855
Additions	6,840
Disposals	(17,858)
Revaluations	7,387
Net book value carried forward as at 31 March 2017	21,376

Note 29. Assets Recognised Under PFI and Similar Arrangements

Movements on PFI and similar arrangements 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	Wright Robinson Sports College £000s	Refuse Vehicles Service Concession £000s	Total £000s
Net book value brought forward	109	5,960	20,686	38,895	29,486	47,806	39,418	0	182,360
Movement in 2015/16									
Expenditure	0	0	0	0	3,261	165	0	0	3,426
Newly recognised assets	0	0	0	0	10,758	0	0	2,945	13,703
Reclassifications	0	0	(136)	(357)	(696)	2	0	0	(1,187)
Depreciation	(7)	(116)	(572)	(1,221)	(734)	(1,088)	(649)	(48)	(4,435)
Revaluations	0	(63)	671	3,118	1,735	0	(1,807)	0	3,654
Impairments	0	(525)	0	0	(2,108)	0	(1,073)	0	(3,706)
Net book value carried forward as at 31 March 2016	102	5,256	20,649	40,435	41,702	46,885	35,889	2,897	193,815
Movement in 2016/17									
Expenditure	0	67	0	0	2,333	220	0	0	2,620
Newly recognised assets	0	0	0	0	11,475	0	0	1,033	12,508
Reclassifications	0	0	(632)	(680)	(424)	0	0	0	(1,736)
Depreciation	(8)	(101)	(695)	(1,498)	(862)	(938)	(589)	(341)	(5,032)
Revaluations	0	338	4,420	9,120	1,628	0	2,217	0	17,723
Impairments	0	0	0	0	(1,928)	0	0	0	(1,928)
Net book value carried forward as at 31 March 2017	94	5,560	23,742	47,377	53,924	46,167	37,517	3,589	217,970

	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	Refuse Vehicles Service Concession £000s	Total £000s
Deferred liability brought forward	1,239	2,916	17,360	59,007	13,438	33,817	24,849	0	152,626
Movement in 2015/16									
Additional liability	0	0	0	0	10,758	0	0	2,945	13,703
Write down of liability	(212)	(123)	(449)	(2,869)	(16,216)	(1,545)	(843)	(48)	(22,305)
Deferred liability carried forward as at 31 March 2016	1,027	2,793	16,911	56,138	7,980	32,272	24,006	2,897	144,024
Movement in 2016/17									
Additional liability	0	0	0	0	11,475	0	0	1,033	12,508
Write down of liability	(236)	(144)	(496)	(3,842)	(7,755)	(1,633)	(895)	(341)	(15,342)
Deferred liability carried forward as at 31 March 2017	791	2,649	16,415	52,296	11,700	30,639	23,111	3,589	141,190

Note 30. Assets Held as Lessee

Operating Leases

The Council has obtained the right to use vehicles, printers and multi-functional devices by entering into operating leases.

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 2016 £000s	31 March 2017 £000s
Not later than one year	3,429	3,281
Later than one year and not later than five years	12,510	12,080
Later than five years	35,877	33,026
	51,816	48,387

Lease payments made:

	2015/16 £000s	2016/17 £000s
Minimum lease payments	3,764	3,347
Sub lease payments (receivable)	(448)	(448)
	3,316	2,899

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

	31 March 2016 £000s	31 March 2017 £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	515	67
	2,755	2,307

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

	Restated 2015/16 £000s	2016/17 £000s
Corporate Core	139	15
Growth and Neighbourhoods	235	52
Strategic Development	3,390	3,280
Total minimum lease payments	3,764	3,347

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 2016 £000s	31 March 2017 £000s
Land and buildings	429	429
Vehicles, plant and equipment	219	72
	648	501

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 2016 £000s	31 March 2017 £000s
Finance lease liability		
current	147	58
non-current	476	343
Finance costs payable in future years	71	32
	694	433

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

	31 March 2016 £000s	31 March 2017 £000s
Not later than one year	182	72
Later than one year and not later than five years	92	19
Later than five years	402	419
Total minimum lease payments	676	510

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

	31 March 2016 £000s	31 March 2017 £000s
Not later than one year	147	58
Later than one year and not later than five years	74	16
Later than five years	420	401
Total finance lease liability	641	475

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 2015/16 or 2016/17.

The Council has sub-let a number of properties held under these finance leases. At 31 March 2017 the minimum payments expected to be received under non-cancellable sub leases was £45,883 (£45,933 at 31 March 2016).

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	1,315	1,744
Movement in 2015/16			
Transfers of Assets upon Expiry of Lease - Gross Asset Cost	0	(1,539)	(1,539)
Transfers of Assets upon Expiry of Lease - Accumulated Depreciation	0	1,539	1,539
Disposals - Gross Asset	0	(4,008)	(4,008)
Disposals - Accumulated Depreciation	0	3,159	3,159
Depreciation	0	(247)	(247)
Net book value carried forward as at 31 March 2016	429	219	648
Gross Book Value as at 31 March 2016	429	1,799	2,228
Accumulated Depreciation as at 31 March 2016	0	(1,580)	(1,580)
Net book value carried forward as at 31 March 2016	429	219	648

	Land and building £000s	Vehicles, plant and equipment £000s	Total £000s
Net book value brought forward	429	219	648
Movement in 2016/17			
Transfers of Assets upon Expiry of Lease - Gross Asset Cost	0	(793)	(793)
Transfers of Assets upon Expiry of Lease - Accumulated Depreciation	0	793	793
Depreciation	0	(147)	(147)
Net book value carried forward as at 31 March 2017	429	72	501
Gross Book Value as at 31 March 2017	429	1,006	1,435
Accumulated Depreciation as at 31 March 2017	0	(934)	(934)
Net book value carried forward as at 31 March 2017	429	72	501

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

Note 31. 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 2016 £000s	31 March 2017 £000s
Not later than one year	7,850	7,649
Later than one year and not later than five years	27,498	26,820
Later than five years	641,431	645,492
Total minimum lease payments	676,779	679,961

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 32. Investment Properties

The value of income generating investment properties classed as operating leases is £,398,811,000 (£372,521,000 in 2015/16). 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 2015/16 or 2016/17.

	2015/16 £000s	2016/17 £000s
Rental income from investment property	(19,281)	(20,397)
Direct operating expenses arising from investment property	2,718	2,457
Net gain	(16,563)	(17,940)

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

	Investment Properties £000s
Net book value brought forward as at 1 April 2015	386,981
Movement in 2015/16	
Expenditure	7,603
Reclassifications	(9,760)
Revaluations	18,613
Disposals	(3,348)
Impairments (including downward revaluations)	(12,971)
Net book value carried forward as at 31 March 2016	387,118
Movement in 2016/17	
Expenditure	2,941
Reclassifications	(2,112)
Revaluations	28,789
Impairments (including downward revaluations)	(14,021)
Net book value carried forward as at 31 March 2017	402,715

Fair Value Hierarchy

All properties within the Council's investment portfolio have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (accounting policy 6.2.35 provides an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

The fair value of investment property has been measured using a market approach, which takes into account quoted market prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, covenant strength for existing tenants and data and market knowledge gained in managing the Council's investment asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

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

Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

Valuers

The investment properties were valued in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS) by Jacobs, external valuers employed by the Council.

Note 33. Capital Expenditure and Capital Financing

	Restated 2015/16 £000s	2016/17 £000s
Opening Capital Financing Requirement	1,061,047	1,102,655
Expenditure		
Property, plant and equipment	134,537	86,502
Heritage assets	0	88
Investment properties	7,603	2,941
Assets held for sale	10,048	6,840
Revenue expenditure funded from capital under statute*	68,476	60,913
Long term debtors	25,897	54,901
	246,561	212,185
Assets acquired under finance lease / PFI arrangements	12,855	12,508
Funding Resources		
Revenue contributions	25,932	6,995
Capital Receipts	33,624	52,303
Major Repairs Reserve	25,231	19,214
Government grants	80,268	46,716
External contributions	26,243	14,371
Minimum Revenue Provision	26,510	18,877
	217,808	158,476
Closing Capital Financing Requirement	1,102,655	1,168,872
HRA	232,198	243,673
Non HRA	870,457	925,199
Closing Capital Financing Requirement	1,102,655	1,168,872
Explanation of Movement in Year		
Minimum Revenue Provision	(26,510)	(18,877)
Increase in underlying need to borrow	55,263	72,586
Assets acquired under finance lease / PFI arrangements	12,855	12,508
	41,608	66,217

* 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 34. 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 for the enhancement of assets were as follows:

	Restated 31 March 2016 £000s	31 March 2017 £000s
Housing	9,197	7,006
Education	19,944	18,985
The Factory	7,498	6,922
The Space Project	0	10,166
Other services	38	479
	36,677	43,558

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

Note 35. Investments

The Council has the following long-term investments:

	31 March 2016 £000s	31 March 2017 £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	6,149	149
Investments in associates and joint ventures not included in the group statements		
National Car Parks (Manchester) Ltd Share Capital	1,308	934
Eastlands Development Company Limited	1,300	1,300
Matrix Homes Ltd	0	3,807
	131,311	128,744
Other long-term investments	4,241	3,269
Total other long-term investments	4,241	3,269
Total Long-Term Investments	135,552	132,013

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

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

The value of the Manchester Mortgage Corporation investment has reduced following a distribution of £6m in the form of a dividend.

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 2015/16 and 2016/17. These figures show the Council's share of the joint venture's results:

Council's share of Manchester Airports Holdings Ltd	2015/16 £000s	2016/17 £000s
Total current assets as at 31 March	27,903	41,180
Total long term assets as at 31 March	1,137,349	1,139,089
Total current liabilities as at 31 March	79,591	133,374
Total income	276,474	297,632
Total expenditure	235,046	255,316

At 31 March 2017 the Council had a short term investment of £5m with Liverpool City Council. This is classed as a short term investment as it has been invested for a period greater than three months but less than twelve months.

Note 36. 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.

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 2016 £000s	31 March 2017 £000s
Short term debtors and payments in advance		
Debtors classed as Financial Instruments		
Government departments	8,387	11,907 ^a
Other local authorities	18,923	24,510 ^b
NHS bodies	1,849	1,912
Housing rents	7,433	7,868
All other bodies (external to government)	94,373	137,230 ^c
	130,965	183,427
Impairment of Debt		
Housing rents	(5,065)	(5,396)
Other	(44,413)	(48,250)
	81,487	129,781
Debtors not classed as Financial Instruments		
HM Revenue and Customs	7,778	6,337
Government departments payments in advance	6	4
Financial institutions payments in advance	0	427
Council tax	50,470	54,946
Business rates	12,802	13,825
All other bodies (external to government) payments in advance	7,851	10,016
Impairment of Debt		
Council tax	(42,650)	(38,102)
Business rates	(6,838)	(7,576)
Total	110,906	169,658

a. The increase in central government debtors relates to grant claims from Arts Council England, business rates grants and the reimbursement of EU referendum costs.

b. The increase in local authority debtors relates to capital contributions due from Transport for Greater Manchester and levy savings as a result of the business rate pool.

c. The increase in debtors for other bodies external to government relate to loans to external organisations under the Housing Investment Fund reclassified from long term to short term debtors.

Within debtors and payments in advance the amount outstanding for over 30 days that is not impaired is £32.9m. This includes business rates debtors £6.2m, council tax debtors £9.4m and housing benefit overpayment debtors of £3.7m.

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 2016 £000s	31 March 2017 £000s
Amounts falling due after one year		
Debtors classed as Financial Instruments		
Mortgages		
Housing Revenue Account	11	3 (a)
General Fund	42	18 (a)
Manchester Airports Holdings Ltd	83,168	83,168 (b)
Destination Manchester Ltd / Manchester Central Ltd	20,157	17,907 (c)
Ex GMC debt	118	95 (d)
Private Sector Housing Loans	11,039	11,389 (e)
Equity Mortgages	3,282	3,019 (f)
Eon Reality	2,200	1,100 (g)
Greater Manchester Loans Fund	4,223	5,369 (h)
Matrix Homes	6,733	7,236 (i)
Biffa Municipal	2,630	3,212 (j)
LQ Developments	5,452	0 (k)
WB Developments	12,891	0 (l)
Other	2,479	2,369 (m)
	154,425	134,885
Debtors not classed as Financial Instruments		
PFI prepayments	19,168	21,880 (n)
Total	173,593	156,765

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 loan was renegotiated during 2009/10 and 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 44e) 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 loans made to the fund and includes accrued long term interest.

i - This debtor relates to a technical loan for the grant of long term leases to Matrix Homes and includes accrued long term interest.

j - This debtor relates to a loan made to the company to purchase equipment to provide services to the Council.

k - This debtor relates to a development loan made from Housing Investment Fund monies.

l - This debtor relates to a development loan made from Housing Investment Fund monies.

m - This debtor relates to loans made to other organisations.

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

Note 37. 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 2017/18.

Note 38. 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.

	31 March 2016 £000s	31 March 2017 £000s	
Short Term Creditors and Receipts in Advance			
Creditors classed as Financial Instruments			
Government departments	66,482	76,017	a
Other local authorities	15,608	10,884	b
NHS bodies	2,049	662	c
Public corporations	49	70	
Financial institutions	2,115	27	d
Housing rents	1,496	1,728	
Other bodies (external to government)	73,342	65,313	
	161,141	154,701	
Creditors not classed as Financial Instruments			
Government departments receipts in advance	6,573	8,207	e
Other local authorities receipts in advance	301	350	
NHS bodies receipts in advance	16	68	
Other bodies (external to government) receipts in advance	1,958	2,645	
HM Revenue and Customs	8,099	9,080	
Council tax	5,783	6,513	
Business rates	7,930	7,592	
Total	191,801	189,156	

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

b. The reduction in local authority creditors relates to items that were paid to other authorities before 31 March 2017 but the equivalent amounts were creditors at 31 March 2016.

c. The reduction in NHS bodies creditors relates to items to Trusts classed as creditors at 31 March 2016 but the equivalent amounts were paid before 31 March 2017.

d. The reduction in financial institutions relates to payroll deductions paid before 31 March 2017 but the equivalent amount was outstanding at 31 March 2016.

e. The increase in government departments receipts in advance relates to the housing benefit subsidy claim.

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 2016 £000s	31 March 2017 £000s
Amounts falling due after one year		
Creditors classed as Financial Instruments		
Equity mortgages - share of proceeds	1,116	1,026
Other	69	108
	1,185	1,134
Creditors not classed as Financial Instruments		
Rental deposits	1,006	1,006
Total	2,191	2,140

Capital Grants Receipts in Advance

	31 March 2016 £000s	31 March 2017 £000s
Carrington Reinstatement Deposit	801	801
Contributions from Private Developers	5,984	7,412
Basic Need Grant 2017/18	0	21,526
Total	6,785	29,739

Note 39. Analysis of Long-term Borrowing

a. To Balance Sheet Date

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

	31 March 2016 £000s	Range of Interest Rates Payable		Average Interest %	31 March 2017 £000s
		from %	to %		
Analysis of loans by type					
Market Loans	469,153	4.1400	9.0000	4.8229	459,050
Government Debt	24,546	0.0000	0.0000	0.0000	58,379
Stocks	8,086	3.0000	4.0000	3.3672	7,360
Total Outstanding	501,785				524,789
Analysis of loans by maturity					
1-2 years	9,160				45,877
2-5 years	48,276				18,884
5-10 years	24,943				11,157
after 10 years	419,406				448,871
	501,785				524,789

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 2016 £000s	Range of Interest Rates Payable		Average Interest %	31 March 2017 £000s
		from %	to %		
Analysis of loans by type					
Market Loans	1,256,572	4.1400	9.0000	4.8229	1,224,351
Government Debt	24,546	0.0000	0.0000	0.0000	58,379
Stocks	17,011	3.0000	4.0000	3.3672	15,165
Total Outstanding	1,298,129				1,297,895
Analysis of loans by maturity					
1-2 years	31,550				67,190
2-5 years	106,108				73,110
5-10 years	113,789				98,828
after 10 years	1,046,682				1,058,767
	1,298,129				1,297,895

Note 40. 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 2016 £000s	Repaid in year £000s	Additions in year £000s	31 March 2017 £000s	Short Term 31 March 2017 £000s	Long Term 31 March 2017 £000s
Ex GMC debt	14,007	(2,056)	0	11,951	2,158	9,793
Finance leases	623	(147)	0	476	59	417
Private Finance Initiatives	141,127	(15,001)	11,475	137,601	11,048	126,553
Service Concession	2,897	(341)	1,033	3,589	377	3,212
	158,654	(17,545)	12,508	153,617	13,642	139,975

Note 41. 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 2016 £000s	Transfers in year £000s	Amounts used in year £000s	Contributions in year £000s	Amounts released in year £000s	31 March 2017 £000s	Short Term 31 March 2017 £000s	Long Term 31 March 2017 £000s
Compensation provisions	11,161	0	(3,353)	3,852	(771)	10,889	2,522	8,367
Insurance provision (including HRA)	5,238	0	(1,368)	2,019	(334)	5,555	2,770	2,785
Provision for business rate appeals	48,068	0	(7,256)	5,325	0	46,137	8,330	37,807
Various other provisions	1,553	0	(188)	763	(80)	2,048	1,746	302
	66,020	0	(12,165)	11,959	(1,185)	64,629	15,368	49,261

a - The compensation provisions have been set up to compensate claimants for claims received by the Council as at 31 March 2017. These claims will be paid as the amount of compensation is agreed for each case. The amounts of the provisions have been calculated based on an estimate of the likely settlement of the claims. There is no expected reimbursement to fund these claims.

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

On 13 November 2012, the directors of MMI triggered the Scheme of Arrangement. This was because solvent run off could not be foreseen and there was no alternative to insolvent liquidation.

A Levy Notice was issued on 1 January 2014 by the Scheme Administrator at a rate of 15% on established scheme liabilities exceeding £50,000 in aggregate. A further levy notice was issued on 1 April 2016 stating that the levy should now be set at 25%.

The rate of Levy may be adjusted by the Scheme Administrator if, following a review of the financial position of MMI, he determines that the rate requires to be increased or decreased. Any such adjustment would be applied to the carried forward gross payments at that time. Based on the most recent insurance data, £3.516m claims had already been paid with outstanding claims of £1.681m for which a provision of £1.286m has been made at 31 March 2017.

Greater Manchester Council's (GMC) former insurer was also MMI. Based upon the most recent valuation £10.86m of claims to GMC had already been paid with outstanding claims estimated at £0.03m.

GMC ceased to exist on 31 March 1986 and any residual liabilities are shared between the ten local authorities within Greater Manchester based on the population estimated by the Registrar General on the 30 June which falls twenty one months before the beginning of the financial year in which any sum recoverable falls. Manchester's share of this liability is presently 19.04%. Based on this share the Council has made a provision of £0.44m at 31 March 2017.

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. 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 as well as unlogged appeals estimated to be received in 2017/18 that would backdate to 1 April 2015. 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 current outstanding appeals will be settled in line with previous experience.

Note 42. 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 2016/17 the average net rate of interest paid and received was 4.99% (5.98% in 2015/16).

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 2016 £000s	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s
Financial Liabilities at Amortised Cost:						
Borrowings	501,785	524,789	32,234	15,172	534,019	539,961
Deferred Liabilities	141,185	139,975	17,469	13,642	158,654	153,617
Creditors	1,185	1,134	161,141	154,701	162,326	155,835
Total Financial Liabilities	644,155	665,898	210,844	183,515	854,999	849,413
Loans and receivables	154,425	134,885	178,037	226,101	332,462	360,986
Available for sale assets	11,623	8,083	0	0	11,623	8,083
Unquoted equity investment at cost less impairment	1,376	1,376	0	0	1,376	1,376
Total Financial Assets	167,424	144,344	178,037	226,101	345,461	370,445

Available for sale assets are valued using level 1 of the fair value hierarchy - unadjusted quoted prices in active markets for identical shares.

The unquoted equity investment at cost less impairment consists of 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	
	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s
Liabilities				
Market debt	501,333	474,222	650,521	832,583
Government debt	24,546	58,379	5,888	63,585
Stocks	8,140	7,360	8,560	10,752
Total Borrowings	534,019	539,961	664,969	906,920
Ex GMC debt	14,007	11,951	15,948	11,951
PFI and finance lease liabilities	144,647	141,666	127,766	202,571
Trade creditors	162,326	155,835	139,429	155,835
Total Financial Liabilities	854,999	849,413	948,112	1,277,277

	Carrying Amount		Fair Value	
	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s
Assets				
Cash and cash equivalents	96,550	96,320	96,550	96,320
Trade debtors	235,912	264,666	235,912	264,666
Total Loans and Receivables	332,462	360,986	332,462	360,986

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 the price that would be received to sell an asset or paid to transfer a liability at the measurement date in the principal market for the asset or liability or in the absence of a principal market, the most advantageous market.

The fair values for market and Government debt were determined by reference to new loan rates on the Gilt market as at the balance sheet date as there is no active market for similar assets at this time and include accrued interest as this provides a sound approximation for the fair value for these instruments (level 2). By way of comparison, if the fair values were calculated with reference to PWLB redemption rules and prevailing PWLB redemption rates, they would be £60,023,000 for Government debt and £767,734,000 for market debt.

The fair value of the PFI liabilities have been calculated with reference to new PWLB loan rates.

	Financial Liabilities 2016/17	Financial Assets 2016/17			
	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	34,544	0	0	0	34,544
Interest Payable and Similar Charges	34,544	0	0	0	34,544
Interest Income	0	14,305	0	0	14,305
Interest and Investment Income	0	14,305	0	0	14,305

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 4 March 2016 and subsequently amended on 25 January 2017. The strategy 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 4 March 2016 and subsequently amended on 25 January 2017. This strategy 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:

Banks and Building Societies

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

Other

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, 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 £318,312,000 and the estimated exposure to default is £53,646,000

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 management 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 £409,825,000 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 0.25%. 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 £179,825,000 @ 0.25%) = £450,000.

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares but does have shareholdings at a cost of £132,013,000 in a number of organisations. 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 43. 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 2016 £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2017 £000s	Note
a) Reserves Held for Capital Purposes						
Capital Receipts Reserve	37,949	0	57,031	(55,845)	39,135	a(1)
Major Repairs Reserve	1,909	0	18,688	(19,214)	1,383	a(2)
Capital Grants Unapplied Reserve	25,682	0	59,236	(62,424)	22,494	a(3)
Total Reserves Held for Capital Purposes	65,540	0	134,955	(137,483)	63,012	
Reserves Held for Revenue Purposes						
b) Schools Reserves						
Local Management of Schools Reserve	28,782	0	0	(2,811)	25,971	b(1)
Total reserves held for schools	28,782	0	0	(2,811)	25,971	
c) Statutory Reserves						
Bus Lane Enforcement Reserve	2,036	0	2,753	(3,155)	1,634	c(1)
On-street Parking Reserve	3,239	0	5,308	(5,757)	2,790	c(2)
Ancoats Square Reserve	1,921	0	0	(4)	1,917	c(3)
Cutting Room Square Ext Ancoats Reserve	1,050	0	0	(6)	1,044	c(4)
Other smaller reserves under £1m	1,283	0	165	(67)	1,381	
Total Statutory Reserves	9,529	0	8,226	(8,989)	8,766	
d) Reserves held for PFIs						
Public Lighting PFI Reserve	595	0	0	(442)	153	d(1)
Temple School PFI Reserve	641	0	12	0	653	d(2)
Wright Robinson Sports College PFI Reserve	734	0	186	0	920	d(3)
Total Reserves held for PFIs	1,970	0	198	(442)	1,726	
e) Small specific reserves						
Home Loans Reserve	112	0	2	0	114	e(1)
Climate Innovation Fund Reserve	553	0	0	(97)	456	e(2)
Other smaller reserves under £1m	1,300	742	842	(501)	2,383	
Total small specific reserves	1,965	742	844	(598)	2,953	
f) Reserves held to smooth risk / assurance						
Insurance Fund Reserve	17,481	0	0	(1,564)	15,917	f(1)
Children's Services Reserve	46	0	23	0	69	f(2)
Historic Abuse Reserve	5,563	0	0	0	5,563	f(3)
Pension Contribution Reserve	485	0	32	0	517	f(4)
Manchester International Festival Reserve	1,500	0	0	0	1,500	f(5)
Adult Social Care Reserve	2,000	0	0	0	2,000	f(6)
Transformation Reserve	8,724	0	39	0	8,763	f(7)
Airport Dividend Reserve	22,787	0	29,161	(22,787)	29,161	f(8)
Planning Income Reserve	0	0	1,511	0	1,511	f(9)
Other smaller reserves under £1m	824	0	72	(162)	734	
Total reserves held to smooth risk / assurance	59,410	0	30,838	(24,513)	65,735	
g) Business Rates Reserves						
Business Rates Reserve	8,717	0	4,987	(3,376)	10,328	g(1)
Total Business Rates Reserves	8,717	0	4,987	(3,376)	10,328	
h) Revenue reserves held to support capital schemes						
Capital Fund Reserve	37,717	(10,811)	28,554	(10,613)	44,847	h(1)
Service Improvement Fund Reserve	221	0	0	0	221	h(2)
English Institute of Sport Reserve	7,072	0	4,082	(3,707)	7,447	h(3)
Housing Regeneration Reserve	15,000	0	0	(629)	14,371	h(4)
Other smaller reserves under £1m	2	(2)	0	0	0	
Total revenue reserves held to support capital schemes	60,012	(10,813)	32,636	(14,949)	66,886	

	31 March 2,016 £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2,017 £000s	Note
i) Reserves held for economic growth and public sector reform						
SoccerEx Reserve	790	(395)	0	0	395	i(1)
Troubled Families Reserve	1,699	0	0	(366)	1,333	i(2)
Clean and Green Places Reserve	6,928	0	0	(4,018)	2,910	i(3)
Children and Families Investment Reserve	7,381	10,600	0	(10,773)	7,208	i(4)
Our Manchester Reserve	0	(934)	6,760	(91)	5,735	i(5)
City Centre Review Reserve	0	1,000	0	0	1,000	i(6)
Town Hall Reserve	0	147	9,111	(147)	9,111	i(7)
Other smaller reserves under £1m	1,068	0	95	(238)	925	
Total reserves held for economic growth and public sector reform	17,866	10,418	15,966	(15,633)	28,617	
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	1,902	0	0	0	1,902	
Department of Health Reserve	308	0	0	0	308	
Dedicated Schools Grant Reserve	268	0	62	(285)	45	
Other Grants and Contributions Reserve	3,036	0	58	(544)	2,550	
Better Care Fund Reserve	7,435	0	5,671	(2,093)	11,013	
Other smaller reserves under £1m	3,397	(347)	336	(1,376)	2,010	
Total grants and contributions used to meet commitments over more than one year	16,346	(347)	6,127	(4,298)	17,828	j(1)
Total earmarked revenue reserves	204,597	0	99,822	(75,609)	228,810	
k) General Fund Reserve						
General Fund Reserve	27,477	0	0	(1,251)	26,226	k(1)
Total all general fund reserves	232,074	0	99,822	(76,860)	255,036	
l) Housing Revenue Account Reserve						
Housing Revenue Account Reserve	86,010	0	4,981	0	90,991	l(1)
Total All Usable Reserves	383,624	0	239,758	(214,343)	409,039	

a(1) - Capital Receipts Reserve

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

	2015/16 £000s	2016/17 £000s
Balance at 1 April	37,943	37,949
Capital receipts received in year	35,905	57,031
Paid to housing national pool	(2,275)	(3,542)
Applied to fund capital expenditure	(33,624)	(52,303)
Balance at 31 March	37,949	39,135

a(2) - Major Repairs Reserve

Resources available to meet capital investment in council housing.

	2015/16 £000s	2016/17 £000s
Balance at 1 April	6,747	1,909
HRA depreciation	11,989	14,333
Financing of capital expenditure on council dwellings	(25,231)	(19,214)
Transfer from the HRA	8,404	4,355
Balance at 31 March	1,909	1,383

a(3) - Capital Grants Unapplied Reserve

Capital grants and contributions available to meet future capital expenditure.

	2015/16 £000s	2016/17 £000s
Balance at 1 April	54,876	25,682
Grants received in year	77,716	59,236
Prior Year Grants recognised - now treated as Revenue Grants	(400)	(1,337)
Transferred to Capital Adjustment Account: General Grants and Contributions	(65,938)	(35,764)
Transferred to Capital Adjustment Account: Revenue Expenditure Funded from Capital Under Statute (REFCUS) Grants and Contributions	(40,572)	(25,323)
Balance at 31 March	25,682	22,494

- 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 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 Historic Abuse 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 Adult Social Care Reserve was established to support risks facing this budget in 2017/18
- f(7) The Transformation Reserve has been set up to fund future service transformation costs.
- f(8) The Airport Dividend Reserve relates to airport dividends which are used to support the budget a year in arrears. The approved 2015/16 Budget included proposals to use £2m to support the budget in 2016/17 and the approved 2016/17 budget included proposals to use an additional £20.787m in 2016/17. The approved 2017/18 budget includes use of £29.161m in 2017/18.
- f(9) To Planning Income Reserve was set up to smooth fluctuations in planning income
- g(1) The Business Rates Reserve was set up to hold additional Business Rates Income and Section 31 Business Rates Grants and is to be used to fund future liabilities relating to Business Rates.
- h(1) The Capital Fund was established to fund revenue contributions to major capital schemes.
- h(2) The Service Improvement Fund was established to fund improvements in Council services.
- h(3) 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(4) The Housing Regeneration Reserve has been set up to develop private sector housing.
- i(1) The SoccerEx Reserve will be used to fund future the SoccerEx Global Conventions.
- i(2) The Troubled Families Reserve will support the scaling up of community budgets.
- i(3) The Clean and Green Reserve was funded from a dividend received from Manchester Airports Holdings Ltd and is being used to support green initiatives.
- i(4) The Children and Families Investment Reserve was established with the aim to support more families into sustainable employment and reduce the numbers of looked after children
- i(5) The Our Manchester Reserve is for additional investment made available as part of the 2017/2020 budget process to drive forward the delivery of Our Manchester
- i(6) City Centre Review Reserve has been set up to fund improvements in the City Centre
- i(7) The Town Hall Reserve has been set up to fund revenue expenditure on the Town Hall Complex Programme
- 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.
- l(1) Resources available to meet future running costs for council housing.

Note 44 Unusable Reserves

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

	31 March 2016 £000s	31 March 2017 £000s	Note
Unusable Reserve			
Revaluation Reserve	864,440	968,042	a
Available for Sale Financial Instruments Reserve	3,852	6,318	b
Pensions Reserve	(783,824)	(832,654)	c, 46
Capital Adjustment Account	1,295,891	1,311,226	d
Deferred Capital Receipts Reserve	2,232	2,567	e
Financial Instruments Adjustment Account	1,469	1,498	f
Collection Fund Adjustment Account	14,938	36,167	g
Short-term Accumulated Absences Account	(6,388)	(6,132)	h
	1,392,610	1,487,032	

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.

	2015/16 £000s	2016/17 £000s
Balance at 1 April	857,007	864,440
Revaluations relating to property, plant and equipment	32,374	122,929
Revaluations relating to other non-PPE assets	7,562	25,734
Revaluation gain depreciation	(7,670)	(8,754)
Impairment not charged to CIES	(14,488)	(14,313)
Disposals Transferred to Capital Adjustment Account	(10,345)	(21,994)
Balance at 31 March	864,440	968,042

b - Available for Sale Financial Instruments Reserve

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

	2015/16 £000s	2016/17 £000s
Balance at 1 April	1,811	3,852
Increase in Financial Instruments Market Value	2,181	4,101
(Decrease) in Financial Instruments Market Value	(138)	(1,635)
Realised (Loss) on Sale	(2)	0
Balance at 31 March	3,852	6,318

c - Pensions Reserve

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

	2015/16 £000s	2016/17 £000s
Balance at 1 April	(1,012,249)	(783,824)
Net Movement in Year	228,425	(48,830)
Balance at 31 March	(783,824)	(832,654)

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 current 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.

	2015/16 £000s	2016/17 £000s
Balance at 1 April	1,271,969	1,295,891
Repayment of ex GMC debt	1,941	2,056
Minimum revenue provision	26,510	18,877
Reversal of PFI charges to HRA	16,034	14,925
Capital grants and contributions	106,510	75,397
Revenue contributions used	25,932	6,995
Investment property revaluations	18,614	28,789
Revaluation gain depreciation	7,670	8,754
Disposals transferred from revaluation reserve	10,334	21,994
Depreciation	(49,782)	(52,020)
Major Repairs Allowance	25,231	19,214
Capital Receipts Used	33,624	52,303
Other Disposals	(43,790)	(63,709)
Write down of intangible assets	(144)	(138)
Write down of long-term debtors	(5,344)	(32,405)
(Loss) on repayment of housing loan	(279)	(89)
Write down of revenue expenditure funded from capital under statute	(68,474)	(60,913)
Impairment of non-current assets	(87,050)	(24,695)
Capital Bad Debt provision	(300)	0
Operational property to investment revaluation reserve transfer	11	0
Matrix Homes asset disposals to long-term debtors	5,826	0
Embedded lease disposal - write down of deferred liability	848	0
Balance at 31 March	1,295,891	1,311,226

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 2016 £000s	Gains on Disposal £000s	Principal Repayments £000s	Fair Value Adjustments £000s	31 March 2017 £000s
Historic Mortgages	52	0	(31)	0	21
Equity Mortgages	2,166	12	(157)	(24)	1,997
Equity Loans	14	0	0	535	549
Total Deferred Capital Receipts	2,232	12	(188)	511	2,567

f - Financial Instruments Adjustment Account

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

	2015/16 £000s	2016/17 £000s	
Balance at 1 April	(1,446)	1,469	
Soft loans in year movements	60	58	
Adjustment for interest free loans	2,508	5,639	f(a)
Premium and discounts	329	332	
Investment revaluations	18	(6,000)	f(b)
Balance at 31 March	1,469	1,498	

f (a) The Council has received interest free loans from the Homes and Communities Agency of £17.720m repayable in 2022, £8.47m repayable in 2024 and £41.831m from HM Treasury repayable in 2028. This amount represents the saving to the Council over the remaining length of the loan of them being interest free.

f (b) The investment revaluation relates to Manchester Mortgage Corporation which has reduced due to the distribution of a dividend of £6m.

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	2015/16 £000s	2016/17 £000s
Balance at 1 April	6,083	9,251
Movement in Year	3,168	5,914
Balance at 31 March	9,251	15,165

Business Rates	2015/16 £000s	2016/17 £000s
Balance at 1 April	(36,091)	5,687
Movement in Year	41,778	15,315
Balance at 31 March	5,687	21,002

Total	2015/16 £000s	2016/17 £000s
Balance at 1 April	(30,008)	14,938
Movement in Year	44,946	21,229
Balance at 31 March	14,938	36,167

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.

	2015/16 £000s	2016/17 £000s
Balance at 1 April	(5,867)	(6,388)
Movement in Year	(521)	256
Balance at 31 March	(6,388)	(6,132)

Note 45. 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 2016/17 are as follows:

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2016/17 before academy recoument			472,443
Academy figure recouped for 2016/17			160,540
Total DSG after academy recoument			311,903
Brought forward from 2015/16			265
Carry forward to 2017/18 (agreed in advance)			0
Agreed initial budgeted distribution in 2016/17	19,497	292,671	312,168
In year adjustments	0	0	0
Final budgeted distribution for 2016/17	19,497	292,671	312,168
Less actual central expenditure	19,452		
Less actual ISB deployed to schools		292,671	
Plus Local Authority contribution for 2016/17	0	0	0
Carry forward to 2017/18 (agreed in advance)	45	0	45

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 46. 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 2017 the actuary has rolled forward the value of liabilities calculated at the latest formal valuation, 31 March 2016, 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 47.

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 48.

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:

	2015/16 £000s	2016/17 £000s
Comprehensive Income and Expenditure Statement		
Net Cost of Services:		
current service cost	62,717	54,423
past service costs	2,926	2,017
effect of settlements	(17,160)	0
Financing and investment income and expenditure		
net interest expense	32,188	27,441
Total post employment benefits charged to the deficit / surplus on the provision of services	80,671	83,881
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)	91,559	(403,836)
Change in Demographic assumptions re-measurements	0	4,310
actuarial gains and losses arising on changes in financial assumptions	(296,140)	585,696
other experience re-measurements	(51,581)	(166,326)
Total post employment benefits charged to total comprehensive income and expenditure	(256,162)	19,844
Movement in Reserves Statement		
Reversal of net charges made to the Deficit / Surplus on Provision of Services for post employment benefits in accordance with IAS19.	27,737	28,986
Actual amount charged against the General Fund		
Balance for the pensions in the year:		
Employer's contribution payable to scheme	40,940	43,312
Employer's contribution re: unfunded deficit	11,994	11,583
	52,934	54,895

Assets and Liabilities in Relation to Retirement Benefits

Present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme	
	2015/16 £000s	2016/17 £000s
Balance at 1 April	3,464,896	3,160,927
Current service cost	62,717	54,423
Effect of settlements	(38,540)	0
Demographic Assumptions	0	4,310
Interest cost on defined benefit obligation	109,521	109,878
Contributions by scheme participants	14,353	14,579
Changes in financial assumptions	(296,140)	585,696
Other experience re-measurements	(51,581)	(166,326)
Unfunded benefits paid	(11,994)	(11,583)
Benefits paid	(95,231)	(98,482)
Past service cost including curtailments	2,926	2,017
Balance at 31 March	3,160,927	3,655,439

Fair value of the scheme assets:

	Local Government Pension Scheme	
	2015/16 £000s	2016/17 £000s
Balance at 1 April	2,452,647	2,377,103
Interest income on plan assets	77,333	82,437
Return on assets (excluding amounts included in net interest)	(91,559)	403,836
Contributions in respect of unfunded benefits	11,994	11,583
Employer contributions	40,940	43,312
Contributions by scheme participants	14,353	14,579
Effect of settlements	(21,380)	0
Benefits paid	(95,231)	(98,482)
Unfunded benefits paid	(11,994)	(11,583)
Balance at 31 March	2,377,103	2,822,785

Net Liability for Year

	2015/16 £000s	2016/17 £000s
Present value of funded liabilities	(3,013,732)	(3,504,673)
Present value of unfunded liabilities	(147,195)	(150,766)
Fair value of assets	2,377,103	2,822,785
(Deficit) in the scheme	(783,824)	(832,654)

The liabilities show the underlying commitment that the Council has in the long run to pay retirement benefits. The total liability of £832,654,000 is included within the net worth of the Council which has increased by £119,837,000 as recorded in the balance sheet resulting in a positive overall balance of £1,896,071,000.

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 2019.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 is £43,312,000.

The weighted average duration of the obligation for scheme members is 16.9 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:

	2015/16	2016/17
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	21.4 years	21.5 years
Women	24.0 years	24.1 years
Longevity at 65 for future pensioners *		
Men	24.0 years	23.7 years
Women	26.6 years	26.2 years
Rate of increase in salaries	3.5%	2.5%
Rate of increase in pensions	2.2%	2.4%
Discount rate	3.5%	2.5%
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%

* Figures assume members aged 45 as at the last formal valuation date.

The estimate of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above.

	% increase to Employer Liability	£000s
Changes in assumptions at 31 March 2017		
0.5% decrease in real discount rate	9%	332,956
0.5% increase in the salary increase rate	1%	45,458
0.5% increase in the pension increase rate	8%	282,910

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes it is estimated that a one year increase in life expectancy would increase the employer obligation by 3 to 5%.

This is not a full list of the assumptions used. For example changes to the assumed level of withdrawals from the scheme and the number of ill health retirements will also have an effect. However the assumptions in the table above will have the most impact.

The table shows the effect of changes to each assumption in isolation. It is possible for the experience of the Fund to deviate from more than one of the assumptions simultaneously and so the precise effect on the valuation is more complex.

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

	Year Ended 31 March 2016				Year Ended 31 March 2017			
	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	209,328	0	209,328	9%	229,434	0	229,434	8%
Manufacturing	172,273	0	172,273	7%	234,930	0	234,930	8%
Energy and utilities	127,606	0	127,606	5%	187,909	0	187,909	6%
Financial institutions	230,591	0	230,591	10%	288,573	0	288,573	10%
Health and care	99,401	0	99,401	4%	101,277	0	101,277	4%
Information technology	53,406	0	53,406	2%	71,713	0	71,713	3%
Other	31,327	0	31,327	1%	48,084	0	48,084	2%
Debt securities								
Corporate bonds (investment grade)	118,429	0	118,429	5%	133,914	0	133,914	5%
UK government	18,847	0	18,847	1%	37,139	0	37,139	1%
Other	74,217	0	74,217	3%	89,176	0	89,176	3%
Private equity								
All	0	59,393	59,393	2%	0	80,203	80,203	3%
Real estate								
UK property	0	74,850	74,850	3%	0	77,408	77,408	3%
Investment funds and unit trusts								
Equities	662,395	0	662,395	28%	706,716	0	706,716	25%
Bonds	184,677	0	184,677	8%	201,484	0	201,484	7%
Infrastructure	0	31,858	31,858	1%	0	65,081	65,081	2%
Other	46,708	115,611	162,319	7%	50,619	140,692	191,311	7%
Derivatives								
All	6,257	0	6,257	0%	0	0	0	0%
Cash and cash equivalents								
All	59,929	0	59,929	3%	78,433	0	78,433	3%
	2,095,391	281,712	2,377,103	100%	2,459,401	363,384	2,822,785	100%

Note 47. 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 46.

The pension costs charged to the accounts are at the contribution rate set by the DfE on the basis of a notional fund. In 2016/17 the Council's contribution to the DfE in respect of teachers' pension costs was £16,599,000 (£16,169,000 2015/16), the set contribution rate being 16.48% (14.1% from April 2015 to August 2015 and then 16.48% from September 2015).

The total contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2018 is £15,955,000.

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with related increases. In 2016/17 these amounted to £6,206,000 (£6,521,000 2015/16) of which £1,290,000 (£1,386,000 2015/16) relates to former establishment employees and is refunded by the Higher Education Funding Council.

Note 48. 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 Adults and Public Health line within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable in the year.

In 2016/17 the Council's contribution in respect of former NHS staff pension costs was £120,000 (£102,000 in 2015/16), the set contribution rate being 14.3% (14.3% in 2015/16).

Note 49. Contingent Assets and Liabilities

Contingent Assets

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.

c) The Greater Manchester Loans Fund was set up to provide loans to new and growing businesses in Greater Manchester (GM). The nine GM authorities (excluding Manchester) have indemnified the Council in order to underwrite their proportion of the initial £12m to £14m capital in proportion to their percentage of GM population at the date of the establishment of the Fund (June 2013).

The maximum amount indemnified by the nine GM authorities will be £11.348m which is 81.06% of the total capital expenditure.

At 31 March 2017 loans totalling £5.05m have been advanced.

The risk of the indemnity being called upon is considered to be low.

Contingent Liabilities

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

The Fund was set up on 1 April 2015 and is administered by the Council.

The Fund provides the opportunity to invest in locally prioritised schemes and give the flexibility required to stimulate the market, accelerate growth and increase housing supply.

In return for GM receiving this fund it must guarantee that 80% of the funds drawdown, to a maximum of £240m, will be repaid to Her Majesty's Treasury (HMT) at the end of the Fund life. The Department of Communities and Local Government (DCLG) will underwrite the first 20% of any loss to the Fund (up to a maximum of £60m).

Each GM district will indemnify a proportion of the Fund based on its percentage of GM population as at 1 April 2015. For Manchester City Council the maximum indemnity will be £45.685m which is 19.04% of the total indemnity.

At 31 March 2017 the amount drawn down was £41.831m.

It is not currently anticipated that there will be any call on this indemnity.

b) The Council has guaranteed the pension liabilities of a number of organisations including those where services have been outsourced. It is not expected that there will any call on these guarantees.

Note 50. 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	2015/16 £000s	2016/17 £000s	
Central Government - revenue grants	902,695	867,694	a
Central Government - capital grants	41,111	38,597	a
Greater Manchester Combined Authority - capital contribution	7,979	6,347	b
Manchester Airports Holdings Ltd - dividend	36,495	51,021	c
Manchester Airports Holdings Ltd - repayment of interest	9,980	9,980	c
Manchester Airports Holdings Ltd - net rent	6,973	7,790	c
Manchester Clinical Commissioning Groups	15,124	17,156	f
Destination Manchester Ltd - interest on loans	1,020	955	c
Destination Manchester Ltd - repayment of loan principal	750	2,250	c
Northwards Housing Ltd (capital and revenue income)	1,655	2,332	g
Manchester Working Ltd (capital and revenue income)	232	50	g
Enterprise Manchester Partnership Ltd (capital and revenue income)	1,356	0	g
	1,025,370	1,004,172	

Expenditure	2015/16 £000s	2016/17 £000s	
Greater Manchester Combined Authority - levy	36,971	36,039	b
Greater Manchester Waste Disposal Authority - levy	35,270	32,807	b
Greater Manchester Police and Crime Commissioner - precept	15,435	16,606	b
Greater Manchester Fire and Rescue Authority - precept	5,842	6,205	b
Greater Manchester Fire and Rescue Authority - share of business rates	3,190	3,090	b
Central government - share of business rates	159,510	154,509	a
Greater Manchester Pension Fund - employer's contributions	52,934	54,895	d
Teachers' Pension Agency - employer's contributions	16,169	16,599	e
Manchester Clinical Commissioning Groups	5,767	4,898	f
Northwards Housing Ltd (capital and revenue spend)	25,974	27,432	g
Manchester Working Ltd (capital and revenue spend)	25,361	21,064	g
Enterprise Manchester Partnership Ltd (capital and revenue spend)	3,691	0	g
Agency Costs - Senior Management Team	225	171	h
	386,339	374,315	

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 2016/17 is set out in Note 19. 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 2016/17 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. The exception to this is growth in business rates where the Council, as part of the growth retention pilot, retains 98% of business rates above an adjusted baseline.

Grant details are set out in Notes 17 and 18. Central Government debtors and creditors are set out in Notes 36 and 38.

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 is a non-executive director 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 director who served the company during the year was Sir Howard Bernstein.

d. Greater Manchester Pension Funds

The Local Government Pension Scheme is a fully funded defined benefits scheme. Pension details are set out in Note 46.

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 47.

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.

g. Subsidiaries or associates of the Council.

These organisations are not consolidated into the Council's group accounts because they are not material.

Northwards Housing Ltd

Northwards Housing Ltd is an Arms Length Management Organisation limited by guarantee, and therefore a subsidiary of the Council. Manchester City Council is the ultimate parent undertaking.

The principal activity of Northwards Housing Ltd is the management and maintenance of Manchester City Council's housing stock in North Manchester.

Manchester Working Ltd

Manchester Working Ltd.'s principal activity is the provision of maintenance services. It is considered to be an associate of the Council.

Carol Culley and Cllr Paul Andrews served as directors of the company during the year.

Enterprise Manchester Partnership Ltd

Manchester City Council's contract with Enterprise Manchester Partnership ended in 2015.

The principal activity of the company was providing refuse collection services to Manchester City Council up to July 2015.

h. Employment Agency fees filling interim Senior Management Team positions

To cover interim Senior Management Team positions employment agencies were used in 2015/16 and 2016/17.

Note 51. 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 52. Analysis of Cash and Cash Equivalents

	31 March 2016 £000s	31 March 2017 £000s
Cash and Cash Equivalents		
Cash in hand	52	49
Call accounts	10,630	37,660
Investments less than 3 months	69,514	41,043
Balance at bank	16,354	17,568
Total	96,550	96,320

Note 53. Cash Flow Statement - Adjustments to net deficit / surplus on the provision of services for non-cash movements

	31 March 2016 £000s	31 March 2017 £000s
Depreciation of non current assets	(49,782)	(52,020)
Impairment of non current assets	(87,050)	(24,695)
Amortisation of intangible non-current assets	(144)	(138)
Pension fund adjustments	(27,737)	(28,986)
Movement in market value of investment property	18,613	28,789
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	2,932	5,944
(Increase) in impairment provision for bad debts	(7,695)	(5,812)
Contributions to provisions	(5,390)	(5,449)
Carrying amount of property, plant and equipment, investment properties and intangible assets sold	(43,790)	(63,709)
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	44,946	21,230
Other non-cash movements	6,241	(7,454)
(Decrease) / increase in inventories	296	(428)
(Decrease) / Increase in debtors (less capital)	13,170	12,275
(Decrease) in interest debtors	(5,509)	(659)
(Increase) in creditors (less capital)	(20,225)	(3,459)
Decrease in interest creditors	110	230
Total	(161,014)	(124,341)

Note 54 Cash Flow Statement - Adjustments for items included in the net deficit / surplus on the provision of services that are investing and financing activities

	31 March 2016 £000s	31 March 2017 £000s
Proceeds from the disposal of property, plant and equipment, investment properties and intangible assets	36,918	58,221
Capital grants credited to deficit / surplus on the provision of services	36,744	46,886
	73,662	105,107

Note 55. Cash Flow Statement - Operating Activities

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

	2015/16 £000s	2016/17 £000s
Interest received	(12,625)	(13,636)
Interest paid	33,165	34,590
Dividends received	(36,495)	(51,021)

Note 56. Cash Flow Statement - Investing Activities

	2015/16 £000s	2016/17 £000s
Purchase of plant, property and equipment, investment property and intangible assets	173,704	155,330
Proceeds from the sale of plant, property and equipment, investment property and intangible assets	(36,918)	(58,221)
Capital grants received	(17,580)	(40,978)
Other receipts from investing activities	(29,687)	(11,911)
Net cash flows from investing activities	89,519	44,220

Note 57. Cash Flow Statement - Financing Activities

	2015/16 £000s	2016/17 £000s
Repayments of long term borrowing	11,008	27,664
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	15,461	15,054
Cash receipts of long and short term borrowing	(6,558)	(39,472)
Net (receipts) relating to preceptors element of council tax	(443)	(494)
Net (receipts) relating to national non domestic rates	(29,996)	(18,643)
Net cash flows from financing activities	(10,528)	(15,891)

Note 58. Events after the Balance Sheet Date

Business Rates

On 1 April 2017 Manchester along with the other Greater Manchester Authorities commenced a pilot for 100% business rates retention. As a result of this pilot the Council will not receive Revenue Support Grant and Public Health Grant in 2017/18. Business rate tariff and top ups have been worked to take account of the retention of 100% of business rates and the loss of these grants. The Department of Communities and Local Government has agreed that the GM Councils will be no worse off as a result of taking part in this pilot.

Note 59. Authorisation for Issue of the Statement of Accounts

The 2016/17 Statement of Accounts was authorised for issue by Carol Culley, the City Treasurer on 6 June 2017. 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.

2015/16 £000s		Note	2016/17 £000s
	Expenditure		
26,393	Repairs and maintenance		21,910
16,217	Supervision and management		17,243
463	Rents, rates, taxes and other charges		458
21,338	Depreciation and impairment of non-current assets	d,e	16,170
18	Debt management costs		19
(1,116)	Movement in the allowance for bad debts		202
46	Revenue expenditure funded from capital under statute	f	61
63,359			56,063
	Income		
60,503	Dwelling rents (gross)		62,185
263	Non-dwelling rents (gross)		536
1,755	Charges for services and facilities		2,271
607	Contributions towards expenditure		292
23,603	Private Finance Initiative Grant		23,600
86,731			88,884
(23,372)	Net (Income) of HRA Services as included in the Council's Comprehensive Income and Expenditure Statement		(32,821)
98	HRA services share of corporate and democratic core		98
(85)	HRA share of other amounts included in the Council's net cost of services but not allocated to specific services		8
(23,359)	Net (Income) of HRA Services		(32,715)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(3,455)	(Gain) on disposal of HRA non-current assets		(3,578)
9,015	Interest payable and similar charges		10,340
(121)	Interest and investment income		(110)
191	Net interest on the net defined benefit liability		110
(80)	Capital grants and contributions		(623)
(17,809)	(Surplus) for the year on HRA services		(26,576)

Movement on the Housing Revenue Account Statement

2015/16 £000s		2016/17 £000s
(86,686)	Balance on the HRA at the end of the previous year	(86,010)
(17,809)	(Surplus) for Year on the HRA Income and Expenditure Statement	(26,576)
	Adjustments between accounting basis and funding basis under statute	
8,404	Transfer to Major Repairs Reserve	4,355
26	Capital expenditure funded by the HRA	123
3,455	Gain on disposal of HRA non-current assets	3,578
0	Transfer to short term accumulating absences account	5
(120)	HRA share of contributions from the pension reserve	(116)
(9,349)	Impairment of non-current assets	(1,837)
(46)	Amortisation of Revenue Expenditure Funded from Capital under Statute	(61)
16,035	Reversal of PFI Charges	14,925
80	Capital grants and contributions receivable	623
676	Net (Increase) / Decrease in Year on the HRA	(4,981)
(86,010)	Balance on the HRA at the end of the current year	(90,991)

Notes to the Housing Revenue Account

(a) Housing Stock

The Council was responsible for managing an average of 16,216 dwellings during 2016/17.

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

	31 March 2016	31 March 2017
Houses and bungalows	9,327	9,187
Flats	6,904	6,859
Others	77	77
	16,308	16,123

The change in stock is as follows:

	2015/16	2016/17
Stock at 1 April	16,422	16,308
Sales	(107)	(167)
New Builds	46	14
Demolitions	(60)	(32)
Other	7	0
Stock at 31 March	16,308	16,123

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

	Restated 31 March 2016 £000s	31 March 2017 £000s
Operational		
Council dwellings	418,055	482,521
Other land and buildings	3,462	3,962
Vehicles, plant and equipment	62	57
Infrastructure	707	2,277
	422,286	488,817
Non-operational		
Surplus properties	423	426
Assets under construction	68	478
	422,777	489,721

(b) Vacant Possession of Dwellings

The vacant possession value of dwellings within the Council's HRA at 1 April 2016 was £1,174,339,000. The difference between the vacant possession value and balance sheet value of dwellings within the HRA shows the economic cost of providing council housing at less than open market rents.

(c) Capital Expenditure, Funding and Receipts

	2015/16 £000s	2016/17 £000s
Expenditure		
Property, plant and equipment	25,336	20,199
Revenue expenditure funded from capital under statute	46	61
	25,382	20,260
Funded by		
Revenue contributions	26	123
Capital receipts	45	300
Major repairs reserve	25,231	19,214
Government grants	0	299
External contributions	80	324
	25,382	20,260
Receipts		
Council dwellings	7,549	9,142
Mortgage repayments	51	31
	7,600	9,173

(d) Depreciation

	2015/16 £000s	2016/17 £000s
Property, plant and equipment		
Council dwellings	11,885	14,199
Other land and buildings	99	115
Vehicles, plant and equipment	5	19
	11,989	14,333

(e) Impairment Charges

	2015/16 £000s	2016/17 £000s
Non-enhancing capital expenditure	7,007	189
Downward revaluation of assets	1,872	1,648
Damaged properties / demolitions	470	0
	9,349	1,837

The reduction in impairment is as a result of impairments being charged to the revaluation reserve following increases in values due to the reduction in the social housing discount.

(f) Revenue Expenditure Funded From Capital Under Statute

Revenue expenditure funded from capital under statute of £61,000 (£46,000 in 2015/16) has been charged to the HRA.

(g) 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 2016/17 is £116,000 (£120,000 in 2015/16). The overall amount to be met from rent payers remains unchanged.

(h) Rent Arrears

	2015/16 £000s	2016/17 £000s
Arrears at 31 March	7,433	7,868

	2015/16 £000s	2016/17 £000s
Provision at 1 April	6,643	5,065
Contributions in year	(1,116)	331
Amounts written (off) in the year	(462)	0
Provision as at 31 March	5,065	5,396

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.

2015/16 £000s				2016/17 £000s		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
0	153,182	153,182	Income			
360,335	0	360,335	Council Tax - net amount receivable	0	162,817	162,817
360,335	153,182	513,517	Collectable from business ratepayers	357,167	0	357,167
				357,167	162,817	519,984
27,172	0	27,172	Apportionment of Previous Year Deficit			
27,726	0	27,726	- Manchester City Council	31	0	31
554	0	554	- Central Government	32	0	32
			- Greater Manchester Fire and Rescue Authority	1	0	1
415,787	153,182	568,969		357,231	162,817	520,048
			Expenditure			
0	3,530	3,530	Apportionment of Previous Year Surplus			
0	459	459	- Manchester City Council	0	7,923	7,923
0	173	173	- Greater Manchester Police and Crime Commissioner	0	1,029	1,029
			- Greater Manchester Fire and Rescue Authority	0	390	390
159,510	0	159,510	Precepts and demands			
156,320	118,808	275,128	- Central Government	154,509	0	154,509
0	15,435	15,435	- Manchester City Council	151,419	128,694	280,113
3,190	5,842	9,032	- Greater Manchester Police and Crime Commissioner	0	16,606	16,606
			- Greater Manchester Fire and Rescue Authority	3,090	6,205	9,295
0	0	0	Business rates			
			- Transitional protection payment	1,982	0	1,982
4,350	3,368	7,718	Charges to Collection Fund			
1,602	1,834	3,436	- Write offs of uncollectable amounts	1,474	540	2,014
4,430	0	4,430	- Increase / (Decrease) in Allowance for Impairment	1,506	(5,492)	(3,986)
1,121	0	1,121	- Contribution to Provision for Appeals	10,867	0	10,867
			- Costs of collection	1,130	0	1,130
330,523	149,449	479,972	Total Expenditure	325,977	155,895	481,872
85,264	3,733	88,997	Movement on fund balance	31,254	6,922	38,176
(73,656)	7,172	(66,484)	Fund balance brought forward	11,608	10,905	22,513
11,608	10,905	22,513	Fund Balance Carried Forward	42,862	17,827	60,689

Notes to the Collection Fund Account

(a) 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 49.7p (49.3p for 2015/16). The total business rates rateable value at 31 March 2017 was £855,108,000 (£847,011,000 at 31 March 2016).

(b) Calculation of the Council Tax Base

For 2016/17 there were 225,322 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 192,029 equivalent number of dwellings after taking account of discounts, exemptions and disabled relief. These equate to 147,151 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	110,512	73,648
B	32,651	25,395
C	28,303	25,158
D	13,278	13,278
E	4,686	5,727
F	1,830	2,643
G	708	1,180
H	61	122
	192,029	147,151

The number of chargeable Band D equivalents for 2015/16 was 145,768.

(c) Share of Fund Balance

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

Business Rates	Surplus 2015/16 £000s	Surplus 2016/17 £000s
Central Government	5,804	21,431
Manchester City Council	5,688	21,002
Greater Manchester Fire and Rescue Authority	116	429
Total Surplus	11,608	42,862

Council Tax	Surplus 2015/16 £000s	Surplus 2016/17 £000s
Manchester City Council	9,249	15,165
Greater Manchester Police and Crime Commissioner	1,201	1,941
Greater Manchester Fire and Rescue Authority	455	721
Total Surplus	10,905	17,827

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 Comprehensive Income and Expenditure Statement
- Group Movement in Reserves Statement
- Reconciliation of the Single Entity Surplus to the Group Surplus
- 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 current value (i.e. the amount that would be paid for an asset in its existing use). Where sufficient market evidence is not available, current 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 (DML) is the only subsidiary consolidated into the Council's group accounts. The Council owns 100% of DML.

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 (MAHL). The Council owns 35.5% of MAHL.

Manchester Airports Holdings Limited audited accounts are available at the following website -
<http://www.manchesterairport.co.uk/manweb.nsf/Content/AnnualReportsAndAccountsArchive>

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 2015/16 Gross Expenditure £000s	Restated 2015/16 Gross Income £000s	Restated 2015/16 Net Expenditure £000s		Note	2016/17 Gross Expenditure £000s	2016/17 Gross Income £000s	2016/17 Net Expenditure £000s
			Continuing operations				
226,909	59,582	167,327	Adults and Public Health		232,478	65,971	166,507
571,200	387,286	183,914	Children's Services		560,163	387,800	172,363
415,443	321,695	93,748	Corporate Core		401,719	310,422	91,297
122,494	58,417	64,077	Growth and Neighbourhoods		112,267	51,303	60,964
57,661	29,546	28,115	Strategic Development		48,121	15,951	32,170
4,733	52,288	(47,555)	Corporate Items		5,385	58,606	(53,221)
18,537	0	18,537	Council Wide Costs		4,684	0	4,684
63,359	86,731	(23,372)	Housing Revenue Account		56,063	88,884	(32,821)
13,738	15,685	(1,947)	Destination Manchester Ltd		12,601	17,863	(5,262)
1,494,074	1,011,230	482,844	Total cost of services		1,433,481	996,800	436,681
			Other operating expenditure				
10,409	3,455	6,954	Loss on disposal of non-current assets		42,636	3,578	39,058
72,568	0	72,568	Levies not included in net cost of services		69,164	0	69,164
2,275	0	2,275	Payments to government housing capital receipts pool		3,542	0	3,542
85,252	3,455	81,797	Total other operating expenditure		115,342	3,578	111,764
163,215	133,291	29,924	Financing and investment income and expenditure	5	162,187	153,697	8,490
0	523,457	(523,457)	Taxation and non-specific grant income		0	525,719	(525,719)
1,742,541	1,671,433	71,108	Deficit on provision of services		1,711,010	1,679,794	31,216
260,555	282,332	(21,777)	Share of operating results of joint venture	8	263,216	299,549	(36,333)
268	0	268	Tax expenses of subsidiary		372	0	372
178	0	178	Tax expenses of joint venture	8	3,515	0	3,515
2,003,542	1,953,765	49,777	Group Deficit / (Surplus) on provision of services		1,978,113	1,979,343	(1,230)
			Items that will not be subsequently classified in Deficit / (Surplus) of Provision of Services				
		(39,936)	(Surplus) on revaluation of non-current assets				(148,663)
		14,488	Impairment losses on non-current assets charged to the revaluation reserve				14,313
		(256,162)	Remeasurements of the net defined benefit liability				19,844
		142	Share of other comprehensive income and expenditure of subsidiaries				142
		(62,319)	Share of other comprehensive income and expenditure of joint ventures				(28,051)
			Items that will be subsequently classified in Deficit / (Surplus) of Provision of Services				
		(2,059)	(Surplus) / Deficit on revaluation of available for sale financial assets				3,534
		(345,846)	Total other comprehensive income and expenditure				(138,881)
		(296,069)	Total comprehensive income and expenditure				(140,111)

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.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Usable Reserves	Total Unusable Reserves	Council Share of Group Reserves	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2015	(259,166)	(86,686)	(37,943)	(54,876)	(6,747)	(445,418)	(1,083,230)	(774,750)	(2,303,398)
Movement in reserves during 2015/16									
(Surplus) / deficit on provision of services	53,891	(17,808)	0	0	0	36,083	0	13,694	49,777
Other comprehensive income and expenditure	0	0	0	0	0	0	(283,669)	(62,177)	(345,846)
Total adjustments between accounting basis and funding basis under regulations	(26,799)	18,484	(6)	29,194	4,838	25,711	(25,711)	0	0
(Increase) / decrease in year	27,092	676	(6)	29,194	4,838	61,794	(309,380)	(48,483)	(296,069)
Balance at 31 March 2016	(232,074)	(86,010)	(37,949)	(25,682)	(1,909)	(383,624)	(1,392,610)	(823,233)	(2,599,467)
Movement in reserves during 2016/17									
(Surplus) / deficit on provision of services	17,711	(26,576)	0	0	0	(8,865)	0	7,635	(1,230)
Other comprehensive income and expenditure	0	0	0	0	0	0	(110,972)	(27,909)	(138,881)
Total adjustments between accounting basis and funding basis under regulations	(40,673)	21,595	(1,186)	3,188	526	(16,550)	16,550	0	0
(Increase) / decrease in year	(22,962)	(4,981)	(1,186)	3,188	526	(25,415)	(94,422)	(20,274)	(140,111)
Balance at 31 March 2017	(255,036)	(90,991)	(39,135)	(22,494)	(1,383)	(409,039)	(1,487,032)	(843,507)	(2,739,578)

*A breakdown of the Council's usable and unusable reserves can be found in the Council's accounts Notes 12, 43 and 44.

The Council's share of the group reserves include accounting adjustments to align accounting policies for property, plant and equipment and government grants.

The Council's share of group reserves are split between usable reserves and unusable reserves. The unusable reserves include the amounts to align the accounting policies plus the share of other comprehensive income and expenditure of the joint venture and subsidiary.

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.

2015/16 £000s		Note	2016/17 £000s
36,083	Deficit / (surplus) on the Authority's single entity Income and Expenditure Account for the year		(8,865)
1,020	Distribution from group entities included in the Authority's single entity deficit on the Income and Expenditure Account		1,020
(1,440)	Add (surplus) attributable to subsidiary	7	(4,660)
14,114	Add deficit / (surplus) attributable to joint venture including dividends paid (after corporation tax)		11,275
49,777	Group income and expenditure account deficit / (surplus) for the year		(1,230)

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.

31 March 2016 £000s		Note	31 March 2017 £000s
	Non-current assets		
2,126,696	Property, plant and equipment	10	2,224,027
521,154	Heritage assets		539,468
387,118	Investment properties		402,715
485	Intangible non-current assets		346
937,993	Long-term investment in joint venture	11	952,206
4,241	Other long-term investments	11	3,269
153,436	Long-term debtors	12	138,858
4,131,123	Total non-current assets		4,260,889
	Current assets		
0	Short term investments		5,000
1,053	Inventories		606
111,618	Short-term debtors	12	169,750
101,867	Cash and cash equivalents	13	102,650
6,152	Short-term assets held for sale		21,376
569	Intangible current assets		515
221,259	Total current assets		299,897
4,352,382	Total assets		4,560,786
	Current liabilities		
(32,234)	Short-term borrowing		(15,172)
(199,285)	Short-term creditors	14	(197,330)
(21,490)	Short-term provisions		(15,368)
(17,469)	Short-term deferred liabilities	15	(13,642)
(270,478)	Total current liabilities		(241,512)
4,081,904	Total assets less current liabilities		4,319,274
	Long-term liabilities		
(2,191)	Long-term creditors		(2,140)
(44,530)	Long-term provisions		(49,265)
(501,785)	Long-term borrowing		(524,786)
(143,322)	Long-term deferred liabilities	15	(141,112)
(6,785)	Capital grants receipts in advance		(29,739)
(783,824)	Pensions liability		(832,654)
(1,482,437)	Total long-term liabilities		(1,579,696)
2,599,467	Net assets		2,739,578
	Financed by:		
383,624	Usable reserves		409,039
1,392,610	Unusable reserves		1,487,032
823,233	Group income and expenditure reserve		843,507
2,599,467	Total reserves	16	2,739,578

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.

2015/16 £000s		Note	2016/17 £000s
49,777	Net deficit / (surplus) on the provision of services		(1,230)
(163,262)	Adjustments to net deficit / (surplus) on the provision of services for non-cash movements	19	(123,030)
60,299	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	20	94,438
(53,186)	Net cash flows from operating activities		(29,822)
90,361	Investing activities	22	44,930
(10,528)	Financing activities	23	(15,891)
26,647	Net (increase) / decrease in cash and cash equivalents		(783)
128,514	Cash and cash equivalents at the beginning of the reporting period		101,867
101,867	Cash and cash equivalents at the end of the reporting period	13	102,650

Notes To The Group Accounts

Note 1. Group Accounting Policies

The Group Accounts have been prepared in accordance with the 2016/17 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 Subsidiary

The Council's subsidiary has 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 subsidiary. To avoid overstating the figures within the group financial statements, all transactions and balances between members of the group (the Council and its subsidiary) have been eliminated.

Consolidation of Joint Venture

The Council's 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 current value (i.e. the amount that would be paid for an asset in its existing use). Where sufficient market evidence is not available, current 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. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates etc.) by local authorities in comparison to

2015/16					2016/17				
As reported to Members £000	Adjustments to arrive at net amount chargeable to the group general balances £000	Net expenditure chargeable to the group general balances £000	Adjustments between funding and accounting basis £000	Net expenditure in the Comprehensive Income and Expenditure Statement £000	As reported to Members £000	Adjustments to arrive at net amount chargeable to the group general balances £000	Net expenditure chargeable to the group general balances £000	Adjustments between funding and accounting basis £000	Net expenditure in the Comprehensive Income and Expenditure Statement £000
	Note 3a					Note 3a			
164,152	1,334	165,486	1,841	167,327	167,264	(3,146)	164,118	2,389	166,507
108,923	14,966	123,889	60,025	183,914	108,290	19,270	127,560	44,803	172,363
75,330	(2,575)	72,755	20,993	93,748	77,000	(2,074)	74,926	16,371	91,297
75,723	(25,339)	50,384	13,693	64,077	73,977	(21,807)	52,170	8,794	60,964
7,237	17,458	24,695	3,420	28,115	7,034	17,264	24,298	7,872	32,170
(38,256)	(9,299)	(47,555)	0	(47,555)	(54,556)	1,714	(52,842)	(379)	(53,221)
0	0	0	18,537	18,537	0	0	0	4,684	4,684
(1,466)	(3,421)	(4,887)	(18,485)	(23,372)	(4,981)	(6,245)	(11,226)	(21,595)	(32,821)
0	(1,947)	(1,947)	0	(1,947)	0	(5,262)	(5,262)	0	(5,262)
391,643	(8,823)	382,820	100,024	482,844	374,028	(286)	373,742	62,939	436,681
(393,479)	52,123	(341,356)	(91,709)	(433,067)	(377,758)	(16,294)	(394,052)	(43,861)	(437,911)
(1,836)	43,300	41,464	8,315	49,777	(3,730)	(16,580)	(20,310)	19,078	(1,230)
Opening Group General Reserves		1,018,025			Opening Group General Reserves		976,561		
(Deficit) on Group General Reserves in year		(41,464)			Surplus on Group General Reserves in year		20,310		
Closing Group General Reserves at 31 March		976,561			Closing Group General Reserves at 31 March		996,871		

Note 3. Note to the Expenditure and Funding Analysis

(a) Adjustments to arrive at net amount chargeable to the group general balances			
Other Adjustments	Adjustments relating to other income and expenditure (i)	Adjustments relating to transfers to / from reserves (ii)	Total Adjustments
	£000	£000	£000
Adults and Public Health	(171)	1,505	1,334
Children's Services	1,144	13,822	14,966
Corporate Core	931	(3,506)	(2,575)
Growth and Neighbourhoods	(35,164)	9,825	(25,339)
Strategic Development	15,467	1,991	17,458
Corporate Items	(10,686)	1,387	(9,299)
Housing Revenue Account	(5,563)	0	(3,421)
Destination Manchester Ltd	(1,947)	0	(1,947)
Net Cost of Services	(35,989)	25,024	(8,823)
Other Income and Expenditure from the Expenditure and Funding Analysis	49,685	2,438	52,123
Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Deficit	13,696	27,462	43,300

(a) Adjustments to arrive at net amount chargeable to the group general balances			
Other Adjustments	Adjustments relating to other income and expenditure (i)	Adjustments relating to transfers to / from reserves (ii)	Total Adjustments
	£000	£000	£000
Adults and Public Health	(171)	(2,975)	(3,146)
Children's Services	4,569	14,701	19,270
Corporate Core	2,267	(4,341)	(2,074)
Growth and Neighbourhoods	(28,114)	6,307	(21,807)
Strategic Development	12,872	4,392	17,264
Corporate Items	152	1,562	1,714
Housing Revenue Account	(6,245)	0	(6,245)
Destination Manchester Ltd	(5,262)	0	(5,262)
Net Cost of Services	(19,932)	19,646	(286)
Other Income and Expenditure from the Expenditure and Funding Analysis	27,565	(43,859)	(16,294)
Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	7,633	(24,213)	(16,580)

(i) Adjustments relating to other income expenditure include service specific interest payments and receipts which are reported as part of service costs in the outturn report.

(ii) Transfers to and from reserves which form part of the outturn report but which are not shown within the CIES.

Note 4. Prior Period Restatement

Service Expenditure and Income

Expenditure on services and income relating to those services are classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

The 2016/17 Code requires that authorities present expenditure and income on services on the

This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of practice (SERCOP).

Where services have transferred between directorates the 2015/16 figures have been restated so that they are reported on the same basis as 2016/17.

The note below shows how the net expenditure and income has been restated.

	As reported in the 2015/16 CIES £000	Adjustments between SERCOP classifications and internal reporting classifications £000	As restated 2015/16 £000
Net Expenditure			
SERCOP Service Line			
Adult social care	130,934	(130,934)	0
Central services to the public	2,985	(2,985)	0
Education and children's services	195,636	(195,636)	0
Cultural and related services	47,380	(47,380)	0
Environmental and regulatory services	39,620	(39,620)	0
Planning services	23,513	(23,513)	0
Highways and transport services	16,106	(16,106)	0
Housing services	22,133	(22,133)	0
Housing Revenue Account	(23,372)	23,372	0
Public Health	1,379	(1,379)	0
Corporate and democratic core	8,078	(8,078)	0
Non-distributed costs	18,452	(18,452)	0
Directorate / Organisation Line			
Adults and Public Health	0	168,954	168,954
Children's Services	0	182,167	182,167
Corporate Core	0	59,367	59,367
Growth and Neighbourhoods	0	105,245	105,245
Strategic Development	0	21,468	21,468
Corporate Items	0	(47,575)	(47,575)
Council Wide Costs	0	18,537	18,537
Housing Revenue Account	0	(23,372)	(23,372)
Destination Manchester Ltd	0	(1,947)	(1,947)
Total Net Cost of Services	482,844	0	482,844

Gross Expenditure			
SERCOP Service Line			
Adult social care	180,770	(180,770)	0
Central services to the public	14,172	(14,172)	0
Education and children's services	608,238	(608,238)	0
Cultural and related services	72,252	(72,252)	0
Environmental and regulatory services	50,650	(50,650)	0
Planning services	67,125	(67,125)	0
Highways and transport services	36,435	(36,435)	0
Housing services	322,661	(322,661)	0
Housing Revenue Account	63,359	(63,359)	0
Public Health	51,797	(51,797)	0
Corporate and democratic core	8,163	(8,163)	0
Non-distributed costs	18,452	(18,452)	0
Directorate / Organisation Line			
Adults and Public Health	0	226,909	226,909
Children's Services	0	571,200	571,200
Corporate Core	0	415,443	415,443
Growth and Neighbourhoods	0	122,494	122,494
Strategic Development	0	57,661	57,661
Corporate Items	0	4,733	4,733
Council Wide Costs	0	18,537	18,537
Housing Revenue Account	0	63,359	63,359
Destination Manchester Ltd	0	13,738	13,738
Total Net Cost of Services Gross Expenditure	1,494,074	0	1,494,074

Gross Income			
SERCOP Service Line			
Adult social care	49,836	(49,836)	0
Central services to the public	11,187	(11,187)	0
Education and children's services	412,602	(412,602)	0
Cultural and related services	24,872	(24,872)	0
Environmental and regulatory services	11,030	(11,030)	0
Planning services	43,612	(43,612)	0
Highways and transport services	20,329	(20,329)	0
Housing services	300,528	(300,528)	0
Housing Revenue Account	86,731	(86,731)	0
Public Health	50,418	(50,418)	0
Corporate and democratic core	85	(85)	0
Directorate / Organisation Line			
Adults and Public Health	0	59,582	59,582
Children's Services	0	387,286	387,286
Corporate Core	0	321,695	321,695
Growth and Neighbourhoods	0	58,417	58,417
Strategic Development	0	29,546	29,546
Corporate Items	0	52,288	52,288
Housing Revenue Account	0	86,731	86,731
Destination Manchester Ltd	0	15,685	15,685
Total Net Cost of Services Gross Income	1,011,230	0	1,011,230

Movement in Reserves Statement

The CIPFA Code for 2016/17 requires the total General Fund Balance and the total Housing Revenue Account Balance to be presented. In previous years earmarked General Fund Reserves and Housing Revenue Account Reserves were shown separately.

In 2015/16 total the Total Other Comprehensive Income and Expenditure was analysed as in the CIES. For 2016/17 this is shown as a single line.

In addition in 2015/16 the total adjustments between accounting basis and funding basis under regulations were shown as two separate lines - reversal of items debited or credited to the comprehensive income and expenditure statement and insertion of items not debited or credited to the comprehensive income and expenditure statement. This have now been combined into one line.

The 2015/16 Movement in Reserves Statement has been amended for these changes.

Note 5. Financing and Investment Income and Expenditure

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

	2015/16 £000s	2016/17 £000s	Note
Interest payable on debt	24,764	24,999	a
Interest element of finance leases (lessee)	61	39	
Interest payable on PFI unitary payments	9,249	10,481	
Write back of concessionary interest	267	0	
Net interest on the net defined benefit liability	32,474	27,753	b
Investment Interest income	(13,338)	(14,342)	c
Investment properties impairment	12,971	14,021	
Change in fair value of investment properties	(18,613)	(28,789)	
Impairment of shareholding	200	0	
Dividends receivable	(782)	(6,928)	d
(Gain) on trading accounts (not applicable to a service)	(766)	(804)	
Rentals received on investment properties	(19,281)	(20,397)	
Expenses incurred on investment properties	2,718	2,457	
Total financing and investment income and expenditure	29,924	8,490	

a. Interest Payable

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

	2015/16 £000s	2016/17 £000s
Manchester City Council	23,745	24,024
Destination Manchester Limited	1,019	975
Total	24,764	24,999

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:

	2015/16 £000s	2016/17 £000s
Manchester City Council	32,188	27,441
Destination Manchester Limited	286	312
Total	32,474	27,753

c. Investment Interest Income

	2015/16 £000s	2016/17 £000s
Manchester City Council	(13,295)	(14,305)
Destination Manchester Limited	(43)	(37)
Total	(13,338)	(14,342)

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 in the single entity accounts has been adjusted to exclude dividends received from Group entities.

Note 6. 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 2016/17 the amount removed was £1,020,000 (£1,020,000 in 2015/16).

Note 7. Surplus Attributable to Subsidiaries

This figure represents the total group surplus attributable to Manchester City Council's subsidiary including the adjustments made for intra group transactions. The share of operating results of the subsidiary are included within the service gross income / expenditure that they relate to.

	2015/16 £000s	2016/17 £000s
Destination Manchester Limited	(1,440)	(4,660)
Total (Surplus)	(1,440)	(4,660)

Note 8. Surplus Attributable to Joint Venture

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

	2015/16 £000s	2016/17 £000s
(Surplus) before tax	(21,777)	(36,333)
Tax expenses	178	3,515
(Surplus) after tax	(21,599)	(32,818)

Note 9. Expenditure and Income Analysis

The Group income and expenditure is analysed as follows:

	2015/16 £000	2016/17 £000
Expenditure		
Employee Benefit Expenses	454,024	471,707
Other Service Expenses	848,952	837,126
Capital Charges including Depreciation and impairment	207,042	141,127
Interest Payments	37,463	35,519
Pensions Interest Costs	109,809	110,190
Precepts and Levies	72,568	69,164
Payments to Housing Capital Receipts Pool	2,275	3,542
Loss on Disposal of Non-current Assets (general fund)	10,409	42,636
Share of operating results of joint venture	260,555	263,216
Corporation Tax	445	3,886
Total Expenditure	2,003,542	1,978,113
Income		
Fees, Charges and Other Service Income	(236,080)	(240,709)
Interest and Investment Income	(17,041)	(21,272)
Return on Pension Assets	(77,333)	(82,437)
Capital Charges related income	(98,695)	(106,999)
Income from Council Tax	(125,506)	(142,533)
Business Rates Income	(178,439)	(178,889)
Government Grants and Contributions	(934,883)	(903,378)
Share of operating results of joint venture	(282,332)	(299,549)
Gain on Disposal of Fixed Assets (HRA)	(3,455)	(3,578)
Total Income	(1,953,765)	(1,979,343)
Deficit / (Surplus) on the Provision of Services	49,777	(1,230)

Note 10. Property Plant and Equipment

Movements on tangible non-current assets in the group during 2016/17 were as follows:

	Property, Plant and Equipment							Total £000s
	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	
Gross book value brought forward	449,078	1,221,234	93,615	483,727	28,405	18,277	171,843	2,466,179
Accumulated depreciation and impairment brought forward	(31,023)	(108,549)	(34,900)	(90,227)	(71)	0	(74,713)	(339,483)
Net book value carried forward as at 31 March 2016	418,055	1,112,685	58,715	393,500	28,334	18,277	97,130	2,126,696
Movement in 2016/17								
Additions	18,118	16,644	9,791	19,752	712	17,863	4,332	87,212
Revaluations recognised in revaluation reserve	68,260	44,825	0	0	0	0	9,844	122,929
Revaluations recognised in deficit on the provision of services	(1,604)	(3,281)	0	0	0	0	(1,568)	(6,453)
Derecognition - disposals	0	(45,279)	0	0	0	0	(572)	(45,851)
Transferred from held for sale	(5,565)	71	0	0	(1)	0	(11,096)	(16,591)
Other transfers	(173)	1,829	1,353	(745)	12	(3,654)	1,225	(153)
Newly recognised assets - leased assets / PFI assets	11,475	14,310	1,033	0	0	0	0	26,818
Depreciation	(14,199)	(23,087)	(8,931)	(7,870)	0	0	(218)	(54,305)
Impairments charged to the comprehensive income and expenditure statement	(188)	(3,107)	(36)	0	0	0	(888)	(4,219)
Impairments covered by the revaluation reserve	(11,658)	(2,503)	(3)	0	0	0	(32)	(14,196)
Reversal of prior year impairment	0	2,140	0	0	0	0	0	2,140
Net Book Value carried forward as at 31 March 2017	482,521	1,115,247	61,922	404,637	29,057	32,486	98,157	2,224,027
Gross book value carried forward as at 31 March 2017	508,251	1,233,754	102,410	502,734	29,128	32,486	127,490	2,536,253
Accumulated depreciation and impairment carried forward as at 31 March 2017	(25,730)	(118,507)	(40,488)	(98,097)	(71)	0	(29,333)	(312,226)
Net Book Value carried forward as at 31 March 2017	482,521	1,115,247	61,922	404,637	29,057	32,486	98,157	2,224,027

Movements on tangible non-current assets in the group during 2015/16 were as follows:

	Property, Plant and Equipment							Total £000s
	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	
Gross book value brought forward	427,755	1,266,975	84,679	462,051	28,064	50,416	192,484	2,512,424
Accumulated depreciation and impairment brought forward	(32,691)	(153,501)	(32,388)	(82,461)	(70)	0	(106,022)	(407,133)
Net book value carried forward as at 31 March 2015	395,064	1,113,474	52,291	379,590	27,994	50,416	86,462	2,105,291
Movement in 2015/16								
Additions	25,004	49,653	10,958	22,933	693	6,122	20,015	135,378
Revaluations recognised in revaluation reserve	21,985	(2,160)	(2)	0	0	0	12,551	32,374
Revaluations recognised in deficit on the provision of services	(1,849)	(29,644)	(3)	0	0	0	(28,881)	(60,377)
Derecognition - disposals	0	(11,593)	(848)	0	0	0	0	(12,441)
Transferred from held for sale	(3,020)	(4,963)	0	(826)	0	(23)	(1,708)	(10,540)
Other transfers	(611)	28,665	680	(247)	(352)	(38,238)	10,964	861
Newly recognised assets - Leased assets / PFI assets	10,758	0	2,945	0	0	0	0	13,703
Depreciation	(11,885)	(24,708)	(7,222)	(7,950)	(1)	0	(236)	(52,002)
Impairments charged to the comprehensive income and expenditure statement	(7,477)	(2,656)	0	0	0	0	(1,570)	(11,703)
Impairments covered by the revaluation reserve	(9,914)	(4,107)	(84)	0	0	0	(467)	(14,572)
Reversal of prior year impairment	0	724	0	0	0	0	0	724
Net book value carried forward as at 31 March 2016	418,055	1,112,685	58,715	393,500	28,334	18,277	97,130	2,126,696
Gross book value carried forward as at 31 March 2016	449,078	1,221,234	93,615	483,727	28,405	18,277	171,843	2,466,179
Accumulated depreciation and impairment carried forward as at 31 March 2016	(31,023)	(108,549)	(34,900)	(90,227)	(71)	0	(74,713)	(339,483)
Net book value carried forward as at 31 March 2016	418,055	1,112,685	58,715	393,500	28,334	18,277	97,130	2,126,696

Note 11. Long-term Investments

	31 March 2016 £000s	31 March 2017 £000s
Investments in organisations included in the group statements		
Manchester Airports Holdings Ltd	929,236	946,016
Investments in subsidiaries not included in the group statements		
Manchester Mortgage Corporation Plc Share Capital	6,149	149
Investments in associates not included in the group statements		
National Car Parks (Manchester) Ltd Share Capital	1,308	934
Eastlands Development Company Limited	1,300	1,300
Matrix Homes Ltd	0	3,807
	937,993	952,206
Other long-term investments	4,241	3,269
Total other long-term investments	4,241	3,269
Total Long-Term Investments	942,234	955,475

Further details can be found in the Council's accounts Note 35.

Note 12. 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 2017. 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 2016 £000s	31 March 2017 £000s
Short-term debtors - Manchester City Council		
Manchester City Council debtors and payments in advance	110,906	169,658
Adjustments for intra-company transactions	(2,519)	(2,637)
	108,387	167,021
Short-term debtors - Destination Manchester Limited		
Trade debtors	1,851	1,521
Corporation tax	268	372
Other debtors	1,112	836
Total	111,618	169,750

Further details can be found in the Council's accounts Note 36.

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 2016 £000s	31 March 2017 £000s
Long-term debtors		
Mortgages		
Housing Revenue Account	11	3
General Fund	42	18
Manchester Airports Holdings Limited	83,168	83,168
Ex GMC debt	118	95
PFI prepayments	19,168	21,880
Private Sector Housing Loans	11,039	11,389
Equity Mortgages	3,282	3,019
Eon Reality	2,200	1,100
Greater Manchester Loans Fund	4,223	5,369
Matrix Homes	6,733	7,236
Biffa Municipal	2,630	3,212
LQ Developments	5,452	0
WB Developments	12,891	0
Other	2,479	2,369
Total	153,436	138,858

Further details can be found in the Council's accounts Note 36.

Note 13. Analysis of Bank Overdraft and Cash and Cash Equivalents

	31 March 2016 £000s	31 March 2017 £000s
Bank Overdraft and Cash and Cash equivalents		
Cash at bank and in hand	21,723	23,947
Call accounts	10,630	37,660
Investments less than 3 months	69,514	41,043
Total	101,867	102,650

Note 14 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 2017. Amounts owed by the Council to Destination Manchester Ltd have been removed as they are classed as intra-company transactions.

	31 March 2016 £000s	31 March 2017 £000s
Manchester City Council	191,801	189,156
Adjustments for intra-company transactions (trade creditors)	489	(129)
	192,290	189,027
Destination Manchester Limited		
Trade Creditors	840	599
Accruals and deferred income	5,326	6,670
Corporation tax	268	372
Other taxes and social security costs	561	662
Total	199,285	197,330

Further details can be found in the Council's accounts Note 38.

Note 15. Deferred Liabilities

	31 March 2016 £000s	Repaid in year £000s	Additions in year £000s	31 March 2017 £000s	Short Term 31 March 2017 £000s	Long Term 31 March 2017 £000s
Ex GMC debt	14,007	(2,056)	0	11,951	2,158	9,793
Finance leases	623	(147)	0	476	59	417
Private Finance Initiatives	141,127	(15,001)	11,475	137,601	11,048	126,553
Service Concession	2,897	(341)	1,033	3,589	377	3,212
Deferred taxation (Destination Manchester Ltd)	2,137	(1,000)	0	1,137	0	1,137
	160,791	(18,545)	12,508	154,754	13,642	141,112

Note 16. Group Reserves

	31 March 2016 £000s	31 March 2017 £000s
Usable Reserves		
Manchester City Council *	383,624	409,039
Unusable Reserves		
Manchester City Council *	1,392,610	1,487,032
Group Income and Expenditure Reserve		
Manchester Airports Holdings Ltd - usable	658,214	646,943
Manchester Airports Holdings Ltd - unusable	158,668	186,719
Destination Manchester Ltd - usable	265	3,901
Destination Manchester Ltd - unusable	6,086	5,944
Total Group Income and Expenditure Reserve	823,233	843,507
Total	2,599,467	2,739,578

* Further detail can be found in the Council's accounts Notes 43 and 44.

Note 17. Capital Commitments

Manchester Airport Holdings Ltd have contracted capital expenditure which has not been accounted for in the financial statements. The Council's share of these capital commitments amounts to £9.87m in 2016/17 (£10.76m in 2015/16).

Note 18. Related Party Transactions

As at 31 March 2017 the amount of loans outstanding owed by Manchester Airports Holdings Limited to Manchester City Council was £83.2m (£83.2m at 31 March 2016).

Destination Manchester Limited purchased goods and services from Manchester City Council during 2016/17 to the value of £3.51m (£3.71m in 2015/16) and had outstanding loans to the Council of £17.9m at 31 March 2017 (£20.9m at 31 March 2016).

The director of Destination Manchester Limited during 2016/17 was Sir Howard Bernstein, then Chief Executive of the Council.

There is one non-executive directors on the board of Manchester Airports Holdings Limited who is a representative of the Council. This is Councillor Sir Richard Leese, Leader of the Council.

Note 19. Cash Flow Statement - Adjustments to net deficit / (surplus) on the provision of services for non-cash movements

	2015/16 £000s	2016/17 £000s
Depreciation of non-current assets	(49,782)	(52,020)
Impairment of non-current assets	(100,937)	(39,701)
Amortisation of intangible non-current assets	(144)	(138)
Pension fund adjustments	(27,737)	(28,986)
Movement in market value of investment property	18,613	28,789
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	2,932	5,944
(Increase) in impairment provision for bad debts	(7,695)	(5,812)
Contributions to provisions	(5,390)	(5,449)
Carrying amount of property, plant and equipment, investment properties and intangible assets sold	(43,790)	(63,709)
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	44,946	21,230
Other non-cash movements	16,804	15,055
Increase / (decrease) in inventories	328	(447)
Increase / (decrease) in debtors (less capital)	13,383	12,896
Increase / (decrease) in interest debtors	(5,509)	(659)
(Increase) in creditors (less capital)	(19,394)	(10,252)
(Increase) / decrease in interest creditors	110	230
Total	(163,262)	(123,030)

Note 20. Cash Flow Statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

	2015/16 £000s	2016/17 £000s
Proceeds from the disposal of property, plant and equipment, investment properties and intangible assets	36,918	58,221
Capital Grants credited to deficit on the provision of services	36,744	46,886
Other adjustments for items included in the net deficit on the provision of service that are investing or financing activities	(13,363)	(10,669)
Total	60,299	94,438

Note 21. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2015/16 £000s	2016/17 £000s
Interest received	(12,625)	(13,636)
Interest paid	34,184	34,590
Dividends received	(35,713)	(44,091)
Taxation	(268)	(372)
Total	(14,422)	(23,509)

Note 22. Cash Flow Statement - Investing Activities

	2015/16 £000s	2016/17 £000s
Purchase of plant, property and equipment, investment property and intangible assets	174,546	156,040
Proceeds of plant, property and equipment, investment property and intangible assets	(36,918)	(58,221)
Capital grants received	(17,580)	(40,978)
Other receipts from investing activities	(29,687)	(11,911)
Total	90,361	44,930

Note 23. Cash Flow Statement - Financing Activities

	2015/16 £000s	2016/17 £000s
Repayments of long and short term borrowing	11,008	27,664
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	15,461	15,054
Cash receipts of long and short-term borrowing	(6,558)	(39,472)
Net (receipts) relating to preceptors element of council tax	(443)	(494)
Net (receipts) relating to national non domestic rates for government and dire authority proportions	(29,996)	(18,643)
Total	(10,528)	(15,891)

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, Wales and Scotland's largest city economies outside London - Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield.

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.

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.

Notional accounting adjustments

Adjustments made to the figures within the accounts that reverse entries required in accordance with International Financial Reporting Standards that do not need to be funded as part of the Council's budget e.g. impairment.

Observable Inputs

Those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that buyers and sellers would use when pricing the asset or liability.

Operating Lease

A lease other than a finance lease.

Outturn

Actual net expenditure and income that is compared to the budget.

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.

Unobservable Inputs

Inputs for which market data is not available and that are developed to estimate fair value using the best information available to the Council about the assumptions that buyers or sellers would use when pricing the asset or liability. The most significant of these inputs used in fair value measurement include management assumptions around rent growth and vacancy levels of properties.



MANCHESTER
CITY COUNCIL

Annual Governance Statement 2016/17

1. Introduction

- 1.1 This statement provides an overview of how the Council's governance arrangements operate, including how they are reviewed annually to ensure they remain effective. A 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. The role, responsibilities and funding models of local government are in a period of rapid transition. The Council is undertaking a broad programme of work to deliver its ambitious "Our Manchester" strategy, engaging staff, residents and stakeholders across the city. To provide stability in light of continued central government grant funding reductions, it has carried out longer term financial planning based on a four year settlement from 2016/17 to 2019/20. This longer term approach includes the development of a five-year Capital Strategy, which will form a critical part of strategic and financial planning from 2017/18. Other major developments include the Greater Manchester Mayoral Elections on 4 May 2017, and the devolution of the region's health and social care services.
- 1.3 The changes taking place present both opportunities and challenges. 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.
- 1.4 Whilst this document focuses on governance, the Council's Integrated Annual Report provides an overview of the context in which it operates, how public money was spent, and what achievements this led to

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. CIPFA has issued a 2016 update to the Framework, which is applicable for the preparation of the Annual Governance Statement (AGS) from 2016/17 onwards.
- 2.4 This AGS explains how the Council has complied with the Code of Corporate Governance. The AGS also meets the requirements of the Accounts and Audit (England) Regulations 2015 regulation 6(1) 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 Our Manchester 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, and four Our Manchester principles;
- Better lives – it's about people
 - Listening – we listen, learn and respond
 - Recognising strengths of individuals and communities – we start from strengths
 - Working together – we build relationships and create conversations
- 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, which forms part of the Constitution. The Code was updated in 2016 to ensure it reflected the Council's current governance arrangements, and complied with CIPFA's "delivering good governance in Local Government Framework (2016 Edition)". 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.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. The Council's Commitment to Good Governance		Where you can see Governance in action
Behaving with Integrity	<p>How the Council meets these principles</p> <ul style="list-style-type: none"> ✓ The Council's values are <i>People, Pride, Place</i>. These values underpin everything the Council does, including how it works with partners, how it makes decisions and how it serves local communities. ✓ The Council has adopted a new approach – Our Manchester – which has a set of core principles: <ul style="list-style-type: none"> ○ Better lives – it's about people ○ Listening – we listen, learn and respond ○ Recognising strengths of individuals and communities – we start from strengths ○ Working together – we build relationships and create conversations ✓ 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. 	<p><u>The Council's Values</u></p> <p><u>Our Manchester – The Manchester Strategy</u></p> <p><u>Whistle Blowing Policy</u></p>

<p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. The Council's Commitment to Good Governance</p>	<p>Where you can see Governance in action</p>
<p>Demonstrating Strong Commitment to Ethical Values</p>	<p><u>Our People</u></p> <p>✓ The Council ensures that, as part of their induction, new members of staff clearly understand the values of the organisation, and the standards of behaviour which are expected. As part of the new Our People strategy, improved induction and appraisal processes have been introduced. These ensure all staff will understand the part they will play in delivering the vision for the city set out in Our Manchester.</p> <p>✓ The Standards Committee champion high standards of ethical governance from elected members and the Council as a whole.</p> <p>✓ The Council has a Code of Conduct for elected and co-opted Members, (Constitution Part 6, section A), as required by the Localism Act 2011.</p> <p>✓ A Register of Members' Interests, in which Members disclose pecuniary interests, personal interests and prejudicial interests (as defined in the Member Code of Conduct) are registered. This includes gifts and hospitality received by elected Members.</p> <p>✓ The Members' Update on Ethical Governance, including Use of Council Resources and Social Media guidance. The last one was issued in November 2016.</p> <p>✓ An Employee Code of Conduct (Constitution Part 6, Section E) which makes it clear what standards are expected from staff across the organisation in the performance of their duties.</p> <p>✓ The Council insists its commitment to its values and integrity is shared by external suppliers delivering services on its behalf, as detailed in its Ethical Procurement Policy.</p> <p><u>Standards Committee</u></p> <p><u>Local Code of Conduct for Members</u></p> <p><u>Members' Register of Interests</u></p> <p><u>Members' Update on Ethical Governance</u></p> <p><u>Employee Code of Conduct</u></p> <p><u>Ethical Procurement Policy</u></p>

<p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. The Council's Commitment to Good Governance</p>	<p>How the Council meets these principles</p>	<p>Where you can see Governance in action</p>
	<p>✓ The Council has a Partnership Governance Framework which sets out protocols for partnership working, and the high standards of conduct which are expected from partner organisations.</p>	<p>Partnership Governance Framework</p>
<p>Respecting the Rule of Law</p>	<p>✓ The Council's City Solicitor undertakes the role of Monitoring Officer. The Monitoring Officer ensures that Council decisions are taken in a lawful and fair way, correct procedures are followed, and that all applicable laws and regulations are complied with.</p> <p>✓ The Council uses its legal powers, including the 'general power of competence' to promote its values and priorities to the full benefit of the citizens and communities in Manchester.</p> <p>✓ The Council has measures to address breaches of its legal and regulatory powers. The Council's Monitoring Officer (the City Solicitor) has statutory reporting duties in respect of unlawful decision making and maladministration.</p> <p>✓ The Council appoints Statutory Officers who have the skills, resources and support necessary to ensure the Council's statutory and regulatory requirements are complied with.</p> <p>✓ The Chief Finance Officer (City Treasurer) has statutory reporting duties in respect of unlawful and financially imprudent decision making.</p> <p>✓ The Council ensures that it complies with CIPFA's Statement on the Role of the Chief Finance Officer in Local Government (2016).</p>	<p><u>The General Power of Competence</u></p> <p><u>Council Constitution (article 12.3(b))</u></p> <p><u>Council Constitution (article 12.4(a))</u></p> <p><u>CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2016)</u></p>

B. Ensuring openness and comprehensive stakeholder engagement The Council's Commitment to Good Governance		Where you can see Governance in action
Ensuring Openness	<p>✓ The Council's website is set out in a clear and easily accessible way, using infographics and plain language. The information which residents use most, such as Council Tax, and Waste and Recycling can be accessed quickly and easily from the main page.</p> <p>✓ The Council's commitment to Openness is set out in its Constitution (Article 12.3 (e)) and is evidenced by its decisions, along with the reasons for them being made publicly accessible.</p> <p>✓ All Council and Committee meetings are held in public (other than in limited circumstances where consideration of confidential or exempt information means that the public are excluded), with agenda and reports being produced in paper form and on the Council's website. 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.</p> <p>✓ The Council publishes a Register of Key Decisions to notify the public of the most significant decisions it is due to take. Resources and Governance Scrutiny Committee received a report at its meeting on 5 January 2017 on this process, and in this meeting recommended that officers explain clearly for each decision in the Register what the decision is about in order to make the Register of Key Decisions more accessible and transparent. This recommendation has been circulated to the Council's Strategic Management Team to implement.</p> <p>✓ 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.</p>	<p>manchester.gov.uk/website</p> <p>Council Constitution (article 12.3(e))</p> <p>Council Meeting Agendas and Reports</p> <p>Online Videos of Council Meetings</p> <p>Register of Key Decisions</p> <p>Key Decisions Report</p> <p>Open Data</p>

B. Ensuring openness and comprehensive stakeholder engagement		The Council's Commitment to Good Governance
<p>The Council's Commitment to Good Governance</p>	<p>The Council's Commitment to Good Governance</p>	<p>Consultations and Surveys</p>
<p>Engaging with Institutional Stakeholders</p>	<p>✓ The Council informs, consults and involves residents in significant decisions including service and budget changes. Their views are submitted to those making decisions for consideration. Consultations this year have included the Council's budget strategy, parks strategy, and proposals for community and voluntary sector funding.</p> <p>✓ The Our Manchester Forum supports development of effective relationships across leaders of the city's key private, public and voluntary sector organisations. The Forum benefits the city by driving forward the priorities set out in the Our Manchester Strategy.</p> <p>✓ The Council publishes its Partnership Governance Framework which standardises the approach to managing partnerships to strengthen accountability, manage risk, and to ensure that a consistent approach is taken to working with partners.</p> <p>✓ The Council also maintains a list of major partnerships in a Register of Significant Partnerships. This contains an assessment of the strength of the governance arrangements of each partnership, enabling any required improvements to be identified and addressed.</p> <p>✓ The Council supports different ways for residents to present their individual and community's concerns to elected members, for example via Ward Co-ordination.</p>	<p><u>Our Manchester Forum</u></p> <p><u>Partnership Governance Framework</u></p> <p><u>Register of Significant Partnerships</u></p>
<p>Engaging with Individual Citizens and Service Users Effectively</p>	<p>✓ As part of its Our Manchester approach the Council is focusing on 'strengths based' conversations with residents and communities. This means:</p> <ul style="list-style-type: none"> ○ Recognising that it about people and better lives ○ We listen, learn and respond ○ Recognising strengths of individuals and communities – we start from strengths ○ Working together, we build relationships and create conversations 	

<p>B. Ensuring openness and comprehensive stakeholder engagement The Council's Commitment to Good Governance</p>	<p>The Council's Commitment to Good Governance</p> <p><u>Digital Communication Strategy</u></p> <p><u>Budget Process 2017-2020: Update and Next Steps</u></p> <p><u>Scrutiny Committee news bulletins</u></p> <p><u>Social Media Updates</u></p> <p><u>Social Media Guidance for Members</u></p> <p><u>Our Manchester Resident Survey</u></p> <p><u>Joint Strategic Needs Assessment</u></p>
<p>The Council's Commitment to Good Governance</p> <p>Engaging with Individual Citizens and Service Users Effectively</p>	<p>✓ The Council has developed a new Digital Communications Strategy which outlines the digital tools and approach that can help it to communicate according to its stakeholders' communication preferences. It will provide opportunities to develop new conversations with a broader audience.</p> <p>✓ This approach has been taken with the recent Budget Conversation, which has resulted in significant engagement about what people value and why, as well as what they could do to support those things.</p> <p>✓ Scrutiny Committees proactively invite local and national interested parties to contribute to their discussions.</p> <p>✓ To promote transparency and wider engagement with Council decisions, residents can use Social Media, such as Facebook, Twitter, LinkedIn and Instagram, as well as YouTube and Vimeo, to get updates from and interact with the Council.</p> <p>✓ 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 Guidance has also been provided for Members, which was updated in 2017.</p> <p>✓ The Council is committed to seeking continuous feedback from citizens and service users both in planning service improvements and service reductions for example through its resident's survey.</p> <p>✓ As part of its consideration of the needs of the current and future service users in the city, the Council produces an annual Joint Strategic Needs Assessment (JSNA). This provides a baseline assessment of need across the city as a whole, and is a key piece of evidence underpinning the development of the Joint Health and Wellbeing Strategy.</p>

<p>B. Ensuring openness and comprehensive stakeholder engagement The Council's Commitment to Good Governance</p>	<p>The Council's Commitment to Good Governance</p>	<p>The Council's Commitment to Good Governance</p>
<p>✓</p>	<p>The Council listens to resident' concerns and puts actions in place accordingly. For example in January 2017 an extra £100m of investment was announced to bring the city's roads up to a good standard.</p>	<p><u>Investment in Road Improvement</u></p>
<p>✓</p>	<p>The Integrated 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.</p>	<p><u>Integrated Annual Report</u></p>
<p>✓</p>	<p>The Council is committed in its support of the Manchester Youth Council, which acts to ensure young people have a strong voice enabling them to influence decision makers in the city and shape future services.</p>	<p><u>Manchester Youth Council</u></p>
<p>✓</p>	<p>The Council produces public reports which provide information on complaints performance, and which identify where service improvements may be required. Strategic Directors share the complaints performance reports with their respective Executive Members</p>	<p><u>Corporate Complaints Process and Reporting</u> <u>Annual Complaints Performance Report</u></p>

<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits The Council's Commitment to Good Governance</p>	<p>Where you can see Governance in action</p>
<p>Defining Outcomes</p>	<p><u>Our Manchester Strategy</u></p>
<p>✓ An extensive consultation has led to a new 10 year strategy for the city – the Our Manchester Strategy – which includes a new approach to working across the whole organisation and with residents, partners and other key stakeholders. The overall vision is of Manchester as a:</p> <ul style="list-style-type: none"> ○ Thriving and Sustainable City ○ Highly Skilled City ○ Progressive and Equitable City ○ Liveable and Low Carbon City ○ Connected City 	<p><u>Business Plans and Budgets</u></p>
<p>✓ The Council uses its budget and business planning process to ensure that progress towards the strategic vision for the city is made in the most effective and efficient way.</p>	<p><u>Medium-Term Financial Strategy</u></p>
<p>✓ The Council sets a Medium-Term Financial Strategy which sets out the financial assumptions and provides a set of goals for financial decision making for the planning period ahead.</p>	<p><u>Performance Management Framework</u></p>
<p>✓ 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.</p>	<p><u>Stronger Together – The Greater Manchester Strategy 2013-2020</u></p>
<p>✓ The new strategy recognises the city's role in supporting the objectives of the Greater Manchester Combined Authority (GMCA), set out in "Stronger Together – The Greater Manchester Strategy 2013-2020".</p>	<p><u>Stronger Together – The Greater Manchester Strategy 2013-2020</u></p>

<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits The Council's Commitment to Good Governance</p>	<p>How the Council meets these principles</p>	<p>Where you can see Governance in action</p>
	<ul style="list-style-type: none"> ✓ The Council has processes in place to identify and manage risks to the achievement of its objectives, as set out in the Risk and Resilience Strategy. The Corporate Risk Register is a part of this framework and is used to inform decision making, provide assurance over actions being taken to manage key risks, and to inform risk management planning and mitigation activities. ✓ The Council has developed a School Governance Strategy to support and secure effective governance of schools in the city. 	<p><u>Risk and Resilience Strategy and Corporate Risk Register</u></p> <p><u>The School Governance Strategy</u></p>
<p>Sustainable Economic, Social and Environmental Benefits</p>	<ul style="list-style-type: none"> ✓ The themes of sustainability, equity, and low carbon emissions are at the heart of the vision statement in the Our Manchester Strategy. In reports where the Council is recommending a decision, the impact that the decision will have on these broad objectives in the strategy will be set out. ✓ The Council sets out the factors it has taken into consideration when making decisions in reports which are available on its website. It also maintains a public Register of Key Decisions. ✓ Our Manchester demands an integrated approach to the deployment of revenue and capital spend against a clear set of priorities. The Council has developed a longer term five-year Capital Strategy, which will form a critical part of strategic service and financial planning from 2017/18. ✓ As part of the business planning process the Council sets out how it will work towards its agreed Equality Objectives. When required, Equality Impact Assessments are carried out to assess the impact of proposals which may have an effect on different individuals and communities across the city. 	<p><u>Executive Reports Register of Key Decisions</u></p> <p><u>Capital Programme</u></p> <p><u>Equality Objectives</u></p>

<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits The Council's Commitment to Good Governance</p>	<p>How the Council meets these principles</p>	<p>Where you can see Governance in action</p>
<p>Sustainable Economic, Social and Environmental Benefits</p>	<ul style="list-style-type: none"> ✓ The Council strives to ensure fair access to services and monitors the extent to which this is occurring through its biennial 'Communities of Interest' publication. ✓ The Our Manchester Strategy includes the commitment that 'Manchester will play its full part in limiting the impacts of climate change and by 2025 will be on a path to being a zero carbon city by 2050'. ✓ Along with other partners, the Council works with the Manchester Climate Change Agency (MCCA) to develop initiatives which will contribute towards the goal of Manchester becoming a zero carbon city. ✓ After collating views from across the city on climate change and the strategy for becoming a zero carbon city, the MCCA launched its Manchester Climate Change Strategy 2017-50 in December 2016. ✓ Manchester is drawing on research from academic partners to consider how economic growth can be supported in a way which creates opportunities for all parts of the local population, and where the benefits of growth are fairly distributed. ✓ An updated Family Poverty Strategy for Manchester has been produced, supporting the aim of becoming a more progressive and equitable city. ✓ The Council is part of a Strategic Education Partnership, working with schools and local businesses to promote economic growth, reduce dependency, and help people gain the skills needed to access rewarding jobs in the city. 	<p><u>Communities of Interest</u></p> <p><u>Manchester Climate Change Agency</u></p> <p><u>Manchester Climate Change Strategy 2017-2050</u></p> <p><u>Inclusive Growth</u></p> <p><u>Manchester Family Poverty Strategy 2017-2020</u></p> <p><u>Strategic Education Partnership Board</u></p>

D. Determining the interventions necessary to optimise the achievement of the intended outcomes The Council's Commitment to Good Governance		Where you can see Governance in action
Determining Interventions	<p>✓ Decision makers receive accurate, relevant and timely performance and intelligence to support them with objective and rigorous analysis of options, covering intended outcomes, financial impact and associated risks informing efficient service delivery. This can take the form of regular performance reporting, or bespoke reports.</p> <p>✓ Delegation of decision making to officers is detailed in the Constitution so that they can deal with the day-to-day running of the service without the need to constantly refer matters back to Elected Members. Details of what decisions are taken in this way are included in the Scheme of Delegation in the council's Constitution. Further specific delegations may be granted through recommendation in public reports to Committee.</p>	<p><u>Performance Management Framework</u></p> <p><u>Executive Reports</u></p> <p><u>Constitution (Part 3, Section F)</u></p>
Planning Interventions	<p>✓ The Council plans its activity at a strategic level through its budget and business planning cycle and does so in consultation with internal and external stakeholders to ensure services delivered across different parts of the organisations and partners complement each other and avoid duplication.</p> <p>✓ The Manchester Partnership's Thematic Partnerships support delivery agencies across the city to co-ordinate their activity and consider how they can collaborate to reduce the risks to achieving their outcomes.</p> <p>✓ The effectiveness of the Council's interventions and the quality of its services is monitored through the provision of regular performance reports showing progress towards goals and targets set in the budget and business plan. Key areas are highlighted so that decision makers can take corrective action where necessary.</p>	<p><u>Business Plans and Budgets</u></p> <p><u>The Manchester Partnership</u></p> <p><u>Performance Management Framework</u></p>

D. Determining the interventions necessary to optimise the achievement of the intended outcomes The Council's Commitment to Good Governance		Where you can see Governance in action
Planning Interventions	<ul style="list-style-type: none"> ✓ The Council's Communication Strategy updated in October 2016, sets out its approach to engaging with stakeholders, to ensure their involvement in determining how services and interventions should be delivered. ✓ The Council has a Planning Protocol within its Constitution, to ensure fair planning decisions are based on sound evidence. 	<u>Digital Communication Strategy</u> <u>Constitution (Part 6, Section B)</u>
Optimising Achievement of Intended Outcomes	<ul style="list-style-type: none"> ✓ The Council integrates and balances service priorities, affordability and other resource constraints, supporting it to take into account the full cost of operations over the medium and longer term. This includes both revenue and capital spend budgets. ✓ The context and documents which support the Council's overall strategy are set out in its Efficiency Plan, published on the Council's website as required by Government for a four year financial settlement. ✓ The Council considers Social Value at pre-tender and tender stage to ensure that appropriate desirable outcomes can be offered by suppliers in their tender submissions. 	<u>Medium Term Financial Strategy</u> <u>Capital Programme</u> <u>Efficiency Plan</u> <u>Social Value</u>

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it The Council's Commitment to Good Governance		Where you can see Governance in action
Developing the Organisation's Capacity	<p>✓ The Council's new Our People Strategy articulates what its future workforce will need to be like in order to achieve the vision set out in Our Manchester. As part of this, workforce plans are developed which ensure staff have the necessary skills and behaviours to deliver this vision for the city. These behaviours are;</p> <ul style="list-style-type: none"> • We work together and trust each other • We're proud and passionate about Manchester • We take time to listen and understand • We 'own it' and we're not afraid to try new things <p>✓ The Council continually seeks better outcomes from its use of resources by comparing information about functions, expenditure and performance with those of similar organisations and assesses why levels of economy, efficiency and effectiveness are different elsewhere. It acts upon the findings of this intelligence as part of its budget and business planning to ensure continual effectiveness of service delivery.</p>	<p><u>Our People</u></p> <p><u>Business Plans and Budgets</u></p>
Developing the Capability of the Organisation's Leadership and Other Individuals	<p>✓ The Council Leader and Chief Executive have clearly defined roles and maintain a shared understanding of roles and objectives. The Chief Executive leads on implementing strategy and managing service delivery and other outputs set by members. The Chief Executive and Leader provide a check and balance for each other's authority.</p> <p>✓ The Council maintains an annually updated Scheme of Delegation setting out which decisions and powers have been delegated to various Committees and Officers.</p> <p>✓ To enable Elected Members and Senior Officers have a shared understanding of their respective roles the Council has produced a Protocol governing Member and Officer relations.</p>	<p><u>Constitution (Part 3, Section F)</u></p> <p><u>Constitution (Part 6, Section F)</u></p>

<p>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it The Council's Commitment to Good Governance</p>	<p>Where you can see Governance in action</p>
<p>✓ 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.</p> <p>✓ 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. An updated report is due to be reported to Standards Committee in June 2017.</p> <p>✓ An Annual Members' Assurance Statement is compiled to identify governance challenges relating to the roles of elected members.</p> <p>✓ As part of the new Our People strategy, improved induction and appraisal processes ("About You") have been introduced. These ensure all staff will understand the part they will play in delivering the vision for the city in Our Manchester. A new "Manchester Managers' Handbook" is also being developed. Managers regularly meet with their staff as part of the appraisal process to understand training and development needs.</p> <p>✓ The Council listens to the views of its staff via the "BHeard" survey and uses learning from this to make improvements in the way that it operates and communicates. This feedback has played a key part in the development of the new Our People Strategy.</p> <p>✓ There are a number of tools in place to ensure staff are briefed effectively, for example via staff engagement events, appraisals and one to ones, and regular "Team Talk" briefing emails updating staff on major developments and procedure changes. The Council has also introduced the Listening in Action events which seeks to engage staff on a regular basis and involves a Questions and Answers</p>	<p><u>Member Development</u></p> <p><u>Our People</u></p> <p><u>Our People</u></p>

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
	<p>session with the Leader and Chief Executive, as well as active participation from Executive Members.</p> <ul style="list-style-type: none"> ✓ The Council delivers a comprehensive programme of leadership development concentrating of the themes of: developing future leaders, self-reflection, induction, development, connecting with the region, engagement, learning and development and feedback and self-assessment. ✓ The Council is committed to promoting the physical and mental health and wellbeing of the workforce as a core component of the People Strategy through both specific interventions and opportunities and as a central part of the role of all managers. There is a dedicated intranet page with a wide range of support and guidance for staff and their managers covering a wide range of health and wellbeing topics. ✓ The Council has an open and welcoming approach to external and peer review and inspection and actively considers constructive feedback. 	

F. Managing risks and performance through robust internal control and strong public financial management The Council's Commitment to Good Governance		Where you can see Governance in action
Managing Risk	<ul style="list-style-type: none"> ✓ The Council operates a risk management framework that aids decision making in pursuit of the organisation's strategic objectives, protects the Council's reputation and other assets and is compliant with statutory and regulatory obligations. ✓ The Corporate Risk Register is part of this framework and is an articulation of the key risks impacting the Council. It is used to inform decision making, provide assurance over actions being taken to manage key risks and to inform directorate level risk management planning and mitigation activities. Named risk managers are identified in the Register for its key strategic risks. ✓ Over 2,000 officers have received formal training since 2014 and risk management is well embedded in business planning, project management and other corporate processes. ✓ Risk training options are currently being reviewed and refreshed alongside the Our People and Our Manchester strategies and as part of the commissioning of a new on-line learning portal for staff. ✓ Risk management is an integral component of the budget and business planning process, linking risk to the achievement, monitoring and resourcing of objectives at directorate level. 	<p><u>Risk and Resilience Strategy</u></p> <p><u>Corporate Risk Register</u></p> <p><u>Business Plans and Budgets</u></p>
Managing Performance	<ul style="list-style-type: none"> ✓ The Council puts in place Key Performance Indicators (KPIs) to monitor service delivery whether services are produced internally or through external providers. Reports compiling KPIs are submitted to directorate management teams to support transparency and resource allocation to address challenges. 	<p><u>Performance Management Framework</u></p>

F. Managing risks and performance through robust internal control and strong public financial management The Council's Commitment to Good Governance		Where you can see Governance in action
	<p>How the Council meets these principles</p> <ul style="list-style-type: none"> ✓ As part of the business planning process Directorate objectives are reviewed, leading to a review of the relevant performance indicators to monitor progress towards them. ✓ The Council ensures that external companies who deliver services have an understanding of expected contract performance, and monitoring takes place throughout the contract period. ✓ Each year the Council produces the State of the City report which details the performance against key measures established to understand how the city is meeting its vision and priorities 	<p><u>Business Plans and Budgets</u></p> <p><u>State of the City</u></p>
Effective Overview and Scrutiny	<ul style="list-style-type: none"> ✓ 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 agenda, reports and minutes are publicly available on the Council's website. 	<p><u>Scrutiny Committees</u></p>
Robust Internal Control	<ul style="list-style-type: none"> ✓ The Council has robust internal control processes in place, which support the achievement of its objectives while managing risks. ✓ The Council's approach is set out in detail in both the latest Risk and Resilience Strategy report, and its Internal Audit Plan. ✓ The Council's Audit Committee, which includes two Independent Co-opted Members, provides a mechanism for effective assurance regarding risk management and the internal control environment. 	<p><u>Internal Audit Plan 2017/18</u></p> <p><u>Risk and Resilience Strategy and Corporate Risk Register</u></p> <p><u>Audit Committee</u></p>

<p>F. Managing risks and performance through robust internal control and strong public financial management The Council's Commitment to Good Governance</p>	<p>Where you can see Governance in action</p>
	<p>Annual Governance Statement</p>
<p>Managing Data</p>	<ul style="list-style-type: none"> ✓ The Council maintains clear policies and arrangements in respect of counter fraud and anti-corruption. These are the Anti Fraud and Anti Corruption Policy; Whistleblowing Policy; Anti Money Laundering Policy and the Anti Bribery Policy. ✓ An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Council's internal auditor in the "Head of Audit and Risk Management Annual Opinion 2016/17" section of this Annual Governance Statement. ✓ The Council is committed to safeguarding the personal data it holds and sharing this data only in circumstances required or permitted by law. Personal data is processed in accordance with the Data Protection Act 1998, and in particular its eight data protection principles. ✓ The Council regularly reviews policies relating to records management, data quality, data protection and information security and provides data protection training. These policies are easily accessible by all staff via the intranet. ✓ All staff must undertake protecting information e-learning training, and this forms part of the induction process for new staff. ✓ To remind staff of their responsibility to always take due care to protect information, the Council uses internal communication campaigns; posters and email reminders signposting to information protection principles and guidance. ✓ Information Governance is overseen by the Corporate Information Assurance and Risk Group (CIARG) chaired by the City Solicitor who is the Senior Information Risk Officer for the Council (SIRO).

F. Managing risks and performance through robust internal control and strong public financial management The Council's Commitment to Good Governance	Where you can see Governance in action
<ul style="list-style-type: none"> ✓ The Council is committed to sharing appropriate data safely with other agencies; where this improves effective and efficient service delivery, supports its objectives and the vision for the city and is compatible with the rights of individuals. Clear guidance is available on the intranet as to when this is appropriate, and how it may be done securely. ✓ The Council complies with the Local Government Transparency Code 2015 by publishing accurate data within appropriate time frames in the areas mandated by the Code in the Council's Open Data Catalogue together with additional data of value to stakeholders and the public. ✓ The Council allocates resources to review and monitor the quality of the data which it produces, and which it uses to produce performance reporting to inform decision making. ✓ The Council makes information available to the public via the information access regimes provided for by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Individuals may also access their own personal data by exercising the right of subject access under the Data Protection Act 1998. 	<p><u>Local Government Transparency Code</u></p> <p><u>Open Data</u></p> <p><u>Freedom of Information</u></p>
<p>Strong Public Financial Management</p>	<ul style="list-style-type: none"> ✓ The Council's approach to Financial Management ensures that public money is safeguarded at all times ensuring value for money. Its approach supports both long term achievement of objectives and shorter term financial and operational performance. <p><u>Medium-Term Financial Strategy</u></p>

F. Managing risks and performance through robust internal control and strong public financial management The Council's Commitment to Good Governance		Where you can see Governance in action
<p>Strong Public Financial Management</p>	<p>✓ The Chief Finance Officer (City Treasurer) ensures that appropriate advice is given on all financial matters, proper financial records and accounts are kept, and oversees an effective system of internal financial control. The City Treasurer ensures well developed financial management is integrated at all levels of planning and control including management of financial risks, systems and processes. The Constitution (Part 5) details the financial regulations which underpin the financial arrangements</p>	<p><u>Constitution (Part 5)</u></p>

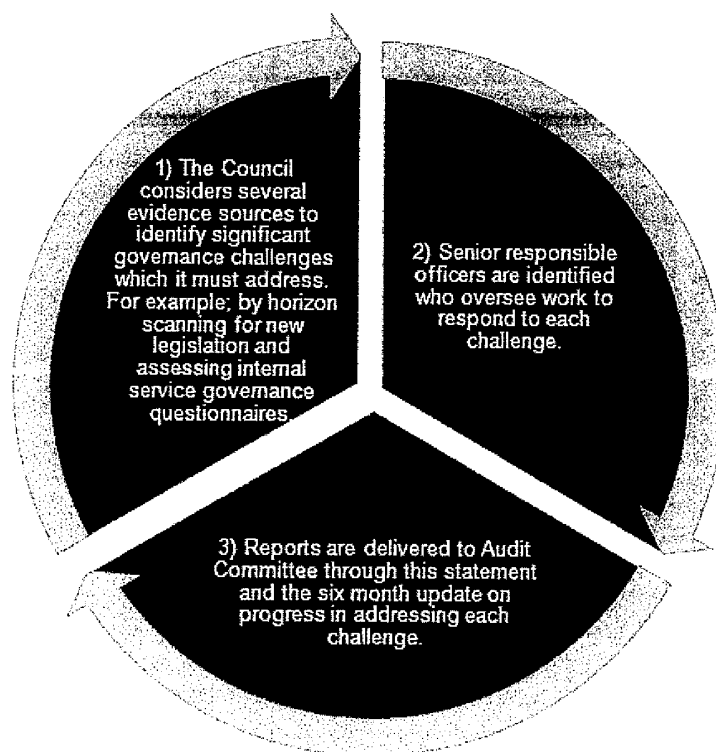
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability The Council's Commitment to Good Governance		Where you can see Governance in action
Implementing Good Practice in Transparency	<ul style="list-style-type: none"> ✓ The Council follows the Local Government Transparency Code 2015, which includes requirements and recommendations for local authorities to publish certain types of data. ✓ The Council's website is set out in a clear and easily accessible way, using infographics and plain language. Information on expenditure, performance and decision making is sited together in one place and can be accessed quickly and easily from the homepage. 	<p>Local Government Transparency Code</p> <p>manchester.gov.uk/website</p>
Implementing Good Practices in Reporting	<ul style="list-style-type: none"> ✓ The information in the Annual Report is drawn from sources including the more detailed State of the City publication, which charts the city's progress towards its vision and priorities. ✓ The Council explains how it reviews its governance arrangements, and how it has complied with CIPFA's "Delivering Good Governance in Local Government (2016)" principles by producing this Annual Governance Statement (AGS). This includes an action plan (section 7) identifying what governance challenges it will need to address in the next financial year. A concise summary of the findings of the AGS is included in an easily digestible format within the Annual Report. 	<p>State of the City</p> <p>Annual Governance Statement</p>
Assurance and Effective Accountability	<ul style="list-style-type: none"> ✓ The Council welcomes peer challenge, internal and external review and audit, and inspections from regulatory bodies and gives thorough consideration to arising recommendations. Examples include the development of the Children's Services Single Service Plan incorporating evidence from the LGA Peer review in March 2016 and with support from Improvement Partners, Leeds City Council. 	<p>Post Ofsted Improvement Plan Update</p>

<p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability The Council's Commitment to Good Governance</p>	<p>Where you can see Governance in action</p>
<p>✓ 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.</p> <p>✓ This Annual Governance Statement contains a section "Annual Review of the System of Internal Audit 2016/17" which sets out how the Council has gained assurance regarding the effectiveness of its Internal Audit function.</p> <p>✓ Public Sector Internal Audit Standards (PSIAS) set out the standards for internal audit and have been adopted by the Council. This process includes the development of an Emergent Audit Plan designed to invite comment from management and the Audit Committee.</p>	<p><u>External Audit Recommendations Monitoring Report</u></p> <p><u>Internal Audit Plan 2017/18</u></p>

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 achieved.
- 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 continuous improvement, as illustrated below. The next section details progress made in addressing these challenges.

The governance improvement cycle

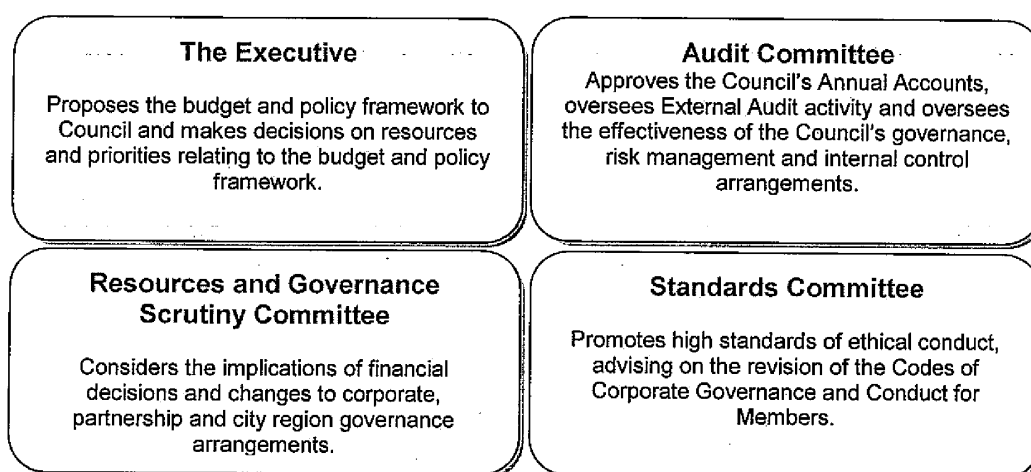


Leadership of governance and internal control

- 5.3 Responsibility for governance and internal control lies with the Chief Executive and the Strategic Management Team (SMT) which meet on a roughly weekly basis to steer the organisation's activity. SMT receive a regular suite of assurance reports from a number of sources, including the Corporate Risk Register, and the Performance Management Framework which allows the Council to track performance towards its agreed objectives. Once per year SMT review the progress in addressing the significant governance challenges which have been identified.

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

- 5.4 The Council has four bodies responsible for monitoring and reviewing the Council's governance;



Head of Audit and Risk Management Annual Opinion 2016/17

- 5.5 Overall governance, financial management arrangements and core systems and processes within the Council remain generally sound with no significant issues identified. The context in which the Council operates remains a fundamental challenge to objectives and delivery. Active management and review continues to be required to assess and address savings targets and the related impact on the Council's ambitions and priorities. Council objectives and priorities are set through a defined process which links business objectives, budget and workforce planning governed by timely and appropriate layers of officer and Member challenge and scrutiny and this remains robust. The Council remains well placed to respond to risks however the scale and pace of change continues to be an inherent risk to the control environment and needs to be effectively managed.
- 5.6 There are significant developments across the Council including ongoing work in key areas including devolution; social care and health service transformation;

public service reform and innovation; and regeneration. Much of this requires collaboration with partners in order to meet the ambitious objectives for the city.

- 5.7 There remains clear leadership and drive to meet these goals following a number of senior management changes. There is further work to do in strengthening governance and control over delivery of significant programmes and projects while ensuring business as usual is delivered. Management recognise key risks and issues which could impact on delivery and improvement plans are in place in a number of areas and Internal Audit consider that there is capacity to improve.
- 5.8 The Head of Internal Audit can provide **moderate** assurance that the Council's governance, risk and control framework is generally sound and operated reasonably consistently. The key governance, risk and internal control issues of which the Head of internal Audit was made aware during the year which impacts on the overall opinion were:
- Highways Maintenance. A 'no assurance' opinion was issued as a result of significant weaknesses in the quality and cost control systems. There have been a number of significant changes in this area including the appointment of a Director but there is more work required to implement an agreed staffing structure and develop robust, consistent governance and financial management arrangements across the Service. A moderate opinion was subsequently issued after a follow up audit was carried out and further progress is being made to improve the system of internal control.
 - Children's Services. There is ongoing work to address significant issues of concerns raised in the Ofsted inspection July 2014. Progress has been positive and this was acknowledged by Ofsted in September 2016 and by Internal Audit, but given the scale of the challenges across the city there is still more work to do. There were two limited assurance opinions issued in Children's Services. One was for management assurance over compliance with casework supervisions where there was inconsistent application and recording of activity and further work required to embed processes though improvements are starting to be made. The second was for Foster Care Payments where system procedures had not been followed leading to incorrect payments being made and a substantial amount of overpayment is now being followed up.
 - ICT resilience. Significant progress has been made in respect of security and the implementation of some key projects in the year, which will support a more resilient ICT estate. Nonetheless there is still much to do in the development of overall ICT resilience and disaster recovery arrangements which is a key focus for ICT and the Risk and Resilience service in 2017/18.
 - Contracts and Commissioning. Audit work identified issues across procurement and contracts and this resulted in a number of moderate and limited assurance opinions. Work is progressing to develop a more robust approach to contract governance and contract management but is an area where there is a need for greater consistency of approach and compliance with expected procurement and contract management standards.

- 5.9 In the year Internal Audit issued 10 limited assurance opinions and one no assurance opinion. These have resulted in agreed action plans which are being monitored by management and the implementation of which is reported to Audit Committee on a regular basis. Where audit work identified areas for improvement recommendations were made to address the risk and management action plans agreed or advice and guidance was provided to enable managers to make changes to processes or policies.

Annual Review of the System of Internal Audit 2016/17

- 5.10 A self-assessment of Internal Audit carried out in 2016 confirmed that the service was considered to be meeting 89% of requirements in conformance with Public Sector Internal Audit Standards ("PSIAS") with a further 6% partly met. The self-assessment was used to inform an External Quality Assessment ("EQA") which was concluded in June 2017 as part of the reciprocal Core Cities External Quality Assessment programme. This review concluded that the Service complies with the main requirements of the PSIAS and made some recommendations for further service improvement. The report will be used as part of a broader service development plan for 2017/18.

External Auditor's Review of the Effectiveness of Governance Arrangements

- 5.11 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 2015/16 was reported to Audit Committee in December 2016. The main conclusions of the Audit Letter regarding the key assessment areas were:

Value for Money:

"The publication of an inspection report by Ofsted dated September 2014 concluded that the overall arrangements for ensuring the effectiveness of Children's Services at the Council and the Local Safeguarding Children Board in the Manchester City Council area were judged to be 'inadequate'.

We recognise that the Council has secured progress in improving Children's Services in a number of areas and that the Council's improvement plan is designed to ensure that the service continues to develop and raise its standards, however our Value for Money Conclusion was based on the position in 2015/16 and the overall quality of social work intervention remained variable during 2015/16, with too much work judged below standard.

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016 except for the effects of the matter described above. We therefore qualified our value for money conclusion, on an 'except for' basis, in our audit report on 30 September 2016."

Financial statements opinion:

"We gave an unqualified opinion on the Council's financial statements on 30 September 2016."

- 5.12 The Council monitors the implementation of external audit recommendations. Assurance reports are regularly presented to Audit Committee and Grant Thornton summarising the Council's performance in implementing recommendations effectively and within agreed timescales. However, progress is also monitored through other relevant Committees and Scrutiny functions. The latest External Audit Recommendations Monitoring Report was taken to Audit Committee in January 2017. An explanation of what the Council is doing to address the improvements required following the Ofsted inspection is given in section six.

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

- 5.13 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 2016. 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.
- 5.14 The 2016/17 review concluded that the CFO met the responsibilities of the Senior Finance Officer in full and was ideally placed to develop and implement strategic objectives within Manchester City Council, given her role as the City Council's Section 151 Officer and City Council Treasurer. She 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

- 5.15 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. Areas of particular strength include;
- Services engaging effectively with Elected Members, for example through regular briefings and Boards, discussing performance and developments to ensure effective decision making.
 - Services proactively horizon scanning to identify emerging legislation and policy changes to understand their potential impact and opportunities
 - Officers are aware of and know how to engage with and support Scrutiny Committees.
- 5.16 The analysis has also identified areas to be strengthened, for example through the business planning process. Examples include;
- Further work needs to be done to ensure that the 'Our Manchester' Strategy priorities are understood and embedded in the work of all services, and that the

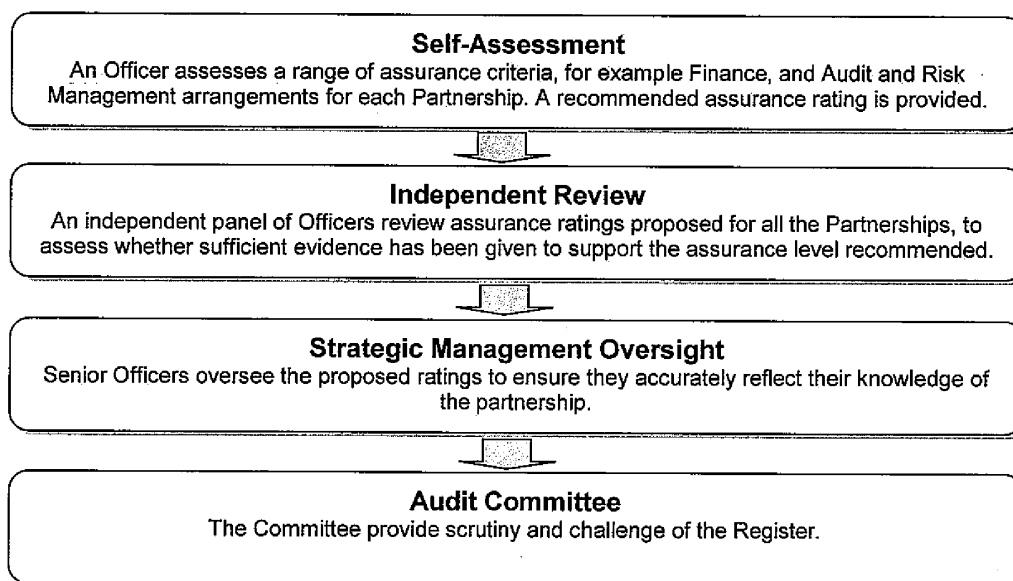
new approach to working is understood and being used consistently and effectively.

- Further work is required to ensure that all services have an effective approach to risk management, which supports the priorities of the Risk and Resilience Strategy, and that staff are appropriately trained in Risk Management Methodology.

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

5.17 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.

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



5.19 The Council works to continuously improve both governance in partnerships, and the assessment process. Every six months Audit Committee scrutinises the progress which has been made to implement improvements amongst those partnerships that the process has identified have governance challenges to meet. Audit Committee will request Executive Member and Senior Officer attendance where it has specific areas it wishes to address. The assessment process is also reviewed annually. In 2016/17 further work was carried out to improve the quality of the partnership self-assessments, and ensure clarity of each of the partnerships'

purpose and objectives to assist with an impartial assessment of effective delivery, and any evident risks and challenges.

External inspection agencies

- 5.20 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 continued to progress a number of measures which are driving forward improvements. This is explained in detail in section six.
- 5.21 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 ("New Adult Social Care Citizen and Carer publications").
- 5.22 Grant Thornton are the Council's External Auditors. They carry out auditing of the Council's activities in accordance with the National Audit Office (NAO) Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014. Their key responsibilities are to:
- Give an opinion on the Council's financial statements
 - Assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion)

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 AGS (2015/16). Progress is reviewed every six months, with an update previously being provided to Audit Committee in December 2016. Topics are grouped together relative to particular areas of governance.

Governance Area: Delivering Our Manchester

Delivering "Our Manchester"; embedding the new Our Manchester Strategy, implementation of an asset based approach along with related Council wide transformation work and behaviour change.

A programme of activity has been developed to take forward embedding the Our Manchester approach over the next 12 months. This follows on from the initial engagement activity with Council staff and partners, and the development of the Our Manchester principles and behaviour framework.

The programme (Delivery Plan 2017/18) refers to three main areas of focus, underpinned by a number of 'enablers' to support and drive activity across all areas embedding the approach.

1. Place-based Approaches - geographical based programmes of activity focused on how to embed Our Manchester approaches throughout an area. These programmes will bring together a number of people and place-based services to rethink their current approach to working with residents and communities, and to consider what a different, more collaborative and strengths based approach could look like. This will involve shifting from reactive, towards more proactive ways of working with communities.
2. Our Manchester in Health and Social Care - establishing an agreed format and approach for the way in which the Strategic Commissioning Function, through Manchester Health Care Commissioning from April 2017, and the Local Care Organisation will operate in an Our Manchester way.
3. Broader Our Manchester Activity - the embedding of the Our Manchester approach across all organisations working for the city, ensuring that the conditions are right to be able to work in a more strength-based way and co-designing solutions with residents, businesses and partners of the Council.

To support this are a number of Our Manchester 'enablers' which will ensure that both the Council and organisations working for the city are equipped with the skills, tools and knowledge needed to be able to drive forward the change required to embed the approach. Those enablers are 'Workforce and Culture', and 'Communications and Engagement'. 'Workforce and Culture' will focus directly on embedding the Our Manchester behaviours within the Council's workforce but also as part as a wider workforce of organisations working for the city, ensuring consistency of messaging around the fundamentals of the approach (the Our Manchester principles and behaviours) and how they are delivered. 'Communications and Engagement' will continue to develop the overall brand for Our Manchester including a range of tools and materials alongside an extensive engagement programme internally and externally.

Ensuring high levels of staff motivation and planning for the skills and capacity which the Council will need in the future.

The city's "public" workforce will be a critical driving force behind Our Manchester. In order to empower and equip this workforce to realise the Our Manchester ambition a significant programme of work is needed. This will support good governance both practically, by ensuring staff and managers have the right understanding and skills, and more broadly by creating an organisational environment which recognises its importance in achieving the priorities for Manchester.

On 11 January 2017, the Personnel Committee agreed a new people strategy for the organisation; Our People, which sets out a strategic ambition for how the organisation will develop including the change the workforce will experience over the coming years, which will be critical to making Our Manchester happen.

The report accompanying the Strategy includes four priority areas of work:

- Embedding organisational understanding of 'Our Manchester' and equipping staff with the tools to have better strength based conversations
- Creating a clear approach to management and leadership development, reflecting on the feedback from the Leadership Summit which brought together the Council's 400 most senior managers in September
- Developing a new framework for workforce planning which reinforces Our Manchester through both its content and a new approach to the identification, access and evaluation of development
- Reviewing our policies, processes and approaches

The longer term delivery plan for the Strategy is being developed in partnership with the workforce, and will be informed by the results of the 2016 "BHeard" staff Survey which saw responses from 42% of the workforce; circa. 3,000 staff. The survey identified a number of areas where work is needed to improve engagement with plans developed in response to the results.

At a corporate level, response actions will form an integral part of the delivery plan for the people strategy. The four central actions are summarised below.

Employee engagement and communication

The survey is a further stage in developing a conversation with our workforce, which began through the first survey and the Listening in Action events. The survey feedback and corporate response are being explored further with staff. Actions will be communicated on a "You Said - We Did" basis across the Council, clearly identifying and communicating actions which are a direct response feedback as part of a wider internal communications strategy to be developed, supported by the additional investment in capacity for internal communications agreed by Members.

This approach will extend through the broader development of our workforce and organisational development offer with co-design an integral principle of our future workforce policy and strategy development activity.

To enable meaningful engagement to continue, Universal Access to Council networks will be rolled out as part of this response. At present around 1,500 Council employees do not have access to Council ICT systems (including Email, the Intranet and HR Self Service). The Universal Access projects seeks to provide all staff with this access in a phased approach. This will support equity of access to Council communications including job opportunities.

Leadership and Management

The courses focus on the thematic areas of management techniques and what this means to individuals. The courses are designed to be empowering for managers. An example of this is the module on Strengths Based Conversations that has an element of coaching training in it. Also, the module on People Management where two members from the HR Service Delivery course came in to talk about the various approaches to case management, and how these can differ depending on the individual situation. Further thought will also be given to the development and engagement approach for the Council's most senior managers.

The internal communications strategy will provide the conduit to reinforce leadership messages regarding vision and direction, with cascade support to managers to assist and reinforce these messages on the ground.

Health and Wellbeing

There is a real opportunity to take steps to demonstrate that the Council is a caring employer which proactively enables staff to balance work and home life, and which takes an interest in its workforce as people. The employee wellbeing strategy will be refreshed and

updated to proactively support mental and physical health and wellbeing, under the oversight of the Health and Wellbeing Board as part of the city's leadership and informed by Health and Wellbeing Workplace Baseline Assessment commissioned by the Board. The Council's strategy will include the re-launch of occupational health provision including the new Employee Assistance Programme (24/7 advice, counselling and personal support); signposting to and engagement with charities and advisory services on positive health interventions, with a particular focus on mental health, and specific workplace support for those with caring responsibilities outside of work. This will be progressed through a clear process of co-design with staff.

Skills-records

Work will be undertaken to grow a better understanding of the skills and experience of our people, in order that they may be usefully deployed and developed in the workplace to ensure we make use of our strengths as an organisation. This assessment will capture both occupational and personal strengths. A better understanding of skills will inform other improvements, e.g. greater opportunity for staff to access additional hours in other services to maximise their earnings as an alternative to agency staff by the council. It will also support us in making best use of the Apprenticeship Levy.

More widely, the People Strategy includes a commitment to fundamentally review the council's approach and investment in workforce development. The poor feedback on scope for Personal Growth underlines the need to take action in this area. A new strengths-based approach to appraisals and one-to-ones, 'About You', was rolled out in April 2017 and will provide a vehicle to gather intelligence from staff in this area. It will also help begin a shift in our approach to people management which encourages staff to take personal ownership for their own development.

In addition, work will be undertaken to engage with those teams and services across occupational groups who have scored most highly across the survey. This will be used to develop a suite of best practice to support others improving engagements, starting from our strengths as an organisation.

The organisation continues to invest circa £1m annually to support skills development with workforce development plans in place across each Directorate and a range of opportunities available to staff. The Human Resources and Organisational Development (HROD) Service works to ensure effective strategic workforce planning, utilising intelligence to ensure focused work takes place to develop the skills the organisation will need for the future. A report on this area was presented to the Resources and Governance Scrutiny Committee HR Sub Group in November 2016.

This is an area of significant focus. However, there are substantial challenges including:

- Reducing resources, which place increased demands on staff and present challenges in ensuring time and space is available for engagement and development.
- The need to embed the Our Manchester behaviours across the organisation which represents a significant cultural shift in many areas.
- The fast paced nature of change in many areas, such as health and social care, which poses challenges in effectively ensuring future skills demands are met.

Governance Area: Improving the efficiency and effectiveness of business processes

Review of the Corporate Core Directorate; ensuring business processes for Finance, HROD and other services are as simple and effective as possible and managers are equipped to follow them.

The Corporate Core Directorate continues to focus on transforming, streamlining and improving processes to enhance user experience in line with the 'Our Manchester' principles and approach. The work to review and streamline processes is ongoing, however some improvements that have been delivered during this period including new online processes for requesting a staffing resource cutting across both Human Resource and Finance processes. The revised approach means the responsibility and ownership sits with the recruiting manager, who manages the process via an online application. The recent Human Resource (HR) Review sets out both what has been learned from listening to staff and managers across the Council, and what changes will be taking place to make improvements.

Our People Strategy articulates our approach to our people, our aspirations and underpins Our Manchester and the Strategy articulates the changes needed within the Council to enable Our Manchester to become a reality. The strategy has been developed through an engagement model however further engagement is planned to ensure that this becomes fully embedded and at the heart of every service. The strategy for Our People underpins the Our Manchester behaviours with work towards its ambition to ensure our people are inspired, connected and empowered in making these behaviours 'the way we do things'.

As part of the budget options for the next three years, and in line with the lean systems approach the HR improvement journey, and Finance lean review it is intended that further improvements will be delivered from an efficiency and user perspective. The success will rely not only on system and process improvements but also on achieving the right culture and behaviours.

Reviewing commissioning processes to ensure the right skills and expertise are available within the Council and across its

partners.

On the 1 April 2017 Manchester Health and Care Commissioning was established (MHCC). In line with Manchester's Locality Plan, the creation of this new integrated commissioning organisation has seen Health, Public Health and Social Care services integrated into a single strategic commissioning function for the city. The new organisation joins together Manchester's three Clinical Commissioning Groups and the Council via a Section 75 Partnership agreement. Section 75 of the National Health Service Act 2006 provides the mechanism for arrangements between NHS Bodies and Local authorities to share resources and pool funds in delivering prescribed functions.

The Council's Legal Services Team has worked collaboratively with Manchester Clinical Commissioning Group (CCG) and NHS England to establish the relevant structural governance arrangements for the partnership. The partnership agreement supplemented by various frameworks (such as finance, performance and evaluation) sets out the arrangements which underpin the delivery of services. There is a clear articulation of requirements of the Council in terms of accountability, processes and systems, finance and scope.

The Health and Wellbeing Board, which meets on a regular basis, will continue to receive progress update reports on the operation of the single commissioning function.

The Joint Commissioning Executive (JCE) remains in place and will continue as one of the governing boards of MHCC. Its membership is reflective of the new organisational structure which includes six Executive Directors reporting into the Chief Accountable Officer. These executive posts include: Chief Finance Officer, Clinical Director, Director of Strategic Commissioning (with Director of Adult Social Services responsibilities by July 2017), Director of Planning and Operations, Executive Nurse and Director of Safeguarding and Director of Public Health. In addition to this the JCE membership also includes the Council's City Solicitor, City Treasurer, Deputy Chief Executive (People, Policy and Reform) and Director of Children's Services.

A HROD development programme is in place for the new commissioning organisation, which includes the delivery of a training needs analysis to ensure the relevant skills and experience are in place, or can be developed as part of planned response to skills gap analysis.

In terms of the work supported by Internal Audit and Risk Management, this activity is currently being strategically re-aligned for delivery via MHCC as business processes and systems begin to be integrated into a single commissioning function along-side the organisational development plan.

The Finance teams across the Council and Health have established the financial parameters and requirements within which the new

<p>arrangements will operate, having assessing capacity, investment potential, savings requirements, risk and mitigation; whilst Performance and Research functions have set the performance framework to underpin the new arrangements as well as developing the evaluation criteria to support any investment agreements.</p>	<p>Governance Area: Responding to external inspection recommendations</p>
<p><i>Continued improvement of Children's Services and preparation for Ofsted re-inspection.</i></p> <p>The senior leadership team has continued to focus on setting and maintaining a high level of pace and traction to the improvement work related to social work practice and management oversight. This has been acknowledged by Ofsted in two further monitoring visits conducted since the last update to Audit Committee. Firstly, a December 2016 visit on the work of the Safeguarding Improvement Unit, and a March 2017 visit on Adoption services - in which Ofsted noted the improved social worker morale and culture within the organisation, evidence of regular supervision and improved management oversight. Importantly Ofsted also acknowledged the increased pace and focus given by the senior leadership team that is starting to deliver the required changes to the service.</p> <p>The service's self-assessment process demonstrates that it has made significant improvements over the last twelve months, and that there are no systemic failures within the service. Three of the four priority challenges that the service faced (caseloads too high, the need for evidence of management grip in case work, and data inaccuracy) have all seen significant improvement over the last year:</p> <ul style="list-style-type: none"> • The Council has met its target to increase the front line social worker cohort by 40% by the end of the financial year 2016/17 and this has resulted in a significant reduction in caseloads for social workers to an average of 18.7 (as at 23 March 2017) per social worker, just above the our end target of 18. This is an important milestone because it creates the right professional environment to enable social workers to be able to deliver good practice. • The performance management system continues to be used to hold the service to account by senior managers, the Improvement Board and elected members through a variety of effective monitoring and review processes. This has led to an improvement in key statutory and service performance measures across the service, and in commissioned services (particularly the leaving care service). Additionally, the last temporary post within the senior leadership team (Deputy Director of Children's Services) has now been recruited to. Data quality is closely monitored on a regular basis, including at the monthly Performance Clinics to ensure improvements are sustained. 	

<p>The fourth key priority of the Single Service Plan (eliminate inconsistent social work practice) remains a key area of focus and the senior leadership team has put in place systems to drive consistent, high quality practice. Further priorities going forward relate to: missing children; management of Children in Need care planning; and providing better outcomes for care leavers. The Single Service Plan outlines the specific actions and milestones across all of the focused areas of improvement.</p> <p>The full Ofsted findings were made available in December 2016. The findings from Ofsted's March visit on Adoption services is still to be published.</p> <p>The Council will implement a new Children and Adults social care IT system in the next 12-18 months, this will help alignment with a wider Health and Social Care system across Greater Manchester, facilitate greater ease of working, and better care provision. Through the procurement process, and taking into account operational and strategic requirements the Council has identified a preferred supplier. Key outcomes of the project will enable the Council to address concerns raised by Ofsted to improve data quality and management information.</p>	<p>Governance Area: Schools</p>	<p><i>Maintaining a strategic leadership role for the Council in the context of changing national policy in relation to schools, and the reducing role of local authorities.</i></p> <p>The Council has undertaken a wide range of activities, and maintained and developed relationships in support of this action:</p> <ul style="list-style-type: none"> • Continued strategic engagement with the school system through the Strategic Education Partnership Board. • Further developed role of the Manchester Schools' Alliance (of which the Council is a member), with all major headteacher groups now incorporated into the Alliance which continues to report to the Strategic Education Partnership Board on its programme to support developing practice across all types of school. • Sustained quality assurance relationship with the vast majority of schools in the city, including academies and free schools, to provide the Council with a knowledge of schools and to provide the basis of relationships through which the role of schools has continued to develop. • Increased engagement of schools in Early Help through pilot activity and the rollout of Early Help networks. • Considerable direct activity with schools in support of meeting the need for additional places, including local schools and multi
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<p>academy trusts agreeing to develop free school proposals in response to Council requests.</p> <ul style="list-style-type: none"> • Work with the Department for Education's (DfE) Regional Schools Commissioner and other parts of the DfE to place the Council at the heart of discussions about performance, capacity and growth in academy and free schools in the city. <p>All of the activities noted above will continue, including maintaining a strategic leadership role, however this will be subject to further policy announcements from Government.</p> <p>Governance Area: Health and Social Care Integration</p> <p>Supporting the integration of health and social care by ensuring effective governance of integrated teams and commissioning of services.</p> <p>As implementation of the Locality Plan progresses, modifications and changes have been made to strengthen governance arrangements and oversight of the delivery of the Locality Plan - A Healthier Manchester. Key changes include:</p> <ol style="list-style-type: none"> 1. <i>Establishment of the Manchester Transformation Fund Accountability Board</i> <p>In November 2016 the <u>Health and Wellbeing Board (HWBB)</u> approved the establishment of the Manchester Transformation Fund Accountability Board (MTFAB) with the key purpose to:</p> <ul style="list-style-type: none"> • Provide robust accountability and assurance for managing bids for external funding and co-ordinating investments from Manchester partners; • Ensure the effective deployment and return on investment of agreed funding, including GM Transformation Fund (GMTF) monies received. • The Board to take direct responsibility for accounting for external public funding, in accordance with a series of milestones linked to benefits generation and capture to support the delivery of the Locality Plan; • The Board to account directly to the GM Health and Social Care team for the delivery of outcomes and Investment Agreement; and • The Board to be accountable to the HWBB.

<p>Subsequently, it has been agreed that from April 2017, the Leader of the Council will chair the MTFAB.</p> <p>2. <i>Single Commissioning Function - Partnership Arrangements with the merged CCGs</i></p> <p>A key pillar of the Locality Plan is the establishment of the Single Commissioning Function to enable the commissioning of services through a unified and integrated health and care system for the city of Manchester. Bringing together the commissioning roles of the three Manchester CCGs and the Council will bring benefits including;</p> <ul style="list-style-type: none">• A single commissioning voice• Commissioning for integrated and proactive health and social care• A more strategic role enabling larger scale transformation of services• Better utilisation of collective assets <p>NHS England approved the merger of the 3 Clinical Commissioning Groups (CCGs) with effect from 1 April 2017, with a single Accountable Officer being appointed.</p> <p>On 8 February 2017, the Council's Executive agreed to enter into a Partnership Agreement with the Manchester CCG and NHSE (if required) to establish single commissioning for health and social care for the city of Manchester. It agreed to delegate to the CCG defined adult social care and public health commissioning functions that are capable of delegation by way of a Partnership Agreement with the Manchester CCG when established and authorise the CCG to enable those commissioning functions to be carried out by the Manchester Health and Care Commissioning Board from April 2017.</p>	<p>Governance Area: Information systems and governance</p> <p>Improving the resilience of ICT systems, and the Council's arrangements for disaster recovery.</p> <p>The Council recognises the importance of putting in place more robust arrangements to provide critical services to residents, partners and key stakeholders. ICT has informed Resources and Governance Scrutiny Committee of the work undertaken to date around the following areas:</p> <p>1. Strengthening Resilience</p>
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Throughout 2016 and continuing in 2017 a number of ICT delivered projects focus on strengthening the resilience of Council systems. Progress has been made across lots of areas examples include;

- Over 5,000 colleagues and members were moved from Lotus Notes to Google For Work. This new technology significantly reduces dependency on the Sharp Data Centre, as the system is externally hosted
- The Council's Citrix platform, which staff use to access software, has been upgraded. This has brought a number of benefits, including reduced cost, improved performance and greater stability
- ICT has recently implemented a second internet connection to the Town Hall to increase the bandwidth available to support the new web based services like Google For Work and ServiceNow
- ICT is addressing the ageing printing devices and reviewing ongoing printing activity. Colleagues will start to see the new printers being installed from August 2017
- As part of the 2016 financial planning round ICT have developed a 5 year capital investment strategy that will continue the ongoing trajectory for ICT service at Manchester City Council. This strategy will continue to ensure that best value and latest technologies are implemented to enable our business, keep it secure and adapt to new ways of working in line with expectations from our colleagues, members and residents

2. Business Continuity

Colleagues from the Council's Risk and Resilience department have supported the ICT service in reviewing and updating the ICT Business Continuity plan, providing assurance that all associated documentation in place for the various ICT teams. In September 2016 ICT successfully tested a controlled power shut down of all the systems within Town Hall Extension (e.g. CCTV, door system and all library systems) and brought them back online in accordance with planned timescales and expectations. This was a positive validation of the effectiveness of plans in this area. ICT are reviewing the current service level agreements for all applications used by the Directorates. ICT is also agreeing with the Directorates the relative priority of these critical applications to determine the order these applications should be returned to service in the event of unplanned unavailability.

3. Disaster Recovery

The Council has considered a number of options which will address the risks and issues associated with the current Sharp Data Centre, and that will ensure that any future disaster recovery capability is fit for purpose.

Approval has been granted to continue with the approach recommended by ICT, which is to have an externally managed facility as the Council's data centre, with resilience delivered for key applications from an externally managed second site. The project will deliver

robust resilience first and foremost as well as recovery capability. The ICT services provided through the current data centre facility will be migrated to the new externally managed facility over the next year and Sharp will be repurposed. The Council has been working to reduce the incumbent risk at the Sharp data centre. There are current projects in flight which are currently on target, the work packages are as follows:

- A room has been constructed in the current data centre to house the extra equipment required which will prevent overheating and provide an uninterruptible power supply (UPS), thus preventing outage due to incidents similar to December 2015
- Further basic work is required in this area before moving the UPS into this housing. This will be done at the lowest cost possible.

4. Cyber Security

On 12th May 2017 there was a global cyber-attack which impacted multiple public and private sector organisations in over 150 countries, the nature of the attack was Ransomware, a notorious yet difficult cyber-attack to prevent due to the constantly evolving complex and unique nature of Ransomware. The main impact in the UK was the NHS system who suffered badly, in some cases they lost systems and the ability to work electronically however, the NHS service was not specifically targeted by this attack. In general where organisations had a lack of investment in cyber protection education and training, poor software patching and continuing to run on unsupported operating systems, i.e. Microsoft Windows XP impact was greatest.

Manchester City Council was not impacted by this Ransomware outbreak due to extensive work carried out over the course of the last 24 months to ensure the Council remains in a strong position in respect of proactive patching, anti-virus protection and user education. ICT will continue to maintain cyber security defences, work with partners and ongoing investments in system upgrades and processes in line with industry best practice, sustaining a continuous cycle of strengthening security and resilience.

5. Information governance

Improving data quality, in preparation for the introduction of EU General Data Protection Regulation (GDPR), and improving the speed of response to Freedom of Information and Subject Access Requests is a priority for Manchester City Council.

Although the position regarding the EU General Data Protection Regulation (GDPR) is not wholly clear following the Brexit decision, it looks increasingly likely that the Council will have to comply with the GDPR by May 2018.

To prepare for this, the Council is commencing work with colleagues from the Association of Greater Manchester Authorities (AGMA) to carry out a gap analysis in respect of actions required to ensure compliance and to identify the areas where the Council can work

together to share and cascade any quick wins in terms of improving accountability, procedures and processes. Work has also begun to raise GDPR awareness in Council departments requirements with ICT colleagues to ensure these needs are considered when ICT systems are being commissioned, upgraded and developed.

Key risk areas include continued uncertainty about GDPR post Brexit and ensuring adequate resourcing and systems are in place to achieve successful implementation. Work to improve speed of response to Freedom of Information and Subject Access Requests is continuing to be led by Departmental Senior Information Risk Owners, supported by Strategic Directors and Heads of Service. Reports on performance are considered at each meeting of the Corporate Information Assurance Risk Group. GDPR implementation will be a long term project. AGMA colleagues anticipate providing a position statement to AGMA Chief Legal Officers outlining the preparatory work needed across Greater Manchester Authorities and how best this should be progressed.

Governance Area: Finance

Changes to the local government finance system

The most significant change in recent years has been in respect of the business rates funding regime, most notably the operation of the Business Rates Pool across Greater Manchester (GM) and Cheshire East and the Business Rates Growth Retention Scheme pilot. Pooling enables Local Authorities to come together and retain any business rates levy generated within the Pool and redistribute in accordance with local agreements. The Business Rates Growth Retention Scheme Pilot Scheme commenced in April 2015 and it allowed local authorities to retain 100% of "additional growth" in business rates.

Recent developments have seen a Government commitment to delivering 100% Business Rates retention for local authorities, this would release a further c£13bn¹ of resources to Local Authorities compared to the present system. However, this approach will be piloted in a number of areas including Greater Manchester from April 2017. To ensure this is fiscally neutral, councils will gain new responsibilities and some specific grants which are currently paid directly from Government will cease and funding will be met through local rates retention.

Areas involved in the pilot such as Greater Manchester will help to develop the mechanisms that will be needed to manage the new arrangements, addressing the risks (most notably the volatility as a result of appeals) and identifying potential opportunities through greater flexibilities. GM has been working with Government to agree the principles and practical arrangements to underpin rates

¹ Latest OBR Estimate 2017/18 (£13.6bn at 50%)

retention including agreement to a provision for 'no detriment' to ensure that the GM authorities within the pilot will be no worse off than under the current arrangements. For GM this will include covering the loss of any extra revenue generated from the current 2015 pilot (100% retention of additional business rates growth) and the business rates pool. Agreement has also been reached on which funding streams will be financed from the additional business rates income during the pilot period. For the Greater Manchester this is Revenue Support Grant and Public Health Grant at Local Authority level and Transport Fund at GM Combined Authority level.

Further changes are also proposed to the funding regime for Local Authorities through the Government's fairer funding review. The revised funding arrangements were intended to come into effect around 2019/20, however, this will be subject to the Government's position following the outcome of the General Election on 8 June.

The Council has responded to a number of government consultations relating to the Local Government finance system as follows: Business Rates Retention Scheme; the fairer funding review; the Local Government Finance Technical paper; Provisional local government finance settlement 2017 to 2018; Discretionary business rates relief scheme; and 100% business rates retention: further consultation on the design of the reformed system.

Development of longer term financial planning

Revenue Budget

Setting the Council's Budget

The Council took up the Government offer of a four-year funding settlement to 2019/20, this provides minimum allocations for each year of the Spending Review period. To support the four year minimum funding settlement, the Council also published an Efficiency Plan for the period 2016/17 to 2019/20 which incorporates the suite of budget reports presented to Executive. The opportunity to develop a multi-year budget gives greater assurance about how to invest the revenue budgets more effectively for longer term benefits and to plan service change.

The priorities for the city are set out in the Our Manchester Strategy. To deliver the changed relationships alongside the ambition for the city requires a different approach, including to how decisions about the planning and allocation of resources are made. The budget is being set on an Our Manchester basis. The budget strategy started with a conversation about the strengths of the city that people want to build on - but also what people think they and others, as well as the Council, could do differently given the scale of further cuts in City Council and other public services, the conversation moved in to consultation as the budget strategy was further developed. The Council listened to the consultation responses when setting the strategy.

For the period 2017/18 to 2019/20, and taking in to account the budget consultation responses, firstly savings options and the savings proposals were put forward to meet the budget gap, including efficiencies and improvement options as well as savings which can only be achieved through service reductions. These were considered by the six Overview and Scrutiny Committees who had a critical role to play in considering the options for services and functions within their remit and supporting information, and recommending which of the options the Committee believed should or should not have formed part of the Executive's budget proposals. Resources and Governance Scrutiny Committee considered the overall budget position, options and proposals, received comments from other scrutiny committees and the responses to the budget consultation.

The Executive considered comments and feedback received as part of the Budget Consultation and recommendations made by the Scrutiny Committees. At its meeting on 8 February 2017, the Executive received a series of reports which outlined the budget position of the Council after the announcement of the provisional Local Government Finance Settlement. These reports included:

- (i) a report setting out the implications for the Council of the settlement and identifying a Strategic Framework to guide detailed development of a budget strategy for 2017/20;
- (ii) a detailed report from each Directorate on proposals for service change to ensure they continue to meet the Council's objectives whilst managing within a reduced resource envelope;
- (iii) a report proposing changes to 2017/20 budgets and setting out the issues and legal requirements that members need to consider prior to the Council finalising the budget and setting the Council Tax for 2017/18.

Resources and Governance Scrutiny Committee met on 20 February 2017 to consider the recommendations of Executive. The Committee considered all the issues arising from individual Business Plans that chairs of scrutiny committees wished to draw specific attention to. It also received a report outlining the results of the public consultation exercise undertaken and a summary of the responses to the Sure Start children's centres consultation.

The budget and Council Tax precept was agreed by Budget Council at its meeting in March 2017.

Budget Monitoring

The Council must operate as a "going concern" and to do so it must ensure that it is financially resilient and can continue to fund, and carry out, its day to day activities. To this end the Council must ensure that:

- its Medium Term Financial Strategy reflects the significant challenges being faced and remains responsive to the uncertainties in the economy by continuing to deliver against its savings targets;

<ul style="list-style-type: none">• it has the appropriate levels of reserves and that it closely monitors its liquidity to underpin its financial resilience.• it continues to provide support to members and officers responsible for managing budgets;• its savings plans are clearly communicated and link to specific policy decisions, with the impact on service provision clearly articulated;• it continues to meet its statutory duties;• it prepares its annual statement of accounts in an accurate and timely manner; and• governance processes are robust and support effective decision making. <p>There is a robust process in place around financial management and monitoring and the measurement of performance as part of the Performance Management Framework. The scrutiny and reporting procedures in place work to ensure available resources are used wisely and the multi-year funding settlement provides the certainty required to facilitate longer term planning and delivery of savings.</p> <p>Budget monitoring reports are produced monthly and presented to Directorate Management Teams (DMTs), SMT and Executive Members. These include details of the overall financial position as well as an analysis for each Directorate including the achievement against savings, identification of risks and mitigation as well as workforce and key performance data.</p> <p><i>Delivery of continued significant savings</i></p> <p>The 2016/17 approved budget included £27.1m of new savings proposals. The achievement of the savings is considered by the relevant DMTs, SMT and Executive Members monthly and the detailed savings tracker and summary note are provided to the SMT Business Planning and Transformation group monthly.</p> <p>As at the end of 2016/17, 84% of the savings have been achieved. Where savings were not achieved as originally planned they were mitigated by savings elsewhere. Areas of continuing high risk were considered as part of the 2017/18 budget setting process.</p> <p><i>Capital Budget</i></p> <p>Our Manchester demands an integrated approach to the deployment of revenue and capital spend against a clear set of priorities. The development of a longer term, five-year, Capital Strategy forms a critical part of the City Council's strategic and financial planning from 2017/18.</p> <p>The last 12 months have witnessed a number of significant developments that have had, and will continue to have, a major influence on the future shape and approach to capital investment within the city. These include the "Our Manchester" Strategy, the Manchester Residential Growth Strategy, commercial developments, devolution and reviews of the Highways Estate, the Operational Built Estate</p>
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<p>and ICT.</p> <p>The challenge for the future is to maximise the capital resources available to the Council in order to deliver the priorities for the city. This will require continued investment for transformation to define Manchester as an attractive place to live and further improve the quality of life for residents to increase their overall social and economic prospects, and enable them to participate fully in the life of the city.</p> <p>The capital programme has been developed in line with the strategic priorities for the city, and the City Council, contained within the Our Manchester Strategy and are aligned with the Council's revenue budget strategy. This has highlighted that a longer term approach to capital investment is required and a five-year programme of investment totalling c£1.6bn has been approved by Executive at its meeting on 8 February 2017. Included within the capital programme is significant investment in the areas which residents and other stakeholders have said really matter to them such as spend on highways, housing, schools, parks and other leisure facilities. It also includes investment in the Town Hall, the capital and revenue costs of which will be met from within existing budgetary provision, taking into account the planned changes to the Minimum Revenue Provision.</p> <p>The approval process for capital projects has been revised with new proposals for 2017/18 onwards being assessed against strategic fit, the economic value they can add to the city, the financial implications of undertaking the scheme and the deliverability and risk associated with the project. Fulfilment of statutory duties and social impact were also included as part of the assessment. The Gateway process is being replaced by a more streamlined approach but with a greater emphasis on deliverability and outcomes.</p> <p>A Capital Board, chaired by the Chief Executive and consisting of the City Treasurer and Strategic Directorate portfolio leads, is being established to oversee the Capital Programme. This will consider the overarching programme and project approval, overall monitoring (both financial and deliverability) and the achievement of intended outcomes. This Capital Board will be supported by the relevant Service Programme/Project Boards (such as Estates Board, Highways Board, Parks Strategy Board, HRA Board, etc) which will manage and be responsible for the delivery of individual schemes.</p> <p>Governance Area: Risk Management</p> <p><i>Embedding an effective risk management approach across services.</i></p> <p>The Council's Risk and Resilience approach is for risk to be managed and owned by senior officer and managers in directorates, service areas and projects, with a small core team in the Audit and Risk Management Service providing corporate risk and business</p>

continuity governance and support.

The core team provides the corporate risk framework and high level support to directorates, services and projects. Recent work for example includes facilitation of risk management support in housing, to the Our Town Hall Project and delivery of a programme of business continuity support to schools. The core team is responsible for coordination of the Corporate Risk Register (CRR).

Risks are assessed by managers and directors within service business planning, project management and core business processes. A visible articulation of risks and assurance arrangements is included in directorate business plan risk registers and in the CRR. This process ensures that risks can be escalated and de-escalated to be overseen and managed at service, directorate or corporate level as appropriate. A Sub Group of the Council's Strategic Management Team (SMT) leads the update of the CRR and as the Council's corporate risk management group acts as a forum for review and refresh of the risk profile which is then considered by SMT.

Over recent years, risk management training and awareness across the Council has delivered a positive level of risk literacy. Over 2,000 officers have received formal training since 2014 and risk management is well embedded in business planning, project management and other corporate processes. Risk training options are currently being reviewed and refreshed alongside the Our People and Our Manchester strategies and as part of the commissioning of a new on-line learning portal for staff.

Governance Area: Communication of Policies and Procedures

Communication of policies and procedures such as Whistle Blowing, Anti-Fraud and Corruption and the Code of Conduct for Employees.

The Internal Audit Plan for 2016/17 included an allocation of days for communications and publicity following the review and refresh of the anti-fraud policy and procedures, including whistleblowing. The plan also included time for the delivery of training and workshops to increase awareness of fraud and irregularity and help to embed the Council's anti-fraud culture.

The Whistleblowing and Anti-Money Laundering Policies and Procedures have been reviewed by Audit Committee with final documents scheduled to be represented for approval in July 2017.

Work is underway to develop a Counter Fraud Training Strategy for completion by July 2017. This is being developed in collaboration with audit colleagues in Bolton Council and the GM Combined Authority. The Strategy will define the overall approach and resources

<p>required to deliver generic fraud awareness training across all services, with more specific topics and content for business areas considered to be exposed to a higher inherent risk of fraud and corruption.</p> <p>Progress with these has been slower than anticipated due to the volume and complexity of current casework, but this is a key service priority for 2017.</p>
<p>Governance Area: Service Delivery and Governance</p>
<p><i>Continuing to ensure robust governance and delivery of Capital Programmes</i></p> <p>Following a restructure in June 2016, the Capital Programmes and Property functions have been separated with Capital Programmes now reporting to the City Treasurer. The structures within Capital programmes have been re-profiled to reflect both this change and the way the projects are delivered within the service. The new senior structure for the service has been approved at Personnel Committee and the recruitment to the Director of Capital Programmes and Procurement post is progressing.</p> <p>The City Treasurer commissioned an internal review of delivery arrangements and a new target operating model has been developed to ensure successful delivery of the strategic objectives of the service. This review in the context of the Capital Strategy will inform the size of the delivery function required, to ensure the correct resources are in place to deliver the programmes of work and provide best value to the Council.</p> <p>The School Organisation Strategy Board, Leisure Board, Corporate Property Board, Public Realm Board and Heritage Board continue to provide strategic oversight of the capital programmes of work for the service. Whilst significant progress has been made in terms of accountability, governance, reporting and data analysis through the business plans, resource modelling, the Development Management Framework and the financial plan, the priority to develop the Capital Programme and Procurement function, to develop a wide range of skills to deliver high quality services is paramount.</p> <p>The service model will be based around a core permanent workforce supplemented by a flexible workforce aligned to specific projects and programmes. This approach will enable specific technical skills to be drawn in when these are either not present in the permanent workforce or are only required for time limited pieces of work and therefore a permanent engagement or development would not represent value for money.</p>

<p>Work to re-procure the new Construction Property and Professional Services (CAPPS) framework to replace the Engineering Professional Services (EPS) framework is nearing completion with the final Lots concluding by year end. In addition work is currently progressing on two other major contracts for the service:</p> <ul style="list-style-type: none">• A review of the requirement for a framework for securing Strategic Partners.• Replacement of the arrangements with Manchester Working joint venture into two distinct frameworks, one for £0 -£75k predominantly for repairs and maintenance of public buildings, and the other for capital schemes of £75k - £500k. <p>A new Performance Board has been introduced to progress the work, chaired by the Interim Head of Capital Programmes. The immediate focus is on strengthening governance and accountability and improving arrangements for the support, management and development of the workforce.</p> <p>Work on governance and accountability will include:</p> <ul style="list-style-type: none">• The inclusion of an internal programme management function within the structure, building on the Council's previous investment in the Development Management Framework designed to provide detailed project reporting.• Improving the Capital Gateway process which is being reviewed in line with the work to develop the Capital Strategy, to ensure that proposals not only meet the Council's corporate, strategic and spatial objectives but have the resources to ensure that agreed project priorities are capable of developing the scheme to investment decision stage.• A new charging model is to be introduced to ensure transparency and enable an annual review of how fees are calculated.• Strengthening procedures for the recruitment of consultants to ensure that value for money is achieved. <p>Continuing to ensure robust governance and delivery of the Operational Property Estate.</p> <p>As previously reported, an Estates Board (EB), a sub group of SMT was established and held its first meeting in August 2015 and has met on a regular basis since then. The Estates Board reports through to an Executive Member Estates Board, providing full visibility and oversight and strategic decision making in respect of all Estates activity and related issues which includes:</p> <ul style="list-style-type: none">• Estates Asset Management• Estates Transformation and Rationalisation• Facilities Management <p>The Estates Board continues to meet at regular two monthly intervals, with papers then progressing to the Executive Member Estates Board. These governance arrangements have overseen the progression and successful delivery of Phase 1 of the Estates Transformation Programme. They have provided direction and approval for a 5 Year Estates Strategy delivery plan, which includes the</p>

delivery of a programme of Carbon Reduction initiatives to the operational estate to support the Council in achieving its' stated target of a 41% reduction in carbon emissions by 2020.

Stock Condition Surveys have been completed and the data has been imported into the corporate Property Management system. The data is now being actively used and has supported both the consideration of Phase 2 Estates Transformation activity and informed the 2017/18 Estates Asset Management Programme (EAMP). Work continues with colleagues in Finance to refine and hone reporting and management information in respect of the EAMP activity.

The newly formed Corporate Estate and Facilities service has worked collaboratively, forming a new management team to collectively manage the estate and facilities function and resolve corporate issues as and when they arise. The service area has been active in supporting the progression of the Town Hall project with both strategic input and specialist knowledge in respect of the estates and facilities management functions.

Continuing to ensure robust governance and delivery of Highways.

The Interim Director of Highways has been in post since April 2016, during which time the integrated service has brought together City Wide Highways Service from within the Neighbourhood Service, the Highways Capital Service from within the Capital Programmes and Property division and Manchester Contracts and Parking Services from within Business Units under the single leadership of the Interim Director of Highways. During this period a detailed review of all highways capital and revenue budgets has been undertaken to strengthen the financial and performance monitoring arrangements. The integrated service has sought to strengthen partnership working with key bodies, including Transport for Greater Manchester. Together with the other 9 Greater Manchester Authorities the Council has recently signed a Memorandum of Understanding to further embed its collaborative working. On an ongoing basis there are strong working relationships with Transport for Greater Manchester and these are managed by senior office representation at the Highways Group and Transport Growth Group meetings.

A Highways Improvement Plan and Roadmap setting out the vision for Manchester's roads to reach and stay at a good standard has been developed; this strategy formed the basis of a £100m investment into the highways network over the next five years. Given the scale of this investment and transformation required a further review of skill and capacity has been undertaken which resulted in a new senior management proposal being presented and agreed by Personnel Committee on 21 February 2017. The Strategic Highways Board continues to meet to oversee the transformation, this is chaired by the Chief Executive and includes representatives from Finance, Growth and Neighbourhoods, City Policy and Regeneration.

The Service transformation will take up to a further 24 months and will cover all aspects of the operating model, including: model, structure, process, governance, technology and culture to re-shape and re-position a Highways service that is appropriately resourced

and organised for a growing dynamic city. The Highways Team continue to work alongside internal audit to pro-actively identify areas for improvement, and are currently in the process of developing a forward plan.

Current Governance of the service is managed by the Highways Client Board, which is chaired by the Director of Highways. The Highways board oversees all of the highways functions and makes decisions on funding priorities and where necessary makes recommendation to the Highways Strategic Board which is chaired by the Chief Executive.

7. Action Plan: Governance Challenges for 2017/18 Onwards

The review of governance arrangements has identified twelve main areas where the Council will need to focus its efforts during 2017/18, 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 2018.

Action	What action is to be addressed	Who is responsible for delivery
1	Delivering "Our Manchester"; embedding the new Manchester Strategy, implementation of an asset based approach along with related Council wide transformation work and behaviour change. A key element of this will be delivering the Council's new people strategy, "Our People".	Deputy Chief Executive (Growth and Neighbourhoods), Director of Human Resources, City Solicitor, Head of Strategic Communications.
2	Continued improvement of Children's Services and preparation for Ofsted re-inspection.	Director of Children's Services
3	Supporting the integration of health and social care by ensuring effective governance of integrated teams, the creation of a single commissioning function, and undertaking procurement of the Local Care Organisation (LCO)	Director of Adult Social Services
4	Improving the resilience and security of ICT systems, and the Council's arrangements for disaster recovery	Chief Information Officer
5	Information governance; improving data quality, preparing for the introduction of EU General Data Protection Regulation, and improving the speed of response to Freedom of Information and Subject Access Requests.	City Solicitor, Head of Internal Audit and Risk Management
6	Changes to the local government finance system, and delivery of continued significant savings	Chief Executive, City Treasurer

Action	What action is to be addressed	Who is responsible for delivery
7	Ensure robust governance and delivery of the new five year Capital Programme Strategy, including major infrastructure projects across Highways and Strategic Development.	Director of Highways, Director of Strategic Development
8	Waste collection and street cleansing contract performance improvement.	Director of Neighbourhoods
9	Develop, design and deliver the Our Town Hall refurbishment project to time, cost and quality standards.	Deputy Chief Executive (Growth and Neighbourhoods)
10	Development of integrated Sources of Assurance reporting, including embedding an effective risk management approach.	Deputy City Treasurer, Head of Performance and Intelligence, Head of Internal Audit and Risk
11	Maintaining a strategic leadership role for the Council in the context of changing national policy in relation to schools, including changes to the school funding formula, and the reducing role of local authorities. Via partnership working, support schools to deliver a good or better level of education and learning.	Director of Education and Skills
12	Services need to ensure they have clearly communicated and embedded the Constitution of the Council, and all relevant policies and regulations which staff must comply with.	City Solicitor, Head of Strategic Communications

Conclusion

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