MANCHESTER
CITY COUNCIL

Annual Report Incorporating Statement of Accounts 2012/13

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This document contains the 2012/13 Annual Report and the 2012/13 Annual Statement of the Accounts. The Annual Report precedes the Annual Accounts and provides information about the Council and Greater Manchester. It includes information on reforming public services, the Council's aims, objectives and values plus details of how the Council works and how it performed in 2012/13 in relation to value for money and performance indicators. The Annual Report summarises what the Council spent money on in 2012/13 and how that money was raised. It also includes the simplified summary accounts.

The Explanatory Foreword is the first section of the Annual Accounts and concentrates on the finances of the Council and includes a summary of its expenditure (both revenue and capital) compared to the budget plus an introduction to the annual accounts for 2012/13.

MANCHESTER
CITY COUNCIL

Annual Report 2012/13

Incorporating the Summary of Accounts

Foreword

Our Community Strategy and its delivery plan have been refreshed to focus on the issues to be addressed to achieve our vision. We remain convinced that job creation is a driver for growth, boosting confidence in our city and making it an attractive place to work, live and invest. Our focus will, therefore, be on growth, people and place. There will be challenging times ahead with Welfare Reform in particular likely to impact heavily on low income families. Work, through the Manchester Investment Fund, on complex families and then subsequently other streams of research as part of the Whole Place Community Budget pilot, has taken us to a position where we can develop perhaps the biggest transformation of public services ever seen - a move to place-based rather than service-based budgeting with the potential for both better outcomes for service users and savings in expenditure.

A particularly severe grant settlement this year has meant that these continue to be challenging times for the Manchester City Council, as we endeavour to minimise the impact of significant budget reductions on services for our residents.

Manchester keeps pushing forward regeneration and growth despite the recession. We remain a world class city with more global businesses choosing to invest in Manchester. This investment brings job opportunities both in the city and in local neighbourhoods. Manchester Airport, the Etihad Campus, the Science Park, Siemens and Princess Parkway are just a handful of examples of areas that are benefiting through this investment.

However, what has changed during April 2012 to March 2013 (2012/13) was the way in which we and other public services, our partners in business and the voluntary sector organised staff and money to work together to achieve our ambitions. With less central government funding and plans to fundamentally change public services taking shape, we simply could not carry on in the same way.

This Annual Report tells you of these changes and how we are doing in reaching our ambition for Manchester. It also includes a summary of the Annual Accounts. It should be read along with the State of the City, State of the Wards and Communities of Interest Reports which provides more detail.

In these uncertain times, we are constantly looking at what the risks are to achieving our ambitions for Manchester 2015. We are as confident as we can be that we have the right approach, plans and partnerships in place for us all to support our residents to fulfil their potential for longer, happier, healthier and wealthier lives.

Sir Howard Bernstein, Chief Executive, Manchester City Council

Sir Richard Leese, Leader of the Council

Introduction

This Annual Report looks at what we spent in 2012/13 and what we achieved as we work towards realising our goals of living longer, happier, healthier and wealthier lives. Progress is not as quick as we would like in some areas but plans are in place to deal with this. Brief information about these plans has been included with hyperlinks to documents that can give you more information.

Within the Annual Report we have included a summary of the Council's Annual Accounts. By law we must produce a Statement of Accounts every year. This Statement must be audited by our external auditors and approved by our Audit Committee. Our external auditors are Grant Thornton. Their role is to independently state whether the accounts are an accurate and complete record of our finances. The Audit Committee's role is to agree the accounts on behalf of the Council.

The Annual Report should be read along with the State of the City 2012/13 Reports and the 2012/13 Annual Governance Statement (AGS). The AGS describes how the Council makes its decisions and deals with the money it receives and spends. It also looks at whether we have properly dealt with the risks attached to our decisions and our spending arrangements.

About Manchester

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

Serious new challenges are now affecting the city and its communities. The banking crisis, credit crunch and recession have affected and still do affect the growth of the economy. These challenges have impacted on all aspects of the local economy over the past few years, yet the level of business activity in the city along with the strength of the private sector, suggests that Manchester is well placed to benefit from wider economic recovery.

Manchester's population continues to grow, with the 2011 Census recording that the city was home to over half a million people. Projections forecast an increase to 519,000 by 2015.

A number of groundbreaking developments reflect the dynamic nature of the city and give cause for optimism about the future:

- The City Deal, an agreement with the Government that will see key powers and responsibilities transferred to Greater Manchester to support economic growth. Among other things, this will result in improved housing, transport and infrastructure.
- The Etihad Campus, a £127million investment across 32 hectares of East Manchester, creating 250 new jobs, 80 apprenticeships and a further 155 construction posts in addition to safeguarding 310 existing jobs.
- The SHARP Project, which builds on developments in broadband and digital infrastructure to establish digital and creative media hubs that are currently used by Sky 1 and Channel 4. MediaCityUK in Salford establishes the Greater Manchester area as the second most significant media centre in Europe.
- Airport City Enterprise Zone, a new initiative which will link together a string of key sites to establish a new hub for global business and is expected to create up to 10,000 new jobs to the area over the next decade.
- The £1.5 billion Greater Manchester Transport Fund has financed the extension of the Metrolink to Chorlton and East Manchester with further extensions to Wythenshawe and the Airport underway.
- Corridor Manchester offers exceptional potential for growth, with over 20,000 jobs planned over the next decade. This includes plans to expand the Science Park to support new business incubator activity, and the development of a biomedical centre of excellence at the former Royal Eye Hospital. The most significant of these developments is the proposed establishment of an International Centre for Graphene following the development of this material by scientists at Manchester University. Graphene has the potential to revolutionise IT infrastructure and other manufacturing applications.
- The Siemens UK Industry headquarters on Princess Parkway is being expanded, with the creation of an additional 300 to 400 jobs over the next two years.

About Greater Manchester

In April 2011 the ten authorities in Greater Manchester were the first in the country to develop a statutory Combined Authority to co-ordinate key economic development, regeneration and transport functions. This new governance arrangement has been designed to bolster economic growth and help deliver a brighter future for Greater Manchester and the North West.

The Greater Manchester Strategy, first developed in 2009, describes the aims and objectives for the city region. It sets out an ambition to secure long-term economic growth whilst ensuring that Greater Manchester residents are able to contribute to and share in that prosperity. The objectives of the strategy have been informed by the Manchester Independent Economic Review, an in-depth investigation into the potential of and barriers to the growth of the Greater Manchester economy. The ambition remains the same but the strategy and approach is now being reassessed in light of the economic challenges facing the city region. Consultation is underway on a draft new strategy for Greater Manchester covering 2013 – 2020.

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

Further progress has been secured through the Greater Manchester City Deal announced on 20 March 2012. This has led to a substantial transfer of powers and responsibility from central government, supporting the objectives in the Greater Manchester Strategy of growth and job creation. The deal reflects the maturity of Greater Manchester's civic and business leadership, and sets the framework for a rebalanced relationship with central government.

The Council's aims and objectives

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

This vision is set out in the Manchester Community Strategy. An updated statement regarding how partners in Manchester will work together to achieve this vision in the face of the current economic and financial challenges is set out in the new Strategic Narrative for the City.

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

Growth

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

People

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

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

The Council’s Values

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

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

About Us - The Council Structure

The Council is made up of 96 Councillors and it meets seven times a year. It starts with an annual meeting in May when it appoints a Lord Mayor of Manchester and elects councillors to serve on committees for the year ahead. Full Council meets to debate the budget, constitution and the policy framework. Council also appoints:

- the Executive - the principal decision making body

- Overview and Scrutiny Committees - to monitor decisions taken, hold decision makers to account, review Council policies and make recommendations on future policy options

- Regulatory Committees including:

  - Audit Committee

  - Licensing and Appeals Committee

  - Licensing Policy Committee, and

  - Planning and Highways Committee

- Personnel Committee and Constitutional and Nominations Committee - to consider staffing, constitutional and related matters

- Standards Committee – to promote high standards of conduct by councillors.

Some decisions are delegated to officers (the Council's staff) and details are included in the Scheme of Delegation in the Council's Constitution.

During 2012/13 the Council was structured around four directorates:

- Families, Health and Wellbeing - The directorate delivers the Council's priorities in prevention, promoting independence and wellbeing. The directorate delivers more holistic, joined-up outcomes for vulnerable adults in Manchester. The directorate also works in an integrated fashion with Public Health Manchester to promote health and wellbeing.

- Children and Commissioning – The vision for the directorate is to ensure all children and young people in Manchester are healthy, safe, enjoy and achieve at school so they have the skills, abilities self esteem and positive outlook to get good jobs, make a positive contribution and be successful in adult life.

- Neighbourhoods – The directorate is committed to developing, delivering and commissioning high quality services that best meet the needs of Manchester residents in the most cost effective, efficient and responsive manner. The directorate has a relentless focus on the needs of different neighbourhoods, ensuring the city is clean and safe.

- Corporate Core – The Core directorate provides the leadership, governance and support that enables the organisation to achieve Manchester's ambition to be a world class city, with sustained economic growth and better lives and opportunities for residents.

In 2013/14 the directorates have been restructured so there are now three directorates: The Corporate Core, Growth and Neighbourhoods and Children and Families.

Reforming Public Services

The Council has experienced a significant reduction in resources over the past two financial settlements, first having to make savings of £170million from 2011/12 to 2012/13 followed by a requirement to achieve further savings of £80million by 2014/15. To address these challenges the Council has embarked upon a radical programme of public service reform to ensure that, with the council's partners in the public, private and voluntary sectors, the maximum benefit is obtained from the remaining resources in the city.

In order to achieve the vision for the city, greater emphasis is being placed on treating public spending as an investment and reducing dependency on high-cost services. A series of programmes are being piloted and rigorously tested to understand their ability to reduce dependency on high-cost services and reduce public service expenditure. These include:

- New delivery models for services, such as health visits, immunisations and dental checks, for 0-4 year olds to help them get the best possible start in life and be ready to be happy and successful at school.
- Transforming justice through better, more co-ordinated support for offenders at the points of arrest, sentence and release. This programme focuses on young people (the peak age of offending is 19), women offenders, due to the whole system costs of female custody on families, and domestic violence.
- Integrating Health and Social Care, improving community services and reducing unnecessary hospital admissions particularly amongst older people.
- Encouraging behavioural change, such as citizens taking more responsibility for their own neighbourhoods.
- A whole family approach with "troubled” families, getting the full spectrum of public agencies, national and local, to work together in a co-ordinated way, focussed on the family rather than just their particular service speciality.
- Helping troubled families obtain and sustain employment, working with the NHS to reduce the number of people moving from sick pay to sickness benefits and strengthening the links between schools, training providers and employers.

Case study: Family Intervention Project

Following an extensive history of Children’s Services and multi-agency involvement, Family Y was referred to the Family Intervention Project (FIP) by the allocated social worker.

There are six children, aged 5 to 15, in the family; the father and mother live apart. The eldest child aged 15 is not the biological son of the mother. Three of the children were supposed to be living with father but often all six end up staying in mother’s three-bedroom flat. All six had previously been subject of a Child Protection Order, the primary concern being neglect characterised by inadequate home conditions, poor sleeping arrangements, lack of routines, poor school attendance and lack of boundaries.

In addition, both parents were regular cannabis users. The mother had served a three-year sentence for smuggling controlled drugs into the country and the father was facing eviction by his Registered Social Landlord (RSL) for cultivating cannabis in his property. At least one of the children was thought to be a drug user by smoking cannabis and was suspected of being an occasional dealer when visiting his biological mother outside the Manchester area.

A chaotic home life, overcrowding and a lack of discipline and routine meant the children would often not go to bed until the early hours and, consequently, would fall asleep at school or not attend at all. Difficulties of getting the children up in the morning, coupled with the need to get six children to a number of different schools with different travel arrangements meant that it was logistically impossible for them all to arrive on time. The children were disengaged from school activities and exhibited challenging behaviour. Three of the children had been excluded from mainstream schools, one of them despite being regarded as an A–C student.

A number of the children presented with physical and mental health problems that had not been attended to and none had regular dental check-ups. Avoidable accidents, due to lack of parental supervision, had led to a number of injuries to the children.

The mother had little control over the children, especially the older ones, resulting in constant complaints about their antisocial behaviour: littering communal areas, harassing other tenants, causing damage to the property and starting fires. The mother had been informed that, because of this, her tenancy agreement that was coming to an end would not be renewed. Also, one child had recently been arrested for shoplifting.

The family was in financial crisis. The mother's ability to cope with her situation continued to deteriorate and her situation began to affect her ability to manage everyday tasks. She was also being pressured by the Jobcentre, which expected her to be looking for work. She had little motivation to improve her situation and mentioned wanting to end her life.

Although the family was later referred to the Complex Families Parenting Team (CFPT), their assessment indicated that the mother's situation was too chaotic for her to fully engage with the course.

Interventions have been planned around a multi-agency approach that addresses the family's needs in a holistic and sequential manner. All relevant agencies attended case conferences, core groups and strategy meetings to ensure a multi-agency response to the family's needs. The FIP worker transported the mother to meetings where appropriate. The FIP and other key workers kept in close contact with the family, regularly making planned and unplanned visits, including evenings, early mornings and weekends.

Outcomes:

- Effective, trust-based relationships have improved between the mother and professionals
- A co-ordinated, multi-agency approach to addressing the family's needs is in working progress
- The mother has visited her GP for support in dealing with her emotional wellbeing but needs to be more open about her cannabis use
- The two youngest children's educational needs are now being met more effectively: two of the children now have places at a primary school in the local area; two other children have a Statement of Special Educational Needs, and alternative provisions have been identified at PRUs
- Work is ongoing around helping the family to become more financially stable
- Work is taking place to support the mother in improving her parenting skills
- Mother has found a new tenancy.

Climate Change

The aim for Manchester to be among the world's leading low carbon cities has remained among our priorities over the year. Organisations and individuals across the city have continued to make progress against the city's climate change action plan, expanding the scale of the activity seen in 2011/12, and helping to embed action on climate change in the way the city works, lives, and continues to develop. Work in 2012/13 has also helped to ensure that the scale of this activity will continue to grow in future years, supported by joint-working with Greater Manchester colleagues and Government through the newly established Greater Manchester Low Carbon Hub.

The Government's Green Deal initiative was piloted in Manchester this year, delivering energy efficiency improvements to over 250 properties, in advance of the launch of the Greater Manchester Green Deal Programme in early 2014. Alongside physical improvements to our buildings and infrastructure, 2012/13 has also seen the launch of the Manchester Carbon Literacy project, aiming to equip all residents, workers, and students with the knowledge they need to take action on climate change that will improve their lives, their families' and those of communities across the city and the planet.

As well as major citywide projects and programmes, increasing numbers of organisations are taking responsibility for their environmental impact and action on climate change. Increased numbers of businesses and schools are taking action with support from the Environmental Business Pledge and Eco Schools programmes, helping to not only reduce their carbon footprint, but also to make financial savings that support their successful operations. Record numbers of residents have also used the Greater Manchester Energy Advice Service this year, looking to take action to reduce their energy bills and carbon emissions.

Manchester Schools Flying their Green Flag – Case Study

Eco-Schools are an international awards programme that guides schools in improving their environmental performance. The scheme provides a framework for schools to embed environmental principles into the heart of the school. The programme offers a variety of themes including litter, waste, energy, water, school grounds, biodiversity, healthy living, transport, and global citizenship.

In Manchester, the council supports the programme and encourages all schools and children's centres to take part. Currently in Manchester 83% of state primary and high schools, and academies are registered on the programme and approximately 50,000 pupils in Manchester are engaged in the process. In addition, around two-thirds of the city's children's centres are registered on the programme. There is a growing concern for schools to be more aware of how they operate environmentally as they contribute to 40% of the council's energy bill.

The council offers support and guidance to schools to help improve their environmental performance. Through teacher training to student engagement, working through the

Eco-Schools review and action plan, the council can help to tailor projects and services to support a school through the programme.

Seventeen schools and two children's centres in Manchester have been awarded a Green Flag. This prestigious award recognises a schools commitment and achievement in tackling environmental issues in their schools, reducing their carbon emissions, and changing behaviour of pupils, staff and the wider community to live a low carbon lifestyle.

The programme has developed to incorporate compulsory elements. Schools have to show evidence of an energy project, that they understand carbon emissions and influence others to reducing their carbon foot print. In particular, in 2012 Aspinal Primary School and Heald Place Primary School excelled in learning about energy and were awarded their first Green Flag.

Green Flag schools share their good practice with other schools, and with their local communities and the council, building lasting relationships. They look to work with their local neighbourhood, charities, and local businesses, and welcome others into their school to show the pride and enthusiasm for where they live and study.

The Manchester Carbon Literacy Project aims to provide access to at least one day of training in climate change for all residents, students and workers in the city. Since its launch, 2,500 people and some 85 organisations from across the city have been directly engaged, including Manchester Arndale, the Co-operative Group, Manchester Metropolitan University, The University of Manchester, and several schools. In addition, Manchester City Council will train all staff over a three-year period.

In 2012/13 Manchester businesses reduced their carbon emissions by 2,110 tonnes and saved £470,121 through more efficient use of resources with support from the Environmental Business Pledge. The scheme also helped to safeguard sales of £364,000, demonstrating that the city's businesses are already making a transition into the growing global low carbon economy.

The city's climate change action plan for the period 2010-20, Manchester: A Certain Future (M:ACF), recognises the role that Manchester can play in helping to address climate change, and crucially how the delivery of the plan will benefit Manchester residents and businesses. In the three years since the plan was launched, progress has been made, with local action on climate change moving from being a subject with relatively low public awareness, to becoming an opportunity for positive change that is being embraced by increasing numbers of stakeholders across the city.

In 2013 the M:ACF Steering Group published Manchester: A Certain Future 2013 Update, providing a summary of progress between 2010 and 2012 and the priorities for the next three years to 2015 (www.manchesterclimate.com). Two headline objectives are CO_2 reduction and Culture Change.

Manchester's Risk & Resilience Strategy

We have reorganised the way we deal with the risks that we face in today's uncertain economic climate and reduced central government funding.

Our approach to dealing with emergency planning has also changed with the Association of Greater Manchester Authorities (AGMA) planning and delivering more work across Manchester and our neighbouring councils. For further information about this please see our Risk and Resilience Strategy.

Council Transformation Programme

Ways of working across the Council have been transformed but there is still more to do to complete our transformation programme. Different services are being brought together to work more closely as integrated teams. This means services can be planned and respond more effectively to residents.

Promoting equality and tackling inequality in Manchester

We take our legal responsibilities to tackle inequality seriously not only because it is our duty to do so but also because the success of the City is partly due to the contribution made by people from many different ethnic, cultural, and religious backgrounds, of all ages, abilities and sexual orientation.

We produce a Communities of Interest Report every year which tells of some of the issues that are facing different communities. The Report is used to help us make decisions about the areas we need to focus on. We also carry out equality impact analysis of our decisions to look at what the likely impact might be on different groups of people.

Delivering equality is only possible if we understand what impact our services, policies and functions have on our communities. Under the Public Sector Equality Duty of the Equality Act 2010, public services are required to analyse the impact on equality when exercising its functions. Equality Impact Assessments are conducted on any changes to policy that could have an impact on the community.

Equality Funding Programme Case Study

Last year the Equalities Funding Programme was reviewed to ensure it can support Voluntary and Community Sector organisations to tackle inequalities across the city. Where previously the programme was split into four separate strands, with individual annual funding allocations under BME; LGBT; Disability; and Gender, the programme now consists of a single funding pot that will be spread across the full spectrum of equalities characteristics.

The portfolio of completed applications suggested that the review was successful in broadening the scope of the programme with all protected characteristics represented by at least one application. 'Age', not previously explicitly included in the old four-strand programme, was actually found to be relevant to a considerable portion of the application portfolio.

The programme, running from 2013 – 2016, with a total value of £1.9m, was agreed in April 2013 and consists of 21 organisations being funded for up to 3 years out of a total 78 organisations who submitted an application. The combined amount of funding requested through these 78 applications was in excess of £7m which highlights just how important the Equalities Funding Programme is as a source of support to voluntary and community sector groups who aim to deliver projects that address and tackle inequalities faced by sections of communities in Manchester.

The Criteria for the fund was derived from the Council's Corporate Equality priorities, including strengthening our knowledge, understanding and evidence base; tackling discrimination to narrow the gap and celebrating the diversity of Manchester. In addition, reducing worklessness; raising aspirations; and promoting private sector growth make up the Manchester Boards priorities for the City.

The programme consists of projects such as supporting women into employment; providing advice, training and consultation to LGBT people; supporting integration of individuals and families from refugee communities and; supporting disabled people in developing independent living skills.

Putting the Customer First

The Customer Service Organisation (CSO) comprises the Customer Service Centre (CSC), at the forefront of the new Public Service Hub in the fully refurbished Town Hall Extension, and Contact Manchester, the Council's centralised Corporate Contact Centre based at the refurbished Wenlock Way offices.

The CSC is the Council's customer service operation, handling enquiries from those customers who require face-to-face support and assistance. It was launched in June 2010 with the integration of six counter operations that had formerly operated independently from the Town Hall Extension. The CSC was located on the ground floor at Number One First Street until the end of June 2013. Since 1 July 2013, the CSC has returned to the fully refurbished Town Hall Extension.

Contact Manchester opened in April 2011, bringing together a number of previously disparate telephone operations. This was supported by the Council's new numbering strategy, reducing the number of telephone numbers from approximately 95 to just eight (0161 234 5000–5007). In addition to telephone contacts, it handles online, email and SMS customer enquiries across the majority of the Council's key services.

During 2012/13 additional services have been integrated into the CSO to support the corporate objective of creating a centralised and dedicated customer service 'centre of excellence' function.

Below is a summary of the Contact Centre's performance during 2012-13. For further information see our Corporate Contact Centre Review Report.

Figure 1

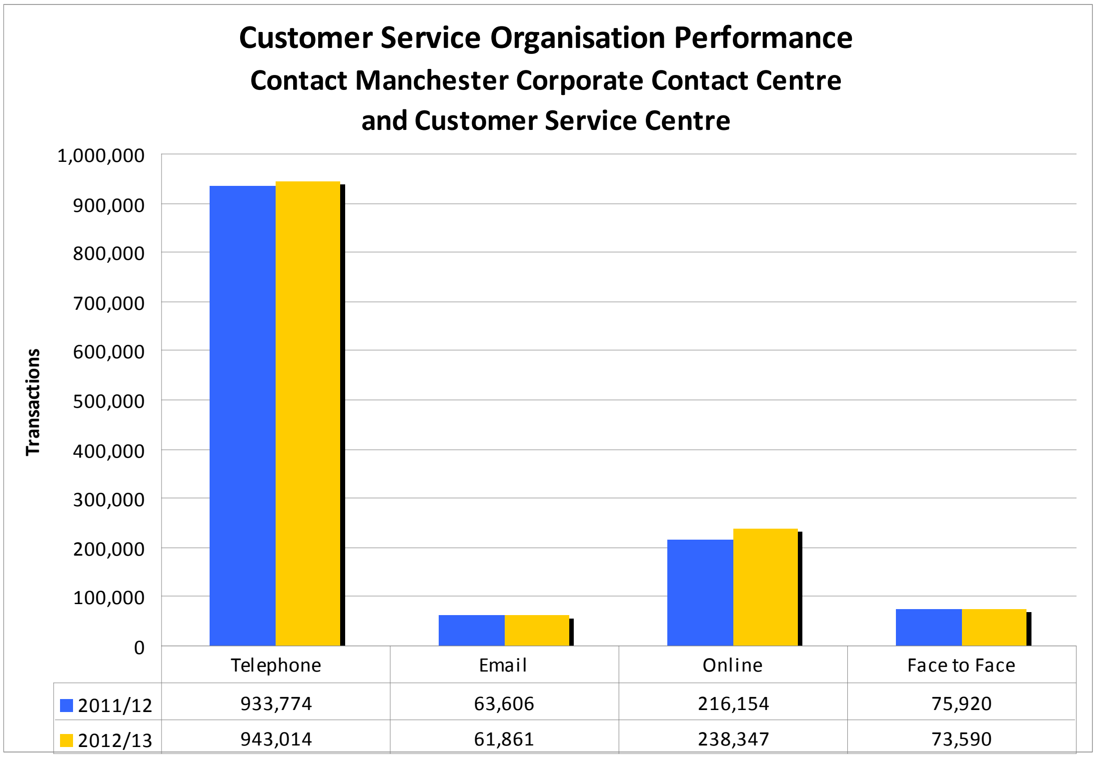


Figure 1 shows that whilst transactions with the Council increased overall by more than 2% from 2011/12 to 2012/13, this was not consistent across the different channels. There was an increase in telephone calls of 1%, when comparing the two years, whereas email volume declined by nearly 3%. The greatest increase was in the online channel, where there was a greater than 10% increase. This is the cheapest transaction for the council to process. The face to face channel is the most expensive way for the council to process transactions. There was a greater than 3% decrease in this way of contacting the council comparing the last two years.

Figure 2

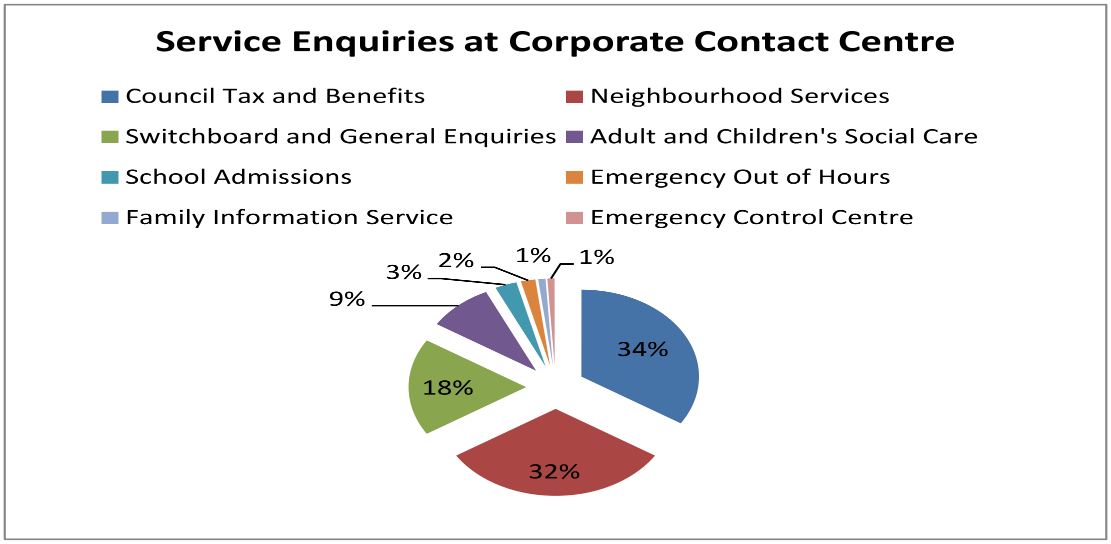


Figure 2 above shows that two thirds of the service enquires at the Corporate Contact Centre, where telephone, email and online form enquires are handled, were for Council Tax and Benefits and Neighbourhood Services. Within Neighbourhood Services, Waste and Recycling requests are consistently the main enquiry.

Figure 3

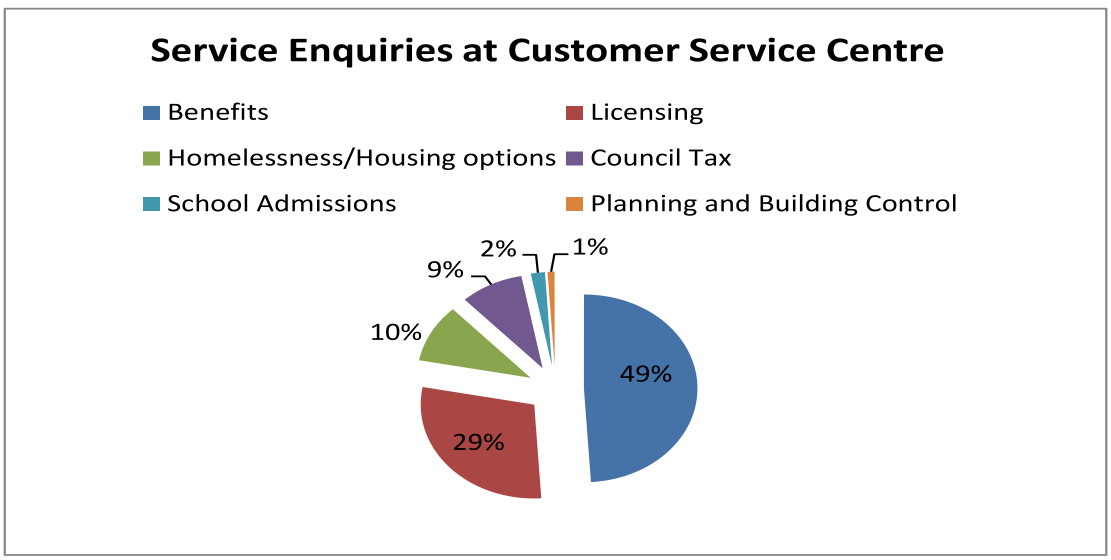


Figure 3 above shows that almost half of the enquiries at the Customer Service Centre, which deals mainly with face to face customers, are related to Benefits. Licensing made up 29% of all the enquires.

How the Council Performed in 2012/13

Value for Money

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

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

In order to obtain the best outcome from each pound spent the Council has:

- Designed and rigorously tested new delivery models for public services designed to support Manchester people away from high-cost public services and towards greater independence. This will realise savings both for the Council and other public services in Manchester.
- Reduced the operational estate from 363,000m^2 at June 2010 to 342,000m^2 at September 2012, reducing costs and emissions.
- Designed ways of working closer with partners, for example sharing premises to deliver services more intelligently and reduce costs.
- Improving the level of information we have regarding the evidence of success from the services we deliver and commission, so we can get maximum use out of the services proven to work best and safely decommission those services that are not having the necessary outcomes and are no longer needed.
- Carried out more of its transactions online, rather than through more costly means such as face-to-face or on the telephone. In the first 9 months of 2012/13 there were 4.16m visits to the website, an increase of 13% from last year.
- Recorded savings in procurement of £41.46m since the Central Procurement Hub was established in 2007/08. In addition to delivering savings the Procurement Group has focused on bringing social, economic and environmental benefits to local communities. This work included opening up procurement opportunities to small businesses through streamlining and simplifying procurement processes. The Department of Communities and Local Government recognised the Council as one of the winners of the ‘Best Councils to do Business with’ competition in 2013.
- Improved the level of intelligence and benchmarking on expenditure to further inform budget decisions.

Effect of the Current Economic Climate

Manchester remains the main driver of growth for Greater Manchester - both in terms of employment and Gross Value Added (GVA) productivity. Whilst the economic downturn has had a considerable impact on all aspects of the local economy, on a macro economic level the city remains relatively well placed to emerge more quickly than many other UK cities.

The 2011-13 Local Government Settlement has undoubtedly placed significant additional pressure on Manchester City Council, particularly on its ability to continue delivering key services to residents and businesses in the city. The Council remains committed to our pre-settlement focus of creating the right conditions for economic growth in the city - promoting private sector investment, creating jobs, reducing worklessness and resident dependency on welfare - the settlement has provided an opportunity to redefine the Council's role in delivering this goal. Increasingly, the Council will move away from the direct provision of many services in the city and towards a strategic commissioning and influencing role; directing services to meet emerging needs and ensuring that delivery by external private/public/third sector partners is of the highest standard.

Our limited resources are therefore being focused on areas of greatest need; providing sufficient resources to safeguard and protect the most vulnerable residents and commissioning activity that is not catered for by some of the Government's flagship welfare to work provision.

What has improved in 2012/13

During this year a strategic narrative has been developed and endorsed to refresh the Community Strategy 2006-2015 and provide a framework for the Budget Setting process. Progress in delivering the Community Strategy continues to be measured through the State of the City indicators and supplemented by other data sets such as the real time economy dashboard. Some of the key achievements in 2012/13 are outlined below.

Economic Growth

In 2011 Manchester's economy, combined with that of the other four Greater Manchester South districts (Trafford, Stockport, Tameside and Salford), generated an economic output (GVA) of £32.51billion – over a quarter of the region's output. This is an increase of 1.5% on the previous year, indicating some recovery from the economic downturn of 2008–10. Measured in terms of GVA per head of resident population, Greater Manchester South outperforms national and regional comparators, rising from £17,065 in 2001 to £22,081 in 2011. During the past decade, Greater Manchester South's share of the region's GVA has risen slightly, from 25.8% to 26.2%, reflecting the area's importance as the hub of economic activity in the North West. However, while the GM South economy performs above average when compared to the other Core Cities, the gap with London continues to widen.

As the region's major employment centre, Manchester has seen employment in the city grow substantially over the past decade, with 309,400 people employed in the city in 2011. The sectors responsible for the largest share of Manchester's employment growth over the past ten years are the financial and professional services sectors, which now account for more than one-fifth (22%) of the city's employees, compared to a national rate of 13%. The challenge for the city is to build on the success of the past decade in the face of very different economic conditions and a much more competitive and challenging global market. Manchester's strength in the financial, professional and scientific sectors suggests that it is well placed to benefit from an upturn in the economy, as these sectors are expected to be some of the key drivers of the recovery.

Increasing the wages of Manchester residents is a priority for the Manchester Partnership. The Partnership recognises the need to address the gap between workplace wages (the wages of those who work in the city but may live anywhere) and resident wages (those who live in the city but may work anywhere). Reflecting the success of the local economy, Manchester has the highest average weekly workplace wage of any of the Core Cities (£433.40). However, it also has the third lowest resident wage (£362.60), resulting in the largest wages gap of any of the Core Cities (£70.80). These figures include the weekly wages of both full and part time workers.

Sustainable Travel: supporting residents into work

The Council works in partnership with others to help workless people into jobs. In a practical way, the Council recognises that transport can be a barrier to gaining and sustaining work. The Wythenshawe Travel Service has over the past 12 months assisted over 900 Wythenshawe residents in accessing employment via help, advice and guidance on bus services and cycling, including tickets for interviews and recycled bikes to reach jobs with a shift pattern. A key part of this service is getting people to access jobs in areas they previously considered inaccessible to them. We are now looking to expand this successful scheme to other communities in the city.

Better Transport: connecting communities to opportunities

There are a range of initiatives that have been completed during 2012/13 that have been designed to better connect Manchester residents to work opportunities. These are detailed below:

- Improved cycling infrastructure through the Local Sustainable Transport Fund, Cycling Safety Fund and Connecting Places Fund. This includes improved, secure cycle parking and changing facilities in Manchester City Centre; more cycle lanes and "toucan" crossings of the inner ring road; upgrading cycle paths; free cycle training for all Manchester residents; support for businesses to encourage more people to cycle; and safer junctions for cyclists
- Improved facilities for bus passengers through the Better Bus Area Fund and working with Transport for Greater Manchester (TfGM) and bus operators to secure more improvements through the proposal to become a "Better Bus Area"
- Opening of more Metrolink lines to East Didsbury and Rochdale; more double trams serving Manchester in the peak periods; the construction of Queens Road stop
- Road safety improvements: There were 1,133 road traffic collisions (RTCs) in Manchester during 2012. Between April 2012 and March 2013 168 people were either killed or seriously injured (KSI) as a result of such collisions. The KSI figure provides an important measure for determining the progress made in making our roads and communities safer. KSI casualties fell by 13.8% from 195 in 2011/12 to 168 in the latest 12 months ending March 2013.

Improving Education: equipping our young people for their futures

As regards education, for Key Stage 2 the difference between the percentage of pupils achieving Level 4 and above in English and Maths in Manchester and the England average has improved to 1% from 3% in 2011 highlighted in the table below.

Key Stage 2 attainment trend

		Results				
		2008	2009	2010	2011	2012
Manchester	% L4+ in English	75	75	75	78	84
	% L4+ in Maths	75	76	78	78	84
	% L4+ in English and Maths	68	68	69	71	78
National	% L4+ in English	81	80	80	82	85
	% L4+ in Maths	79	79	79	80	84
	% L4+ in English and Maths	73	72	73	74	79

The percentage of pupils making the expected level of progress (two or more levels) from Key Stage 1 to 2 in English and Maths are higher in Manchester than they are nationally. The 2012 GCSE results for Manchester schools show increases across the board; the percentage of pupils gaining 5 or more A*-C grades including A*-C grades in GCSE English and Maths in Manchester has improved to 53.2% this year, compared to 51.8% in 2011. The Manchester average is still below the England average but the difference between the Manchester and England averages has improved from 7.1% in 2011 to 6.2% in 2012. These improvements are encouraging and will help Manchester pupils access some of the opportunities offered by the city's economy. Further work to strengthen the link between education and the skills required by Manchester employers will ensure that the city and Manchester pupils benefit fully from this success.

Improving Place: Creating and Maintaining Safe and Clean Neighbourhoods

The continued success of Manchester depends on the ability to develop and maintain successful, diverse, safe and clean neighbourhoods. The Council and its partners have been focusing on getting the basics right: keeping streets clean, tackling crime and providing an efficient and effective waste and recycling service.

Over recent years the respondents to Manchester's residents' surveys have expressed increased satisfaction with their local area as a place to live, and overall there has been a significant improvement in respondents' satisfaction since 2000/01. In the telephone survey this year, 77% of respondents were satisfied with their local area as a place to live, which is the same as 2011/12.

The Council is committed to increasing the amount of waste recycled by providing services that meet the needs of residents. Following the successful implementation of prioritised recycling collections in June and July 2011, recycling has increased significantly and 2012/13 was the first full year of this being implemented. Each household has produced 31.65kg less waste in 2012/13 compared to 2011/12. This is a 6% reduction in household waste produced. Garden and food waste increased from 23,341 tonnes in 2011/12 to 24,664 tonnes in 2012/13 – an increase of 6% or 6.6kg per household.

The city has made further progress in reducing crime and protecting people. Manchester's 2012/13 target for a reduction in victim-based crime (including violence against the person, sexual offences, stealing and criminal damage and arson) was to reduce it by 5% by April 2013. The Partnership has been successful in reducing victim-based crime by almost 9% over the past year, and by over 18% since 2010/11, which equates to over 10,000 fewer victims of victim-based crime since 2010/11.

Just over 35 million visits were made to Manchester City Council's cultural and recreational facilities in 2012/13. The number of visits to libraries saw a decrease of 14.7% in 2012/13 compared with 2011/12, while visits to galleries increased by 8.8%, with visits to leisure facilities increasing slightly by 1.3%. The number of visits to cultural and recreational facilities increased slightly in 2012/13 compared with the previous year. This includes visits to the Council's cultural and recreational facilities, the MEN Arena, Manchester City Football Club, and other cultural venues. The Council continues to promote and encourage participation from schools and other educational establishments in its recreational and leisure facilities. In 2012/13 there were 317,328 participants from schools, a 5.3% increase on the previous year (301,084). This is in line with the increase in overall visits to facilities. Libraries saw an increase of 68.5% in participants from this group, while in Galleries the number fell by just over one-third compared to the previous year.

People Focused Service Reform: Changing the way Council Services are Delivered.

The Council and its partners have been designing radically different ways of delivering public services through Public Service Reform. This has changed the focus on public services from helping people to helping people to be able to help themselves. By working this way public services will aim to encourage resilience and independence and reduce the reliance on the most high-cost public services. There is still much work to do but already there have been some successes:

- **Reducing persistent absence from school** - In 2011/12 attendance in Manchester primary and secondary schools increased from 2010/11 and is now slightly better than the England average. This is a considerable difference from the position five years ago when attendance in Manchester primary schools was over one percentage point lower than the national average. In Manchester secondary schools attendance continues to improve, but is still below the national average. The difference between the Manchester average and the England average has improved from Manchester being 3.2 percentage points below the England average in 2007/08 to being 0.8 percentage points below in 2011/12.
- **Reducing offending and re-offending by young people** – this is critical to ambitions to support independence and resilience and reduce the pressure on prisons and the probation service. The number of offences leading to a sentence for

young people has reduced by 27.6% in 2012/13 compared to 2011/12. This equates to 528 fewer offences committed by Manchester young people.

- **Supporting healthy, independent lives** – The key measure of longer, healthier lives is life expectancy. Reducing the gap between male and female life expectancy at birth in Manchester compared to England overall remains one of the Manchester Partnership's main objectives. The most recent data shows that life expectancy at birth for females has increased from 76.9 years in 1995–97 to 79.1 years in 2008–10, while life expectancy at birth for men has increased from 70.1 years in 1995–97 to 74.1 years in 2008–10. The Council and Manchester's Clinical Commissioning Groups have a strategy to support people where possible into independence. For some people this may be supporting them back into work and independence, for other people this may be supporting people to remain safe in their homes rather than being admitted to residential or nursing care.
- **Safely reducing the number of children in care** - The Council is constantly looking to improve outcomes for children in its care but it is still the case that children in care generally have worse outcomes than those who are not. Children should be discharged from care or adopted as soon as possible once it has been established as being in the best interest of the child. The total number of Manchester Looked after Children at the end of March 2013 was 1,304, a slight decrease compared to the previous year (1,310).
- **Getting more young children (0-4s) well equipped for school** - The first few years of life are crucial for a child's development. The percentage of pupils that achieved a good level of attainment in the Early Years Foundation Stage (EYFS) Profile increased from 54.4% in 2011 to 58% in 2012, but this is still well below the England average of 64% in 2012. Good attainment in the EYFS indicates the child is ready for school and significantly less likely to be dependant on public services later on in life. It is a strategic ambition for the city to improve this score by providing universal early years support to ensure children get off to a good start in life.

Low Carbon Technology

Indirect emissions from the Council's highways are being reduced by a programme of replacing street lighting with low-energy LEDs, including street lights, bollards, and signs:

- Over the last year, LED apparatus has been installed in all bollards, refuge beacons, belisha beacons and 65% of all illuminated traffic signs which should save around 280 tonnes of CO_2 and around £51,000 annually. Completion of LED installations on all illuminated traffic signs is expected over the next 12 months with savings of £13,000 pa. and 70 tonnes of CO_2 expected.

- During 2012/13, the Environmental Business Pledge scheme saved 2,110 tonnes of CO_2 and £470,121 for Manchester businesses. In addition, the Pledge safeguarded sales amounting to £364,000. As a direct result of the success of the scheme, the Pledge has been widened out to other Greater Manchester Local Authorities creating wider economic and social benefits for businesses and residents across Greater Manchester.

Summary of the Annual Accounts 2012/13

Introduction

In line with the Council's commitment to transparency and accountability to its stakeholders, we have produced a summary of the Council's Annual Statement of Accounts for 2012/13. This summary has been produced in a simpler format than the full Annual Statement of Accounts which is required to comply with proper accounting practice. The Summary Accounts attempt to provide more meaningful information and highlight key financial information relating to the Council to non-technical users.

Where the money was spent in 2012/13

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

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 finally deciding on the priorities and setting the budget in March.

2012/13 has been a challenging financial year in which the council has achieved £61m of savings on top of £109m in 2011/12 following the reduced financial settlement from central government.

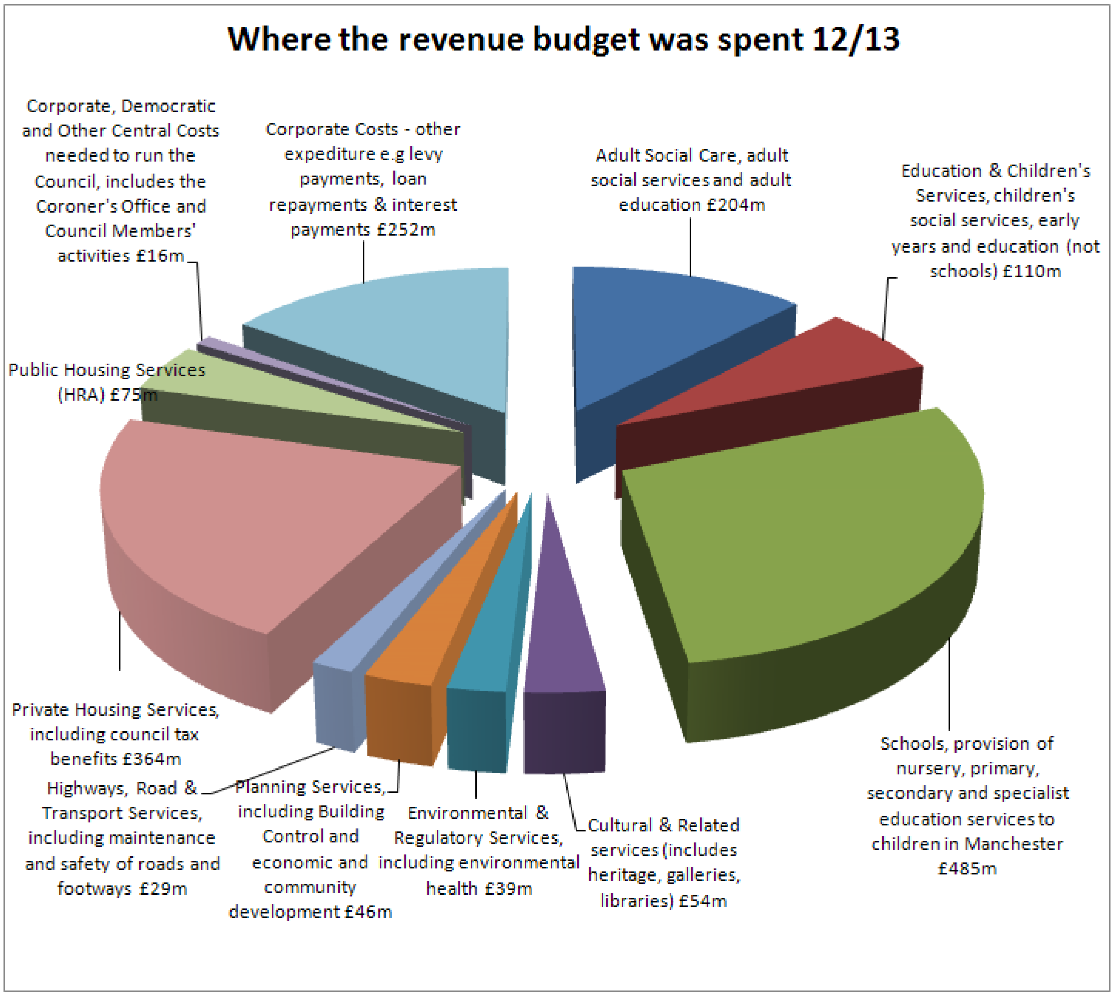
The following table below the change in budget between 2011/12 and 2012/13.

	2011-12	Spend Pressures and Other Adjustments	Savings	**2012-13**
Departmental Requirements:				
Children's Services	158,627	3,397	-21,917	140,107
Core Services	64,514	2,877	-5,002	62,389
Adults Services	166,226	7,373	-16,122	157,477
Neighbourhood Services	81,461	933	-12,941	69,453
	470,828	14,580	-55,982	429,426
Budgets to be allocated	2,906	2,277		5,183
Cross Cutting Savings	-2,463		-4,256	-6,719
Corporate Requirements:				
Levies	60,007	4,334		64,341
Capital Financing Costs	48,564	3,455		52,019
Contingency	1,113	196		1,309
	580,955	24,842	-60,238	545,559

Overall we spent £1,676 million (gross) which represented £3,328.69 per resident[1]. The chart on the adjacent page, figure 4, shows where our revenue money was spent in 2012/13 analysed across the main service divisions, which are different from how the Council is structured. The Council is required to report on these categories to ensure consistent accounting treatment and comparability with other local authorities. These figures exclude costs, such as depreciation, that do not have to be funded by council tax or housing rents. However, these costs are included in the full accounts which are appended to this report.

[1] Resident numbers based on ONS mid year estimates 2011

Figure 4



Where the money came from in 2012/13

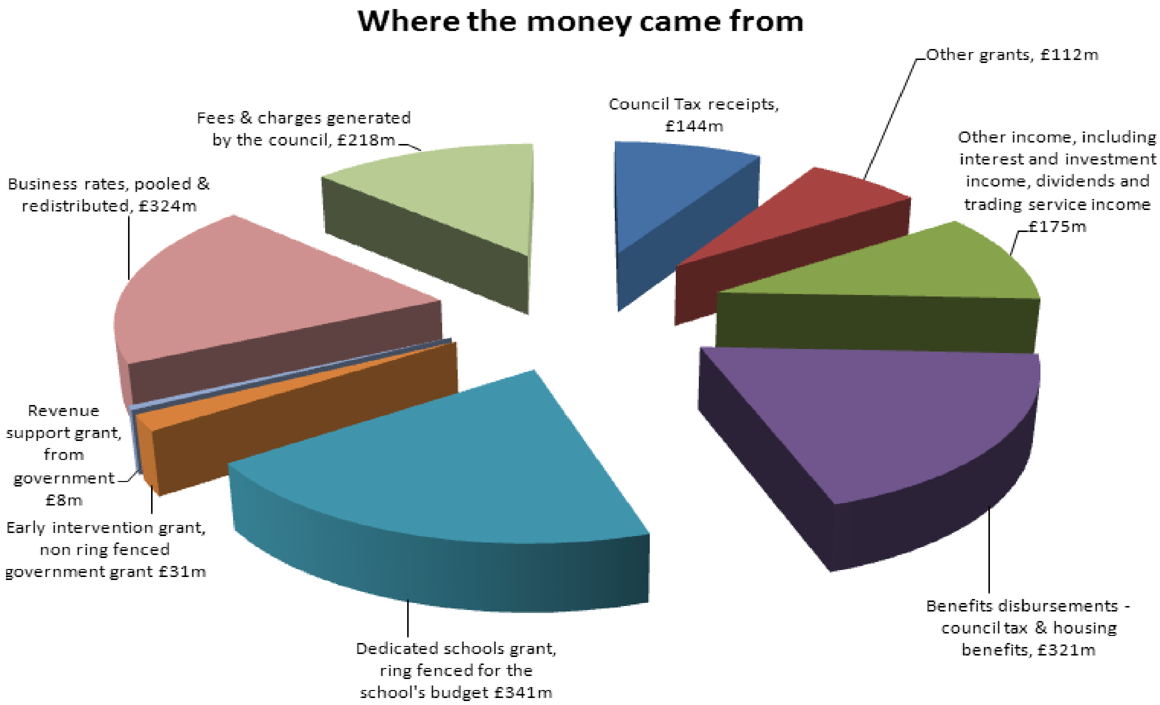
The funding we receive is used to provide effective, high-quality services for our residents.

In 2012/13 the majority of our income (60%) came from government including an allocation of business rates which are pooled nationally before being redistributed on a formula basis to Local Authorities. The remainder of our funding came from council tax, fees and charges and other income such as dividends and interest.

The City Council did not increase its council tax in 2012/13 from the previous year, or the year before that. We set the second lowest council tax in Greater Manchester. Our average Band D council tax was £1,130.01, rising to £1,326.99 when the precepts were added for the Police Service and Fire Service.

The chart below, figure 5, shows how we funded our spending of £1,676 million in 2012/13 analysed across the different types of income received during the year.

Figure 5



Cost of Council Services

The Income and Expenditure Account below shows the cost of running Council services between 1 April 2012 and 31 March 2013 and how this has been funded.

General Fund Services	Gross Expenditure	Gross Income	Net Expenditure
	£000s	£000s	£000s
Adult Social Care	204,078	(39,676)	164,402
Central Services to the Public (cost of elections, registration of births, deaths and marriages and council tax collection)	16,024	(8,729)	7,295
Children's and Education Services	595,413	(440,438)	154,975
Cultural Services	53,598	(12,388)	41,210
Environmental Services	38,695	(11,161)	27,534
Planning Services	46,118	(16,071)	30,047
Highways, Road and Transport Services	32,512	(23,019)	9,493

Housing Services including Benefits	364,236	(344,808)	19,428
Net Cost of Services	**1,350,674**	**(896,290)**	**454,384**
Other Operating Expenditure Including Levies	51,733	735	52,468
Financing and Investment Income and Expenditure	117,016	(49,393)	67,623
Contributions to / (from) Reserves	84,967	(102,192)	(17,225)
Amount to be met from Government Grants and Local Taxation			557,250
Financed By:			
Council Tax			144,170
Council Share of Non-Domestic Rates			324,129
General Government Grants and Other Income			88,951
Total General Income			557,250

Financial Position

The Balance Sheet below shows the Council's financial position at the 31 March 2013, 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	385,485	Borrowing	507,685
Other Land and Buildings	896,307	Provisions for Future Liabilities	20,263
Heritage Assets	422,968	Liability for Pension Scheme	802,400
Investment Properties	363,945	Capital Grants Received in Advance	11,112
Other Assets	782,875	Money Owed by the Council	324,372
Investments	131,949		
Money Owed to the Council	244,317		
Total	3,227,846	Total	1,665,832
		Net Worth of the Council	1,562,014

Cost of Council Housing Services

The Housing Revenue Account (HRA) below shows the income and expenditure relating to the 16,960 council houses owned by the Council between 1 April 2012 and 31 March 2013. It is a legal requirement that the Council accounts for this income and expenditure separately from that of other services it provides.

Housing Revenue Account	**£000s**
Income	
Rents	59,842
Charges for Services and Facilities	3,451
Contributions towards expenditure on services provided by the Council on behalf of others.	8,562
Other income	2,673
	74,528
Expenditure	
Repair and Maintenance	26,852
Supervision and Management	17,546
Net Interest Paid	9,584
Other Expenditure	1,084
Transfer to General Fund Reserve	15,000
	70,066
Total Surplus for the Year	4,462
Housing Revenue Account Surplus at 31 March 2012	**56,539**
Housing Revenue Account Surplus at 31 March 2013	61,001

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

The Council owned the following properties at 31 March 2013:

Property type	
Houses and Bungalows	9,692
Flats	7,186
Others	82
Total	**16,960**

Capital Expenditure

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

Capital Expenditure	**£000s**
Council Dwellings	19,288
Other Land and Buildings	27,232
Vehicles, Plant and Equipment	8,383
Infrastructure (e.g. Roads, Street Furniture)	23,149
Community Assets	46
Assets Under Construction	60,514
Surplus Assets	14,643
Capital Expenditure not Relating to Council Assets	22,262
Assets Held for Sale	275
Investment Properties	2,009
Long Term Loans	4,887
	182,688

This has been spent within the following services areas:

Capital Expenditure	**£000s**
Neighbourhood Services	3,412
Private Sector Housing	12,052
Public Sector Housing	19,498
Families Health and Wellbeing	344
Children and Commissioning	47,151
Corporate Services	64,181
Regeneration and Transport	36,050
	182,688

The following table explains the adjustments required to the Net Cost of Services as reported in the Summary Accounts compared to the Council’s Comprehensive Income and Expenditure Account as reported in the full Statement of Accounts.

	Gross Expenditure £000s	Gross Income £000s
Net Cost of Services per Summary Accounts	**1,350,674**	**(896,291)**
Take out items shown as "other operating expenditure" within CIES	(12,960)	(34)
Add Housing Revenue Account figures	73,927	(92,835)
Add Capital Charges e.g. depreciation	134,353	(4,093)
Pension Adjustments	(6,101)	0
Additional Interest Charges	(4,019)	0
Net Cost of Services per Comprehensive Income and Expenditure Statement	**1,535,874**	**(993,253)**

We aim to be responsive and accountable to the residents of Manchester. Please contact Financial Accountancy if you wish to make any comments on this summary of accounts.

Write to us at:

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Sources of further information

This section will provide the reader with hyperlinks to the key strategies and documents that drive the Council's business and set out our aspirations and vision for the future. These strategies and documents are also referenced in our Corporate Plan 2011-14.

- Annual Governance Statement
- Annual Statement of Accounts
- Greater Manchester Strategy
- Manchester Community Strategy
- Children and Young People's Plan
- Crime and Disorder Strategy
- Manchester Climate Change Action Plan
- Neighbourhood Focus Strategy
- New Economy

- Strategic Regeneration Frameworks
- The People Strategy
- Value for Money Strategy

Contact Us

If you have any general questions or wish to comment on the Annual Report, please contact us:

Write to us at:

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Annual Statement of Accounts 2012/13

Explanatory Foreword to the Annual Accounts by the City Treasurer

Financial Summary 2012/13

The Council had a net revenue budget of £545,581,000 in 2012/13 to fund its services. This budget was net of savings of £61m required in 2012/13 on top of £109m of savings in 2011/12 following the reduced financial settlement.

The table below shows the outturn position compared to the latest revenue budget taking into account all the budget adjustments made during the financial year. The revised budget showed a call on general reserves of £0.874m. At the end of the year the budget was underspent across all budgets by £0.422m or 0.1%, resulting in a revised call on general reserves of £0.452m. The General Fund Reserve is now at £41.010m following the transfer of £15m from the Housing Revenue Account Reserve.

The main reasons for the underspend are set out in the following table.

	Variance to revised budget
	£000
Available Resources	**(1,245)**
Planned use of Resources	
Service Requirements:	
Adult Services	(460)
Children's Services	(163)
Corporate Core	(2,024)
Neighbourhood Services	94
Manchester Investment Fund Spend	84
Total Service Requirements	**(2,469)**
Corporate and Cross Cutting Issues:	
Levies	(72)
Capital financing Costs	(26)
Cross Cutting Savings	16
Adjustments to Provisions and Reserves	3,374
Cost of 2013 Time Limited Voluntary Early Retirement /Voluntary Severance Scheme	11,809
Use of Transformation Reserve	(11,809)
TOTAL CORPORATE AND CROSS CUTTING	**3,292**
Underspend	**(422)**

The above table shows that available resources are £1.245m higher than budgeted due to the Academies Transfer Funding refund which has been confirmed at £2.109m and additional Early Intervention Grant of £173,000 partly offset by lower then forecast dividends received of £1.037m.

Expenditure for service requirements was broadly in line with the revised budget. The Corporate Core underspent by £2.024m, largely due to an underspend on revenues and benefits following an assessment of the required provision for bad debts relating to benefit overpayments and additional external income for various services together with underspends on the regeneration budget.

The council has to make sure it has made adequate provision for all known future liabilities. Provisions are made when it is probable, but not certain, that expenditure will be incurred relating to a past event. Adjustments have had to be made to a number of provisions including those for miscellaneous bad debts and compensation payments. Reserves are held where there is a likely future liability but the amount cannot be accurately quantified. Again the council has assessed its position and increased the contribution to specific earmarked reserves by £4m to meet potential liabilities.

Due to the need to deliver significant budget savings the Council implemented a voluntary severance and early retirement scheme to achieve the staffing reductions required. The costs of the scheme which have been accounted for in 2012/13 are £11.809m. The costs have been met from the Transformation reserve which was established for this purpose.

The Housing Revenue Account (HRA), which contains the costs of owning and maintaining properties which are let to tenants and income from renting Council houses to tenants, is shown separately from the general fund revenue budget position. The final outturn position for the HRA is an overall surplus of £4.462m in 2012/13, after the transfer of HRA reserves of £15m to the general fund, against a budgeted surplus position of £11.501m.

Collection of rental income was £2m better than budgeted, capital financing costs showed a reduction of £3.5m against budget and housing supervision and management costs a £1.4m reduction.

More detail on the Council’s Revenue budget and Outturn position can be found on the Council’s website www.manchester.gov.uk.

Capital Expenditure

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

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

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

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

The Capital Strategy embraces processes that:

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

The Council continues, with its partners locally, sub-regionally and regionally and with the government, to try to give individuals, communities and businesses the best possible support through the economic downturn, ensuring we are in a good position to take advantage of the recovery when it happens. Flexibility needs to be retained within the Capital Strategy to enable the council to continue to pro-actively respond to pressures including the risk that private sector building activity remains slow.

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

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

Housing, Regeneration and Economic Growth
Public Sector Housing Programme
Private Housing Assistance Programme
Brunswick PFI
Co-Op Regeneration Project
Collyhurst and Irk Valley Regeneration Programme
West Gorton Regeneration Programme
First Street Cultural Facility
Beswick Community Hub
Manchester's Digital Sector Programme

Education and Schools
Basic Need (additional places) Programme
Schools Maintenance Programme
Building Schools for the Future (ICT)

Universal Services
Highways Planned Maintenance Programme
Waste – Weekly Collection Support Scheme
Libraries and Leisure Centres
Alexandra Park Restoration Programme

Corporate Core
Asset Management Programme
ICT Investment Programme
Town Hall Complex Transformation Programme
Strategic Acquisitions

The Council spent £182,688,000 in 2012/13, which is summarised in the following table. More details can be found in Note 30 to the Core Financial Statements.

	2011/12	**2012/13**
	£m	**£m**
Non-current Assets (Property, Plant and Equipment and investment Properties)	163	156
Revenue Expenditure funded from Capital under Statute	34	22
Long-term Debtors	1	5
Total	198	183

The spend in 2012/13 was against the forecasted programme of £204m equating to 90% delivery.

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

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

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

	Outturn (31-Mar-2013) £000	**Previous Forecast (31-Dec-2012) £000**	**Variation £000**
Housing (HRA)	19,498	23,551	(4,053)
Housing (General Fund)	12,052	13,963	(1,911)
Adult Services	344	0	344
Children’s Services	23,945	26,182	(2,237)
Children’s Services (Building Schools for the Future)	23,206	20,378	2,828
Corporate Services	59,268	70,739	(11,471)
ICT	4,914	5,251	(337)

	Outturn (31-Mar-2013) £000	**Previous Forecast (31-Dec-2012) £000**	**Variation £000**
Regeneration	17,672	24,381	(6,709)
Highway Services	18,378	13,965	4,413
Neighbourhood Services	3,411	5,695	(2,284)
Total	182,688	204,105	(21,417)

Expenditure on capital schemes in 2012/13 was £21.417m less than the previous estimate reported to the Executive. In summary this reduction in spend is mainly due to the following:

- Housing (HRA) is largely due to savings on Higher Blackley external works and re-phasing of works in Collyhurst plus works no longer going ahead following the transfer of housing stock.
- Housing (General Fund) is mainly due to the re-profiling of the Redrow Homes scheme in Moston into future years.
- Children's Services is mainly due to savings on the Primary School New Build programme, the Basic Need programme to establish additional primary places in the City and on the Schools Capital Maintenance Programme.
- Corporate Services is largely due to the re-phasing of schemes relating to the Asset Management Programme, strategic acquisitions and the Town Hall Complex programme.
- Regeneration is mainly due to the rephrasing of the acquisition of One Central Park and the design phase of Beswick Community Hub plus cost savings on the BMX building.
- Neighbourhood Services is largely due to the re-phasing of the waste scheme to support weekly collections plus a number of other schemes including Harpurhey reservoir regeneration and the First Street Cultural Facility.

These underspends are partly offset by overspends which are mainly due to the following:

- Building Schools for the Future due to the acceleration of work on the Creative and Media Academy and Abraham Moss High School.
- Highway Services due to an amended profile of spend for work on the Ringway Road Highways Improvements scheme.

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

The financing of this expenditure was by the following methods:

	2011/12	**2012/13**
	£m	**£m**
Internal Borrowing	22	80
Government Grants	109	28
External Contributions	2	21
Capital Receipts	44	9
Major Repairs Allowance	7	14
Revenue Contributions	14	31
Total	198	183

Borrowing in 2012/13 mainly relates to expenditure on schools and the town hall extension project.

<u>Introduction to Manchester City Council's Annual Accounts</u>

The annual statement of accounts has been prepared in accordance with the 2012/13 Code of Practice on Local Authority Accounting (The Code) and International Financial Reporting Standards (IFRS). Changes in accounting requirements over the past several years have led to an increase in complexity of the accounts and the level of detail they contain.

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

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

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

The core financial statements are:

The Movement in Reserves Statement (MIRS)

The Comprehensive Income and Expenditure Statement (CIES)

The Balance Sheet

The Cash Flow Statement

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

The main statements are followed by three further sections:

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

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

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

These are followed by notes explaining these statements.

Accounting Policies

The way the accounts are presented is governed by the accounting policies that the Council has to follow. The accounting practice governing local authority accounts has undergone major changes over the last few years in order to bring public sector accounting in line with that of the private sector. The most significant change was the move to accounting in accordance with International Financial Reporting Standards (IFRS) in 2010/11.

There were two further changes in 2011/12. These related to accounting for Heritage Assets and the Carbon Reduction Commitment. There have been no changes in accounting policies in 2012/13.

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

The Financial Statements

The Council's Movement in Reserves Statement

This shows the movement in the Council's reserves from 31 March 2011 to 31 March 2013. 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).

The Council's Comprehensive Income and Expenditure Statement

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

The statement is broken down into three sections –

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

The first section of the Comprehensive Income and Expenditure Statement shows the cost of the Council's services to give a total of Net Cost of Services. This includes accounting adjustments for items such as depreciation that would be a significant cost in a commercial organisation but which do not need to be funded by Council Tax. The Net Cost of Services totals £542,621,000.

The second section contains corporate items such as the loss on the disposal of non-current assets, levies paid and payments made in relation to the pooling of HRA capital receipts. This is called Operating Expenditure and totals £95,054,000.

The third section contains Council wide items such as interest paid and received (net cost totalling £10,482,000) plus general income due to the Council from either Council taxpayers, the share of National Non Domestic Rates (NNDR) and general government grants including grants to fund capital expenditure (totalling £613,612,000).

These three sections are totalled to produce an overall deficit on the provision of services (£34,545,000). It should be noted that this is not a real deficit as it is the financial reporting deficit that includes the technical accounting adjustments that are not met by Council Tax.

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

The Movement in Reserves Statement adjusts the notional deficit to reflect any accounting entries that do not impact on the level of Council tax or housing rents.

	£000
Deficit in year in the Comprehensive Income and Expenditure Statement	34, 545
Items that do not affect Council tax or housing rents	(34,093)
Contribution from general fund reserve	**452**
Budgeted contribution from general reserves	874
(Underspend) against the budget	**(422)**

Therefore the Council made a surplus of £422,000 against planned expenditure.

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

The details of this underspend are shown in the financial summary section of the foreword.

Included within the Comprehensive Income and Expenditure Statement are the following significant items:

Housing Revenue Account (HRA)

From 1 April 2012 a new financing regime for the HRA was introduced which fundamentally changed how local authority housing is funded. The housing subsidy system has been abolished and replaced by a new self financing system. Under self-financing the Council retains all the housing rental income and has responsibility for financing the management and maintenance of the stock. The new self-financing system was created by a once and for all debt settlement on 28 March 2012 between Central Government and Local Authorities based on the level of debt that was deemed affordable from within the retained housing rental income. The required accounting entries for the debt settlement were made in 2011/12 and as a result of the settlement a surplus of £226,688,000 relating to the HRA was shown in the 2011/12 Comprehensive Income and Expenditure Statement within net cost of services. It is for this reason that the variation between 2011/12 and 2012/13 for HRA activities appears so significant.

The HRA Income and Expenditure Statement follows the same format as the Comprehensive Income and Expenditure Statement. The table below shows how the surplus in the HRA reconciles to the movement in HRA reserves.

	2011/12 £000	**2012/13 £000**
Surplus in year in the HRA Income and Expenditure Statement (including net cost of services and HRA share of operating income and expenditure)	282,661	17,067
Items that do not affect housing rents	277,895	(12,605)
Contribution to HRA reserves	**4,766**	**4,462**

Voluntary Early Retirements and Voluntary Severance Costs

Within the Council's net cost of service expenditure are capital costs of pension payments and severance costs incurred on the Voluntary Early Retirement (VER) and Voluntary Severance (VS) scheme. This was offered to non-schools based staff during 2012/13 in response to the need to reduce the Council's expenditure by £80m in 2014/15 following the Financial Settlement published in December 2012. Where VER and VS was approved and accepted, but not paid, before 31 March 2013 the costs are included as a creditor in the balance sheet. Where VER and VS was approved before 31 March 2013 but accepted after that date the costs are included as a provision in the balance sheet. The total expenditure for voluntary early retirements and voluntary severance costs in 2012/13 is £11,809,000. The VER and VS costs have been funded from the transformation reserve. Fifty seven staff shown in the disclosure of staff receiving remuneration in excess of £50,000 are those who have received or accepted severance packages before 31 March 2013 as the cost of severance pay is considered as part of remuneration received. The exit packages disclosure note in the accounts (note 17) shows the number and cost of exit packages (including both VER and VS) agreed, but not necessarily paid or accepted, by 31 March 2013.

The Council's Balance Sheet

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

The net worth (total reserves) of the Council is £1,562,014,000. This is split between usable reserves (£355,319,000) and unusable reserves (£1,206,695,000).

Included within the usable reserves section are reserves that are held to fund capital expenditure (£89,415,000) and revenue grants and contributions that have been received in advance of the expenditure being incurred (£19,212,000). This leaves a balance of other reserves to be used for revenue purposes of £246,692,000.

The major reserves within this figure are the HRA reserve £61,001,000 (£34,000,000 is earmarked for future PFI payments and other potential liabilities), capital fund reserve £37,605,000 (to fund revenue contributions to major capital schemes), general fund reserve £41,010,000, Local Management of Schools (LMS) reserve £29,873,000 (for schools use only) and the insurance reserve £18,358,000 (to meet self-insured risks). Whilst these are classed as usable reserves all but the general reserve are earmarked for specific expenditure or risks.

Included within the unusable reserves section is the minus pensions reserve totalling £802,400,000. This matches the pension liability in the balance sheet as measured under International Accounting Standard (IAS) 19.

The purpose of IAS19 is to facilitate comparison of the pension obligations of employers. The IAS19 calculations are carried out using a prescribed method. As the method and assumptions underlying the IAS19 calculations are different to the formal triennial valuations, IAS19 calculations will produce different results. In particular, the calculated deficit is likely to be different from that published in the triennial valuation. IAS19 valuations have no effect on the level of contributions that need to be paid into the fund. The contribution rates are set by the triennial actuarial valuation. The full calculated IAS19 deficit is shown in the accounts. In a normal funding valuation, however, the 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 decreased by £151,719,000 during 2012/13. Within this usable reserves have increased by £20,277,000 and unusable reserves reduced by £171,996,000. The reduction in unusable reserves is mainly as a result of the increase in the IAS19 valuation of the pension liability of £155,100,000.The decrease in the net worth is matched by a reduction in value of net assets of the Council of £151,719,000.

The increase in the pension (IAS19) liability is mainly due to the reduction in the discount rate used to calculate the liability. The rate used in 2011/12 was 4.8% and has reduced to 4.5% in 2012/13. This reduction is due to falling bond yields.

Borrowing Limit

In 2012/13 the Council had an authorised limit for borrowing of £823,000,000 that compares to the actual level of debt outstanding at 31 March 2013 of £507,685,000. The reason for the variance between the authorised limit and debt outstanding at 31 March 2013 is that due to positive cash flows the Council did not need to undertake the budgeted level of borrowing during the financial year.

The debt outstanding is made up of the following figures:

	2011/12 £000s	**2012/13 £000s**
Long-term Borrowing	492,815	482,298
Short-term Borrowing	10,250	25,387
Total	**503,065**	**507,685**

During the year the amount of borrowing outstanding increased by £4,620,000.

The Council’s Treasury Management Strategy is to use cash backed reserves in lieu of external borrowing. This is due to historic low investment rates not providing the Council with value on its investments when compared to using cash instead of borrowing, as borrowing rates are substantially higher than investment returns. As a result of this strategy investments made for less than three months, including call accounts, (shown in note 50 to the core financial statements) have reduced by £34,109,000 during 2012/13.

The Council's Cash Flow Statement

This shows the reasons for the change in cash, cash equivalents (investments made for a period of less than three months) and the bank overdraft during the year.

Major Acquisitions and Disposals

The Council's major acquisitions and disposals during 2012/13 are as follows.

During 2012/13 the Council acquired the ownership of Grey Mare Lane Police Station and associated land for £1,128,000, Albert Shed (near Spinningfields) for £2,096,000 and various plots in Collyhurst for £1,414,000.

Major disposals in 2012/13 included schools which transferred to academy status. Their value upon disposal was £32,394,000. Almost all of the remaining Bowes Street redevelopment properties were also disposed of at a value of £1,725,000.

Private Finance Initiatives (PFI)

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

As at 31 March 2013, the Housing Energy Services Contract, Temple School, Plymouth Grove Housing, Miles Platting Housing, Public Lighting and Wright Robinson Sports College schemes were ongoing. The Housing schemes are funded by both PFI grant and the housing revenue account. The schools schemes are funded by both PFI grant and the Dedicated Schools Grant (DSG). The street lighting scheme is funded by both PFI grant and Council resources. Further details on these schemes are shown in note 8.

Private Public Partnership (PPP) Schemes

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

- Manchester Working – during 2006/07 the Council established a partnership arrangement with Morrison PLC for the provision of building maintenance services for the Council and Northwards Housing.
- Indoor Leisure PPP – the Council has established a trust, which has contracted with Serco Ltd for renovation, maintenance and management of some indoor leisure facilities.
- 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.

Post Balance Sheet Events

Public Health

The Health and Social Care Act 2012 transfers substantial health improvement duties to councils from 1 April 2013. Councils have been given a ring-fenced public health grant, which takes into account estimates of baseline spending, including from the Primary Care Trust (PCT) recurrent resources and non-recurrent resources, such as the pooled treatment budget and drugs intervention programme, and a fair shares formula based on the recommendations of the Advisory Committee for Resource Allocation. Manchester's share of the grant for 2013/14 is £40,105,000.

Local Government Resource Review

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

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

At 1 April 2013 a provision will be made in the Collection Fund for the estimated effect of outstanding appeals against rateable values. The Council estimated that a provision of £55,237,000 for outstanding appeals against rateable values would be required. The Council's share of these potential losses is 49%, with the balance being Central Government (50%) and the Greater Manchester Fire and Rescue Authority (1%). This amounts to a potential loss to the Council of £27,066,000.

Schools transferring to Academies

Five schools have transferred from Council control to Academy status since 31 March 2013. As a result of this known reclassification the value of these schools has been removed from the Council's balance sheet as at 31 March 2013. As a result, of the de-recognition of these schools from the balance sheet, impairment of £24,890,000 has been charged in the Consolidated Income and Expenditure Statement.

Further details of these post balance sheet events are shown in note 54 to the financial statements.

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

The Council's Group Accounts

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

Subsidiaries are defined as organisations where the Council exercises control and gains benefits or has exposure to risks from this control. Those subsidiaries considered to be material are Destination Manchester Ltd, Northwards Housing Ltd, Manchester Mortgage Corporation plc and One Education Ltd.

Associates are defined as organisations where the Council exercises a significant influence and has a participating interest. Those associates considered to be material are National Car Parks Manchester Ltd and Manchester Working Ltd.

Joint Ventures are defined as organisations where the Council and another party exercise joint control with decisions relating to the organisation requiring unanimous consent of the parties sharing control.

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

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

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

Manchester Airport Holdings Ltd (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.

The land and building assets of the Destination Manchester Group (DMG), which is a subsidiary within the Council group, are shown at cost. These are included in DMG's accounts at cost less accumulated depreciation and impairment.

Due to the cost required to undertake these valuations it has not been possible to update the value of the land and buildings relating to MAHL and DMG in the Council's group accounts. All other accounting policies within the group have been aligned to those of the Council.

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

Further Information

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

Financial Accountancy

Corporate Services Department

Town Hall

Manchester

M60 2LA

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

Local electors and taxpayers have a statutory right to inspect the Council's Annual Statement of Accounts and all related books, deeds, contracts, bills, vouchers and receipts before the annual accounts audit has been completed, giving an opportunity to question the auditor. The availability of the Annual Statement of Accounts for inspection was advertised in the Manchester Evening News on 27 June and on the Council's website. The Council also publishes its future spending plans in its Medium Term Financial Plan, which is available on the Council's website.

The Statement of Responsibilities for the Annual Statement of Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the City Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

The City Treasurer's Responsibilities

The City Treasurer is responsible for the preparation of the Council's 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 with the exception of alignment of the accounting policy for land and buildings in the group accounts.

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 as at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

R. Paver
City Treasurer
28 June 2013

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at the meeting held on 26 September 2013.

Signed on behalf of Manchester City Council

Councillor John Flanagan
Chair of meeting approving the accounts
26 September 2013

Movement in Reserves Statement

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

	Note	General Fund Balance £000s	Earmarked GF Reserves £000s	Housing Revenue Account £000s	Earmarked HRA Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Major Repairs Reserve £000s	Total Usable Reserves £000s
Balance at 1 April 2011		(21,660)	(160,072)	(2,981)	(48,792)	(27,372)	(72,119)	(780)	(333,776)
(Surplus) / deficit on provision of services		99,257	0	(282,661)	0	0	0	0	(183,404)
Other comprehensive income and expenditure									
(Surplus) on revaluation of non-current assets	43	0	0	0	0	0	0	0	0
Deficit on revaluation of available for sale financial assets	43	0	0	0	0	0	0	0	0
Actuarial loss on pension assets/liabilities	45	0	0	0	0	0	0	0	0
Total comprehensive income and expenditure		99,257	0	(282,661)	0	0	0	0	(183,404)
Reversal of items debited or credited to the comprehensive income and expenditure statement	6	(217,307)	0	277,728	0	(50,973)	39,644	(3,270)	45,822
Insertion of items not debited or credited to the comprehensive income and expenditure statement	6	88,290	5,006	146	0	776	0	0	94,218
Other adjustments	6	(103)	0	0	0	43,484	0	0	43,381
Total adjustments between accounting basis and funding basis under regulations		(129,120)	5,006	277,874	0	(6,713)	39,644	(3,270)	183,421
Net (increase) / decrease before transfers to earmarked reserves		(29,863)	5,006	(4,787)	0	(6,713)	39,644	(3,270)	17
Transfers (to) / from earmarked reserves		25,061	(26,365)	5,801	(5,780)	0	0	0	(1,283)
(Increase) / decrease in year		(4,802)	(21,359)	1,014	(5,780)	(6,713)	39,644	(3,270)	(1,266)
Balance at 31 March 2012		(26,462)	(181,431)	(1,967)	(54,572)	(34,085)	(32,475)	(4,050)	(335,042)
Movement in reserves during 2012/13									
(Surplus) / deficit on provision of services		51,612	0	(17,067)	0	0	0	0	34,545
Other comprehensive income and expenditure									
(Surplus) on revaluation of non-current assets	43	0	0	0	0	0	0	0	0
(Surplus) on revaluation of available for sale financial assets	43	0	0	0	0	0	0	0	0
Actuarial loss on pension assets/liabilities	45	0	0	0	0	0	0	0	0
Total comprehensive income and expenditure		51,612	0	(17,067)	0	0	0	0	34,545
Reversal of items debited or credited to the comprehensive income and expenditure statement	6	(140,846)	0	(1,439)	0	(13,704)	(11,411)	(4,043)	(171,443)
Insertion of items not debited or credited to the comprehensive income and expenditure statement	6	87,653	19,462	(956)	0	1,328	0	0	107,487
Other adjustments	6	(207)	0	0	0	9,025	0	0	8,818
Total adjustments between accounting basis and funding basis under regulations		(53,400)	19,462	(2,395)	0	(3,351)	(11,411)	(4,043)	(55,138)
Net (increase) / decrease before transfers to earmarked reserves		(1,788)	19,462	(19,462)	0	(3,351)	(11,411)	(4,043)	(20,593)
Transfers (to) / from earmarked reserves		(12,760)	(1,924)	(5,572)	20,572	0	0	0	316
(Increase) / decrease in year		(14,548)	17,538	(25,034)	20,572	(3,351)	(11,411)	(4,043)	(20,277)
Balance at 31 March 2013		(41,010)	(163,893)	(27,001)	(34,000)	(37,436)	(43,886)	(8,093)	(355,319)

	Revaluation Reserve £000s	Available for sale Financial Instruments £000s	Pensions Reserve £000s	Capital Adjustment Account £000s	Deferred Capital Receipts £000s	Financial Instruments Adjustment Account £000s	Collection Fund Adjustment Account £000s	Short term Compensated Absences £000s	Total Unusable Reserves £000s	Total Council Reserves £000s
Balance at 1 April 2011	(697,294)	(1,686)	367,900	(1,139,994)	(589)	6,948	(3,853)	6,126	(1,462,442)	(1,796,218)
(Surplus) / deficit on provision of services	0	0	0	0	0	0	0	0	0	(183,404)
Other comprehensive income and expenditure										
(Surplus) on revaluation of non-current assets	(5,605)	0	0	0	0	0	0	0	(5,605)	(5,605)
Deficit on revaluation of available for sale financial assets	0	155	0	0	0	(61)	0	0	94	94
Actuarial loss on pension assets/liabilities	0	0	271,400	0	0	0	0	0	271,400	271,400
Total comprehensive income and expenditure	(5,605)	155	271,400	0	0	(61)	0	0	265,889	82,485
Reversal of items debited or credited to the comprehensive income and expenditure statement	0	0	60,100	(105,385)	0	(114)	(423)	0	(45,822)	0
Insertion of items not debited or credited to the comprehensive income and expenditure statement	0	0	(52,100)	(42,905)	0	787	0	0	(94,218)	0
Other adjustments	8,917	0	0	(51,446)	(852)	0	0	0	(43,381)	0
Total adjustments between accounting basis and funding basis under regulations	8,917	0	8,000	(199,736)	(852)	673	(423)	0	(183,421)	0
Net (increase) / decrease before transfers to earmarked reserves	3,312	155	279,400	(199,736)	(852)	612	(423)	0	82,468	82,485
Transfers (to) / from earmarked reserves	0	0	0	0	0	0	0	1,283	1,283	0
(Increase) / decrease in year	3,312	155	279,400	(199,736)	(852)	612	(423)	1,283	83,751	82,485
Balance at 31 March 2012	(693,982)	(1,531)	647,300	(1,339,730)	(1,441)	7,560	(4,276)	7,409	(1,378,691)	(1,713,733)
Movement in reserves during 2012/13										
(Surplus) / deficit on provision of services	0	0	0	0	0	0	0	0	0	34,545
Other comprehensive income and expenditure										
(Surplus) on revaluation of non-current assets	(26,548)	0	0	0	0	0	0	0	(26,548)	(26,548)
(Surplus) on revaluation of available for sale financial assets	0	(196)	0	0	0	(82)	0	0	(278)	(278)
Actuarial loss on pension assets/liabilities	0	0	144,000	0	0	0	0	0	144,000	144,000
Total comprehensive income and expenditure	(26,548)	(196)	144,000	0	0	(82)	0	0	117,174	151,719
Reversal of items debited or credited to the comprehensive income and expenditure statement	0	0	59,900	115,378	0	(4,345)	510	0	171,443	0
Insertion of items not debited or credited to the comprehensive income and expenditure statement	0	0	(48,800)	(59,460)	0	773	0	0	(107,487)	0
Other adjustments	21,404	0	0	(30,378)	156	0	0	0	(8,818)	0
Total adjustments between accounting basis and funding basis under regulations	21,404	0	11,100	25,540	156	(3,572)	510	0	55,138	0
Net (increase) / decrease before transfers to earmarked reserves	(5,144)	(196)	155,100	25,540	156	(3,654)	510	0	172,312	151,719
Transfers (to) / from earmarked reserves	0	0	0	0	0	0	0	(316)	(316)	0
(Increase) / decrease in year	(5,144)	(196)	155,100	25,540	156	(3,654)	510	(316)	171,996	151,719
Balance at 31 March 2013	(699,126)	(1,727)	802,400	(1,314,190)	(1,285)	3,906	(3,766)	7,093	(1,206,695)	(1,562,014)

Comprehensive Income and Expenditure Statement

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

2011/12 Gross Expenditure £000s	2011/12 Gross Income £000s	2011/12 Net Expenditure £000s		Notes	2012/13 Gross Expenditure £000s	2012/13 Gross Income £000s	2012/13 Net Expenditure £000s
			Continuing operations				
212,074	39,898	172,176	Adult social care		209,068	39,676	169,392
11,649	8,499	3,150	Central services to the public		16,365	8,729	7,636
695,347	434,916	260,431	Education and children's services		662,471	440,439	222,032
67,309	12,638	54,671	Cultural and related services		61,065	12,388	48,677
40,401	8,047	32,354	Environmental and regulatory services		40,608	11,161	29,447
47,509	17,554	29,955	Planning services		52,872	16,520	36,352
35,053	24,069	10,984	Highways and transport services		40,801	23,019	17,782
369,224	337,470	31,754	Housing services		363,015	348,452	14,563
152,546	84,958	67,588	Housing Revenue Account		73,824	92,835	(19,011)
0	294,276	(294,276)	Housing Revenue Account - Repayment of Debt		0	0	0
8,960	1,136	7,824	Corporate and democratic core		7,066	34	7,032
44,297	15	44,282	Non-distributed costs*		8,719	0	8,719
1,684,369	**1,263,476**	**420,893**	**Net cost of services**		**1,535,874**	**993,253**	**542,621**
			Other operating expenditure				
35,939	26,088	9,851	Loss on disposal of non-current assets	20	32,394	3,361	29,033
58,235	0	58,235	Levies not included in net cost of services		64,693	0	64,693
776	0	776	Payments to government housing capital receipts pool	42	1,328	0	1,328
94,950	**26,088**	**68,862**	**Total other operating expenditure**		**98,415**	**3,361**	**95,054**
225,226	247,487	(22,261)	Financing and investment income and expenditure	12	191,367	180,885	10,482
0	650,898	(650,898)	Taxation and non-specific grant income	13	0	613,612	(613,612)
2,004,545	**2,187,949**	**(183,404)**	**(Surplus) / deficit on provision of services**		**1,825,656**	**1,791,111**	**34,545**
		(5,605)	(Surplus) on revaluation of non-current assets	43			(26,548)
		94	(Surplus) / deficit on revaluation of available for sale financial assets	43			(278)
		271,400	Actuarial losses on pension assets / liabilities	45			144,000
		82,485	**Total comprehensive income and expenditure**				**151,719**

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

Richard Paver
City Treasurer

28 June 2013

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 2012 £000s		Note	31 March 2013 £000s	
	Non-current assets			
2,058,789	Property, plant and equipment	19	2,047,881	
391,289	Heritage assets	22	422,968	
364,653	Investment properties	29	363,945	
1,444	Intangible non-current assets	26	1,190	
129,559	Long-term investments in subsidiaries, associates and joint ventures	32	129,641	
2,621	Other long-term investments	32	2,308	
118,005	Long-term debtors	34	130,538	
3,066,360	**Total non-current assets**			**3,098,471**
	Current assets			
850	Inventories and long term contracts	33	547	
106,825	Short-term debtors	34	113,779	
43,476	Cash and cash equivalents	50	9,301	
6,138	Short-term assets held for sale	24	5,748	
157,289	**Total current assets**			**129,375**
3,223,649	**Total assets**			**3,227,846**
	Current liabilities			
(10,250)	Short-term borrowing	41	(25,387)	
(14,983)	Bank overdraft	50	(14,547)	
(128,162)	Short-term creditors	35	(135,064)	
(11,449)	Short-term provisions	39	(15,517)	
(8,740)	Short-term deferred liabilities	37	(7,911)	
(173,584)	**Total current liabilities**			**(198,426)**
3,050,065	**Total assets less current liabilities**			**3,029,420**
	Long-term liabilities			
(2,049)	Long-term creditors	35	(2,357)	
(10,429)	Long-term provisions	39	(4,746)	
(492,815)	Long-term borrowing	36 & 41	(482,298)	
(172,723)	Long-term deferred liabilities	37	(164,493)	
(11,016)	Capital grants receipts in advance	38	(11,112)	
(647,300)	Pensions liability	45	(802,400)	
(1,336,332)	**Total long-term liabilities**			**(1,467,406)**
1,713,733	**Net assets**			**1,562,014**
	Financed by:			
335,042	Usable reserves	42		355,319
1,378,691	Unusable reserves	43		1,206,695
1,713,733	**Total reserves**			**1,562,014**

Richard

Richard Paver
City Treasurer

28 June 2013

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from the operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2011/12 £000s		Note	2012/13 £000s
(183,404)	Net (surplus) / deficit on the provision of services		34,545
42,417	Adjustments to net surplus or deficit on the provision of services for non-cash movements	51	(170,311)
97,820	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	52	69,813
(43,167)	**Net cash flows from operating activities**	53	**(65,953)**
52,278	Investing activities	54	80,088
28,159	Financing Activities	55	19,604
37,270	**Net decrease in cash and cash equivalents**		**33,739**
65,763	Cash and cash equivalents at the beginning of the reporting period		28,493
28,493	**Cash and cash equivalents at the end of the reporting period**	50	**(5,246)**

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Note 1. Accounting Concepts and Policies

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year end 31 March 2013. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (The Code) and the Service Reporting Code of Practice 2012/13 (SERCOP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003.

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

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

1.1 Qualitative Characteristics of Financial Statements

1.1.1 Relevance

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

1.1.2 Materiality

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

1.1.3 Faithful Representation

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

1.1.4 Comparability

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

1.1.5 Verifiability

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

1.1.6 Timeliness

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

1.1.7 Understandability

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

1.2. Underlying Assumptions

1.2.1 Accruals Basis

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

1.2.2 Going Concern

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

1.2.3 Primacy of Legislation Requirements

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

- Capital receipts from the disposal of property, plant and equipment are treated in accordance with the provisions of the Local Government Act 2003.
- The Local Government Act 2003 requires the Council to set aside a minimum revenue provision.
- The Collection Fund account reflects the statutory requirement of the Local Government Finance Act 1988 (as amended by the 1992 Act).
- The Housing Revenue Account is compiled following proper practice as defined by the Local Government and Housing Act 1989 and section 21 of the 2003 Act.

1.3. Accounting Policies

1.3.1 Property, Plant and Equipment (PPE)

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

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

Capital expenditure is initially added to the value of an asset but if this expenditure is not considered to increase the value of the asset it is classed as impairment. Fees, expenditure below £10,000 and 65% of the value of expenditure on council dwellings have been classed as impairment. This percentage is the amount by which the open market value of council dwellings is reduced to give a balance sheet value of 35% (known as the social housing discount). This percentage is determined by the Department for Communities and Local Government (CLG). In addition all property, plant and equipment, where expenditure in excess of £500,000 has been incurred during 2012/13, has been considered by the Council’s Valuers who have quantified the amount of impairment.

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

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

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

Community assets and infrastructure are valued at depreciated historical cost.

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

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

Council dwellings are revalued annually. Other revaluations of property are planned at five yearly intervals unless there has been a material change in the value. Valuations are undertaken during the year with a valuation date of 1 April 2012. Any material change that occurs after the valuation date is taken account of in the balance sheet value.

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

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

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

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

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

In considering assets for potential componentisation the Council has included all general fund buildings with a carrying value of more than £2m. Within each building the Council has set the threshold for recognition of components as 20% of the cost of the building. The following components have been valued separately in council dwellings – main building, roof, windows, external doors, kitchens, bathrooms, heating and electrical systems.

1.3.2 Depreciation on Property, Plant and Equipment

Depreciation has been calculated using a straight-line method (i.e. apportioned equally over each year of the life of the asset) for all assets unless that depreciation is immaterial. The estimated useful life of each property is determined by a qualified valuer. Land and assets not yet available for use (assets under construction) are not depreciated. Each component of property, plant and equipment that is considered to be significant in relation to the total cost of the asset is depreciated separately. 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). The Item 8 determination requires that depreciation is charged in accordance with proper practices to the HRA.

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

1.3.3 Derecognition of Property, Plant and Equipment

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

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

When an asset is disposed of the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Sale proceeds from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal.
Any revaluation gains on the Revaluation Reserve, for assets disposed of or decommissioned, are transferred to the Capital Adjustment Account.

Income from asset disposals in excess of £10,000 is classed as capital receipts. Capital receipts from Right to Buy (RTB) sales of council dwellings are pooled between the Council and central government. The net RTB receipts received (after reduction of regional transaction costs and allowable debt) are split based on a share ratio provided by central government. If the government share of capital receipts, as calculated by the Office of Budget Responsibility, is exceeded the Council retains the remainder of the receipts to be used for the provision of new homes. If these receipts are not used within three years they must be returned to the government (with interest at 4% above base rate). Non-RTB receipts are exempt from the capital pooling rules.

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

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

1.3.4 Private Finance Initiatives (PFIs) and Similar Contracts

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

The original recognition of these assets was matched by the recognition of a deferred liability for amounts due to the operator to pay for the assets. For some PFI schemes the liability was written down by an initial capital contribution. This capital contribution was either in the form of a cash contribution or assets transferred to the contractor.

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

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

- Value of the service received (including facilities management) during the year - debited to the relevant service line in the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Contingent rents (the increase in the amount payable to the operator due to an indexation factor in the contract) - debited to the relevant service line in the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

- Interest cost based on the outstanding deferred liability - debited to the Financing and Investment Income and Expenditure line in the Surplus / Deficit on the Provision of Services.
- Payment towards liability - debited to the deferred liability on the Balance Sheet thus reducing the liability. For non-HRA contracts this reduction in the charge in the Surplus / Deficit on the Provision of Services is replaced by an equivalent amount of Minimum Revenue Provision (MRP) in the Movement in Reserves Statement. For HRA contracts this reduction in unitary charge is reversed in the Movement in Reserves Statement to the Capital Adjustment Account.
- Lifecycle replacement costs - 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 PFI related payments are shown within the Taxation and Non-specific Grant Income line in the Comprehensive Income and Expenditure Statement.

1.3.5 Heritage Assets

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

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

Heritage assets are shown in the Balance Sheet at market value where this is available. For those assets where no market value is available the insurance valuation is used. Depreciation is not provided for as these assets are considered to have infinite lives.

Any impairment is recognised and measured in accordance with the Council’s general policies on impairment (policy 1.3.9). The proceeds of any disposals are accounted for in accordance with the Council’s general provisions relating to the derecognition of property, plant and equipment (policy 1.3.3).

1.3.6 Investment Properties

Investment Properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to provide services by the Council.

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

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

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

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

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

1.3.7 Schools

The Council has assessed the legal framework underlying each type of school. The Council controls the management and running of community and voluntary controlled schools and therefore the land and buildings of those schools are shown on the Council's balance sheet. The land and buildings of voluntary aided and foundation schools are owned and controlled by the trustees of the schools or the foundation body and are therefore not shown on the balance sheet of the Council. CIPFA are currently considering the treatment of schools in local government accounts and this may be amended in a future Code of Practice on Local Authority Accounting.

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

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

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

Individual schools' balances at 31 March 2013 are included in the balance sheet of the Council as any unspent delegated schools budgets remain the property of the Council.

PFI Schemes

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

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

1.3.8 Intangible Assets

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

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

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

1.3.9 Impairment

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

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

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

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

1.3.10 Provision for Redemption of Debt

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

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

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

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

MRP is provided for non-HRA PFI related assets on the Council’s Balance Sheet. This equates to the amount of unitary charge charged against the deferred liability on the Balance Sheet.
MRP is provided for assets held under finance leases (including embedded leases) where the Council is the lessee. This equates to the amount of the lease payment charged against the deferred liability on the Balance Sheet.

There is no MRP charge to the HRA.

1.3.11 Revenue Expenditure Funded From Capital under Statute

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. These are generally grants and expenditure on property not owned by the Council. Expenditure is charged to the Surplus / Deficit on the Provision of Services as it is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

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

1.3.12 Non-Current Assets held for Sale

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

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

If assets no longer meet the classification as assets held for sale they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classed as held for sale) or their recoverable amount at the date of the decision not to sell.

1.3.13 Accruals of Income and Expenditure

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

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

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

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

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

1.3.14 Inventories and Long-Term Contracts

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

Long-term contracts are accounted for on the basis of charging the Surplus / Deficit on the Provision of Services with the value of the works or services provided under the contract during the financial year.

1.3.15 Cash and Cash Equivalents

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

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

1.3.16 Provisions

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

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

Contributions to provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation based on the best estimate of the likely settlement. When payments are made they are charged to the provision. Estimated settlements are reviewed at the end of each financial year and where it becomes likely that a transfer of economic benefits will not be required the contribution to the provision is reversed and credited back to the service line.

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

1.3.17 Government Grants and Contributions

Government grants and contributions are not credited to the Comprehensive Income and Expenditure Statement unless there is reasonable assurance that the conditions relating to the grant or contribution will be complied with and the grant or contribution will be received. 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 and PFI Grants). When the expenditure relating to specific grants 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

Where there is reasonable assurance that the conditions relating to the grant or contribution will be met, capital grants and contributions are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. 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)

Where there is reasonable assurance that the conditions relating to the grant or contribution will be met these grants and contributions are credited to the relevant service line in the Comprehensive Income and Expenditure Statement. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the Capital Grants Unapplied Reserve via the Movement in Reserves Statement. The amount of the grant or contribution that has been used to finance expenditure is transferred to the Capital Adjustment Account via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account when they have been applied to fund expenditure.

1.3.18 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year. The reserve is then appropriated back into the Movement in Reserves Statement so that there is no net charge for the expenditure on the General Fund balance.
Certain reserves are kept to manage the accounting treatment for Property, Plant and Equipment and retirement benefits and do not represent usable resources for the Council. These are shown as unusable reserves in the Movement in Reserves Statement and Balance Sheet.

1.3.19 Revenue Recognition

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

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

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

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

1.3.20 Overheads and Support Services

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

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

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

1.3.21 VAT

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

1.3.22 Leases

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

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

<u>Finance Leases</u>

<u>Lessee</u>

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

Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the deferred liability and a finance charge which is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

These property, plant and equipment recognised are subject to depreciation. The MRP on these assets equates to the amount of the lease payment that is applied to write down the deferred liability.

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

Operating Leases

Lessee

Leasing payments for operating leases are charged to revenue on a straight-line basis over the term of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease) and are shown within service expenditure in the Comprehensive Income and Expenditure Statement.

Lessor

Rental income from operating leases is recognised on a straight-line basis over the period of the lease even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease) and is shown in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Assets held for use as operating leases are recorded as assets in the Council’s Balance Sheet.

1.3.23 Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave, flexi time leave and paid sick leave for current employees. They are recognised as an expense for services in the year in which employees undertake the service for the Council. An accrual is made for the cost of holiday entitlement (including flexi time leave), earned by employees but not taken before the year end, which employees can carry forward into the next financial year. The accrual is made at the wages and salary rates applicable in the following financial year, being the period on which the employee takes the benefit and includes employer national insurance and pension contributions.

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

1.3.24 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary severance and are shown on an accruals basis in the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of the officer, or group of officers, or making an offer to encourage voluntary severance.

1.3.25 Post Employment Benefits

a. Teachers' Pension Scheme

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

b. 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 amount chargeable to the General Fund and HRA for providing pensions to employees is the amount payable by the Council to the pension fund. Where this amount does not match the amount charged to the Comprehensive Income and Expenditure Statement for the year (i.e. the amount of pension earned by employees) the difference is taken to the Pensions Reserve. This item is shown as a reconciling item within the Movement in Reserves Statement.

The following amounts are charged to the Comprehensive Income and Expenditure Statement:

The current service cost (the increase in the liability as a result of pension earned by Council employees in the year) is charged to the net cost of services.

Past services costs (the increase in the liability arising from current year decisions whose effect relate to years of service earned in earlier years) are shown as non-distributed costs (costs that are not attributable to a particular service) within the net cost of services as are 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).

The net of interest cost (the expected increase in the present value of liabilities during the year as they move one year closer to being paid) and the expected return on assets (the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return) are included within Financing and Investment Income and Expenditure.

Unfunded benefits (such as the award of additional years of service) are accrued for in the pension liability.

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 the actuaries have updated their assumptions) are recognised within Total Comprehensive Income and Expenditure.

Financial Instruments

1.3.26 Financial Assets

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

a. Loans and Receivables

Loans and receivables are initially measured at fair value and 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. The amount of interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year 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). The amount of interest forgone is charged to the Comprehensive Income and Expenditure Statement (debited to the appropriate service line) and the outstanding principal is reduced on the Balance Sheet. This represents the present value of the interest that will be foregone over the life of the loan agreement. Statutory provisions require that the impact of the soft loans on the General Fund balance is the interest receivable in the year, so the amount of foregone interest charged is managed by a transfer from the Financial Instruments Adjustment Account to the Movement in Reserves Statement.

b. Available for Sale Assets

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

Instruments that have a quoted market price are shown at market price.

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

1.3.27 Embedded Derivatives

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

1.3.28 Financial Liabilities

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

Charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. (The effective interest rate is the rate that exactly discounts estimated future 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 and the amount charged in the Comprehensive Income and Expenditure Statement is the effective interest rate for the life of the loan rather than the amount payable per the loan agreement.

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

Where premiums and discounts (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 reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement.

Following the HRA debt settlement the outstanding HRA share of premiums and discounts has been written off to the HRA.

1.3.29 Carbon Reduction Commitment (CRC) Allowances

The Council is required to participate in the CRC Energy Efficiency Scheme. The scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a creditor and an expense are recognised. The creditor will be discharged by surrendering allowances. The creditor is measured at the best estimate of the expenditure required to meet the obligation, at the current market price of the number of allowances required to meet the liability at the balance sheet date. The cost to the Council is recognised and reported within the Council's net cost of services and is charged to services on the basis of energy consumption.

1.3.30 Contingent Assets and Liabilities

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

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

1.3.31 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period.

1.3.32 Exceptional Items

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

1.3.33 Events after the Balance Sheet Date

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

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

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

1.3.34 Interests in Companies and Other Entities

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

1.3.35 Local Taxation

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

The Council collects National Non-Domestic Rates on behalf of the government. This activity is treated as an agency arrangement and therefore not included within the main financial statements.

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

Note 2. Critical Accounting Judgements

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

2.1 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 £114,075,000 (£115,553,000 in 2011/12) 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 couldn't be clearly separated the relevant costs were obtained from the models and a margin was applied to the costs to provide an amount for the service costs. The margin used was based on advice received from expert external advisors. The service element of the unitary charge is inflated annually by an agreed indicator (e.g. RPI) as per the contract.

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

2.2 Classification of Leases

The Council has undertaken an analysis to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and assets valued at £1,656,000 (£2,780,000 in 2011/12) are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

2.3 Arrangements Containing a Lease

The Council is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific underlying assets and which therefore are considered to contain a lease. The accounting treatment for leases has been applied to these arrangements to determine whether the lease contained within them is a finance or an operating lease and as a result assets valued at £2,688,000 (£3,683,000 in 2011/12) are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

2.4 Investment Properties

The Council has reviewed all assets in accordance with the accounting policy for investment properties and as a result assets valued at £363,945,000 in 2012/13 (£364,653,000 in 2011/12) are classified as Investment Properties.

2.5 Valuation of Property Plant and Equipment

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

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

All assets, with the exception of those valued at depreciated historical cost, are revalued as part of a five year rolling programme. Accordingly, at least 20% of the above valuations have been reviewed by Jacobs and District Valuers, external valuers commissioned by the Council and M. Robertson RICS, valuer employed by the Council. All assets reviewed had a valuation date of 1 April 2012.

Material changes after the valuation date have been accounted for.

2.6 Valuation of Heritage Assets

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

The Code states that valuation of heritage assets may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers. The Council has therefore chosen to use market valuation, where this is available. Where a market valuation is not available insurance valuation has been used. As a result assets valued at £422,968,000 in 2012/13 (£391,289,000 in 2011/12) have been classed as Heritage Assets.

2.7 Schools Property, Plant and Equipment

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

2.8 Municipal Mutual Insurance (MMI)

In January 1994, the Council's then insurer, Municipal Mutual Insurance (MMI), made a Scheme of Arrangement with its creditors. Under this scheme claims were initially paid out in full, but if the eventual winding up of the company resulted in insufficient assets to meet all liabilities, a claw back clause would be triggered, which could affect claims already paid. On 13 November 2012, the directors of MMI triggered MMI's Scheme of Arrangement. The Scheme Administrator has set an initial levy of 15% of claims for which scheme creditors have received settlement of more than £50,000. When scheme creditors are owed amounts from claims not yet paid by MMI, the settlement will be reduced to 85%. It is now known that the claw back clause will be invoked and therefore a provision for the potential liability has been made in the balance sheet set at the initial 15% levy.

Note 3. Key Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2013 for which there is a risk of adjustment in the following financial year are:

3.1 Revaluation of Property, Plant and Equipment

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

3.2 Depreciation of Property, Plant and Equipment.

Assets are depreciated based on useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to maintain the expenditure on repairs and maintenance resulting in uncertainty in the useful lives assigned to assets by the Valuers. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge would increase by £3,970,000 for every year the useful lives are reduced.

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

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

3.3 Provisions

The Council has made various provisions in relation to compensation claims made 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 £100,000 to the provision required. An increase of 1% in the likelihood of each claim being settled would have the effect of adding £106,000 to the provision.

3.4 Arrears

At 31 March 2013 the Council had a balance of sundry debtors of £127,980,000, housing rents of £12,680,000 and council tax debtors of £42,113,000. A review of these outstanding balances suggests that an impairment of doubtful debts of £77,445,000 (£31,761,000 sundry debtors, £9,778,000 housing rents and £35,906,000 council tax) 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 £1,228,000 (£540,000 sundry debtors, £61,000 housing rents and £627,000 council tax) to be set aside.

3.5 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 pensions 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 £288m, a one year increase in member life expectancy would result in a £91m increase in the pension liability, a 0.5% increase in the salary increase rate would result in a £76m increase in the pension liability and a 0.5% increase in the assumed pension rate increase would result in a £209m increase in the pension liability.

3.6 Employee Benefits Accrual

At 31 March 2010 an accrual for employee benefits (annual and flexi time leave) was calculated at an average of 0.58 day per Council employee excluding teachers. As the Council's policy on the carry forward of annual leave has not changed since 2009/10 the same number of days per employee has been used to calculate the accrual for 31 March 2013. If the accrual had increased by half a day per employee, the value of the accrual would have increased by £633,000.

Note 4. Exceptional Items

Exceptional items are defined as material items which derive from events or transactions that fall within the ordinary activities of the reporting entity and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

The following exceptional items occurred during the year:

Impairment

a) Impairment of property plant and equipment of £100,047,000 (£175,638,0000 in 2011/12) has been included within net cost of services:

	2011/12 £000s	2012/13 £000s
Adult social care	157	2,668
Central services to the public	0	4
Education and children's services	70,424	41,694
Cultural and related services	1,992	418
Environmental and regulatory services	4,012	378
Housing Revenue Account	25,020	21,709
Highways and transport services	0	633
Investment properties	50,980	26,515
Non-distributed costs	18,162	6,028
Trading undertakings	4,891	0
Total	**175,638**	**100,047**

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

HRA Debt Settlement

b) From 1 April 2012 a new financing regime for the HRA was introduced which fundamentally changed how local authority housing is funded. The housing subsidy system has been abolished and replaced by a new self financing system. The new self-financing system was created by a once and for all debt settlement between Central Government and Local Authorities based on the level of debt that is deemed affordable from within the retained housing rental income.

The Council received a debt settlement of £294,276,000 (excluding premiums) on the 28 March 2012. Of the debt settlement, £199,966,000 was Public Works Loan Board (PWLB) debt which was settled directly by the Government together with the related premiums of £35,952,000. A cash sum of £94,310,000 to repay market debt, together with an additional amount to repay market debt related premiums of £32,770,000, was paid by the Government to the Council.

The above transactions were accounted for in 2011/12.

Voluntary Early Retirement and Voluntary Severance

c) Within the Council's net cost of service expenditure in 2012/13 are costs incurred on the time limited Voluntary Early Retirement and Severance scheme that was offered to non-schools based staff in response to the need to reduce the Council's expenditure by £40m in 2013/14 rising to £80m in 2014/15 following the Financial Settlement published in December 2012. The total expenditure for voluntary early retirements and voluntary severance is £11.8m in 2012/13. The voluntary early retirement (VER) and voluntary severance (VS) costs were funded from the transformation reserve. This table does not include any costs of VER and VS outside the time limited scheme so is not the same as the costs shown in the exit packages note (note 17).

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

Note 5. Impact of Accounting Changes 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 2012/13 Code.

The Code has introduced several changes in accounting policies which will be required from 1 April 2013. The following changes are not considered to have a significant impact on the accounts as shown below.

IAS1 Presentation of Financial Statements - the changes require authorities to recognise amounts in Other Comprehensive Income and Expenditure which may subsequently be reclassified in the Deficit on the Provision of Services. An example of amounts that may be reclassified are gains or losses on available for sale financial instrument assets. This is a presentational issue only.

Service Concession Arrangements - the change clarifies the recognition criteria for assets under construction and intangible assets. Consideration needs to be given as to whether service concession assets such as those developed as part of a PFI scheme should be classed as assets under construction on the balance sheet whilst the asset is constructed or developed. This change in accounting policy would have no impact on the 2012/13 Balance Sheet or in the Comprehensive Income and Expenditure Statement for 2012/13 or prior years.

IAS12 Income Taxes - this change in accounting policy relates to tax on an entities income and will effect the Group Accounts. It is not considered that this change will materially effect these accounts.

IFRS7 Financial Instruments Disclosures - the change in accounting policy is in relation to the offsetting of financial assets and liabilities such as bank balances and bank overdrafts.

IAS19 is changing for accounting years starting on or after 1 January 2013. The key change affecting the Local Government Pension Scheme relates to the expected return on assets. The expected return on assets is currently credited to the Consolidated Income and Expenditure Statement and will be calculated using the discount rates in 2013/14 (as opposed to the estimated expected return on assets previously used).

The effect of these changes to IAS19 on the Comprehensive Income and Expenditure Statement in 2012/13 would be to increase expenditure by £15,100,000.

This will have no effect on the usable reserves of the Council as the additional charge will be reversed in the Movement in Reserves Statement to the Pensions Reserve (an unusable reserve).

Note 6. Adjustments Between Accounting and Funding Basis Under Regulations

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

The table below shows the adjustments made in 2011/12:

	Usable Reserves					Unusable Reserves	
	General Fund Balance (Including Earmarked Reserves)	Housing Revenue Account (Including Earmarked Reserves)	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Capital Adjustment Account	Other Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Reversal of items debited or credited to the comprehensive income and expenditure statement:							
Depreciation	(36,269)	0	0	0	(11,621)	47,890	0
Amortisation of intangible assets	(395)	0	0	0	0	395	0
Excess of depreciation charged to HRA services over the major repairs allowance element of housing subsidy	(0)	(1,885)	0	0	1,885	0	0
Impairment/revaluation losses charged to the comprehensive income and expenditure statement	(150,618)	(25,020)	0	0	0	175,638	0
Movement in market value of investment property	9,581	0	0	0	0	(9,581)	0
Financing of capital expenditure on council dwellings	0	0	0	0	6,466	(6,466)	0
Capital grants and contributions	58,290	7,338	0	39,644	0	(105,272)	0
Revenue expenditure funded from capital under statute	(28,145)	(330)	0	0	0	28,475	0
Gain / (loss) on disposal of non-current assets	(10,664)	949	(26,088)	0	0	35,803	0
Retirement benefits per IAS19	(59,624)	(476)	0	0	0	0	60,100
Reversal of private finance initiative charges to the HRA	0	2,876	0	0	0	(2,876)	0
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	114	0	0	0	0	0	(114)
HRA debt settlement repayment	0	294,276	(24,885)	0	0	(269,391)	0
Amount by which council tax income and residual community charge adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulation	423	0	0	0	0	0	(423)
Total reversed items	**(217,307)**	**277,728**	**(50,973)**	**39,644**	**(3,270)**	**(105,385)**	**59,563**
Insertion of items not debited or credited to the comprehensive income and expenditure statement:							
Statutory provision for the repayment of debt - minimum revenue provision	22,783	0	0	0	0	(22,783)	0
Statutory provision for the repayment of debt - finance lease liabilities	2,088	0	0	0	0	(2,088)	0
Statutory provision for the repayment of debt - private finance initiatives	2,034	0	0	0	0	(2,034)	0
HRA capital receipts to housing central pool	(776)	0	776	0	0	0	0
Employers contributions to pension schemes	51,244	856	0	0	0	0	(52,100)
Revenue contribution to finance capital	14,033	400	0	0	0	(14,433)	0
Premiums and discounts charged to revenue	323	(1,110)	0	0	0	0	787
Principal repayment of ex-GMC debt	1,567	0	0	0	0	(1,567)	0
Total inserted items	**93,296**	**146**	**776**	**0**	**0**	**(42,905)**	**(51,313)**
Other adjustments:							
Capital receipts applied	0	0	44,523	0	0	(44,523)	0
Transfer of revaluation reserve balance on assets disposed of	0	0	0	0	0	(1,974)	1,974
Transfer of revaluation reserve balance relating to investment properties to CAA	0	0	0	0	0	(165)	165
Adjustment between capital adjustment account and revaluation reserve for depreciation that is related to the revaluation balance rather than historic cost	0	0	0	0	0	(6,778)	6,778
Write down of long term debtor	(955)	0	(1,039)	0	0	1,994	0
Transfer to Deferred Capital Receipts Reserve	852	0	0	0	0	0	(852)
Total other adjustments	**(103)**	**0**	**43,484**	**0**	**0**	**(51,446)**	**8,065**
Total adjustments	**(124,114)**	**277,874**	**(6,713)**	**39,644**	**(3,270)**	**(199,736)**	**16,315**

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

	Usable Reserves					Unusable Reserves	
	General Fund Balance (Including Earmarked Reserves)	Housing Revenue Account (Including Earmarked Reserves)	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Capital Adjustment Account	Other Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Reversal of items debited or credited to the comprehensive income and expenditure statement:							
Depreciation	(34,803)	0	0	0	(11,438)	46,241	0
Amortisation of intangible assets	(406)	0	0	0	0	406	0
Excess of depreciation charged to HRA services over the major repairs allowance element of housing subsidy	0	1,328	0	0	(1,328)	0	0
Decent Homes Backlog Funding transferred to Major Repairs Reserve	0	5,500	0	0	(5,500)	0	0
Impairment/revaluation losses charged to the comprehensive income and expenditure statement	(78,338)	(21,709)	0	0	0	100,047	0
Movement in market value of investment property	25,389	0	0	0	0	(25,389)	0
Financing of capital expenditure on council dwellings	0	0	0	0	14,223	(14,223)	0
Non Property Related Capital Receipts Transferred to Usable Capital Receipts Reserve	975	39	(1,014)	0	0	0	0
Capital grants and contributions	55,067	5,439	0	(11,411)	0	(49,095)	0
Donated assets fair value	910	0	0	0	0	(910)	0
Revenue expenditure funded from capital under statute	(22,099)	(163)	0	0	0	22,262	0
Gain / (loss) on disposal of non-current assets	(31,418)	2,385	(12,690)	0	0	41,723	0
Retirement benefits per IAS19	(59,633)	(267)	0	0	0	0	59,900
Reversal of private finance initiative charges to the HRA	0	6,009	0	0	0	(6,009)	0
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	4,019	0	0	0	0	326	(4,345)
Amount by which council tax income and residual community charge adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulation	(509)	0	0	0	0	0	509
Total reversed items	**(140,846)**	**(1,439)**	**(13,704)**	**(11,411)**	**(4,043)**	**115,379**	**56,064**
Insertion of items not debited or credited to the comprehensive income and expenditure statement:							
Statutory provision for the repayment of debt - minimum revenue provision	23,176	0	0	0	0	(23,176)	0
Statutory provision for the repayment of debt - finance lease liabilities	1,585	0	0	0	0	(1,585)	0
Statutory provision for the repayment of debt - private finance initiatives	2,064	0	0	0	0	(2,064)	0
HRA capital receipts to housing central pool	(1,328)	0	1,328	0	0	0	0
Employers contributions to pension schemes	48,661	139	0	0	0	0	(48,800)
Revenue contribution to finance capital	31,000	0	0	0	0	(31,000)	0
Premiums and discounts charged to revenue	323	(1,096)	0	0	0	0	773
Principal repayment of ex-GMC debt	1,634	0	0	0	0	(1,634)	0
Total inserted items	**107,115**	**(957)**	**1,328**	**0**	**0**	**(59,459)**	**(48,027)**
Other adjustments:							
Capital receipts applied	0	0	9,025	0	0	(9,025)	0
Transfer of revaluation reserve balance on assets disposed of	0	0	0	0	0	(15,320)	15,320
Transfer of revaluation reserve balance relating to investment properties to CAA	0	0	0	0	0	(144)	144
Adjustment between capital adjustment account and revaluation reserve for depreciation that is related to the revaluation balance rather than historic cost	0	0	0	0	0	(5,939)	5,939
Write down of long term debtor	(86)	0	0	0	0	50	36
Transfer to Deferred Capital Receipts Reserve	(120)	0	0	0	0	0	120
Total other adjustments	**(206)**	**0**	**9,025**	**0**	**0**	**(30,378)**	**21,559**
Total adjustments	**(33,937)**	**(2,396)**	**(3,351)**	**(11,411)**	**(4,043)**	**25,542**	**29,596**

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Note 7. Segmental Reporting Analysis

The table below is a reconciliation of the 2011/12 internal management reports (monitoring and outturn) used by the Council's Executive to make decisions and the 2011/12 Comprehensive Income and Expenditure Statement. The segments identified in the subjective analysis are the same segments that are reported to Executive during the year.

Subjective Analysis	Chief Executives £000s	Children's Services £000s	Directorate for Adults £000s	Corporate Services £000s	Neighbourhood Services £000s	Housing Revenue Account £000s	Total £000s
Fees, charges and other service income	(20,268)	(36,565)	(47,245)	(41,263)	(87,234)	(67,393)	**(299,968)**
Government grants	(9,308)	(381,649)	(11,415)	(311,745)	(6,651)	(19,625)	**(740,393)**
Total Income	**(29,576)**	**(418,214)**	**(58,660)**	**(353,008)**	**(93,885)**	**(87,018)**	**(1,040,361)**
Employee expenses	52,009	88,750	53,611	34,919	67,083	3,952	**300,324**
Other operating expenses	41,178	481,180	189,558	349,350	162,332	78,488	**1,302,086**
Support services recharges	(5,061)	(907)	(17,966)	(18,224)	(31,125)	(775)	**(74,058)**
Total Operating Expenses	**88,126**	**569,023**	**225,203**	**366,045**	**198,290**	**81,665**	**1,528,352**
Cost of Services	**58,550**	**150,809**	**166,543**	**13,037**	**104,405**	**(5,353)**	**487,991**

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

	£000s
Cost of services in service analysis	487,991
Add amounts not reported to management*	148,827
Remove amounts reported to management not included in net cost of services in CIES	(215,925)
Net cost of services in comprehensive income and expenditure statement	**420,893**

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Reconciliation to subjective analysis	Service Analysis £000s	Not Reported to Management* £000s	Not Included in CIES Net Cost of Services £000s	Allocation of Recharges £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges and other service income	(299,968)	(10,826)	(213,132)	0	(523,926)	(248,781)	(772,707)
Interest and investment income	0	(168)	(170)	0	(338)	(24,794)	(25,132)
Income from council tax	0	0	0	0	0	(143,011)	(143,011)
Distribution from NNDR pool	0	0	0	0	0	(270,624)	(270,624)
Government grants and contributions	(740,393)	(5,476)	6,657	0	(739,212)	(237,263)	(976,475)
Total Income	**(1,040,361)**	**(16,470)**	**(206,645)**	**0**	**(1,263,476)**	**(924,473)**	**(2,187,949)**
Employee expenses	300,324	6	21,523	5,324	327,177	0	327,177
Other service expenses	1,302,086	11,570	9,692	(77,081)	1,246,267	53,528	1,299,795
Support services recharges	(74,058)	2,301	0	71,757	0	0	0
Depreciation and impairment	0	151,420	11,552	0	162,972	0	162,972
Interest payments	0	0	(28,509)	0	(28,509)	47,298	18,789
Pension interest costs	0	0	0	0	0	124,400	124,400
Precepts and levies	0	0	(23,538)	0	(23,538)	58,235	34,697
Payments to housing capital receipts pool	0	0	0	0	0	776	776
Loss on disposal of non-current assets	0	0	0	0	0	35,939	35,939
Total operating expenses	**1,528,352**	**165,297**	**(9,280)**	**0**	**1,684,369**	**320,176**	**2,004,545**
(Surplus) / deficit on the provision of services	**487,991**	**148,827**	**(215,925)**	**0**	**420,893**	**(604,297)**	**(183,404)**

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

Note 7. Segmental Reporting Analysis

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

Subjective Analysis	Chief Executives £000s	Children's Services £000s	Directorate for Adults £000s	Corporate Services £000s	Neighbourhood Services £000s	Housing Revenue Account £000s	Total £000s
Fees, charges and other service income	(20,734)	(113,165)	(52,992)	(45,002)	(86,665)	(72,716)	**(391,274)**
Government grants	(11,036)	(375,607)	(4,418)	(321,526)	(5,036)	(15,441)	**(733,064)**
Total Income	**(31,770)**	**(488,772)**	**(57,410)**	**(366,528)**	**(91,701)**	**(88,157)**	**(1,124,338)**
Employee expenses	53,243	319,003	53,486	34,639	61,289	2,399	**524,059**
Other operating expenses	36,563	300,562	177,124	359,632	142,204	65,251	**1,081,336**
Support services recharges	(1,529)	3,703	(12,388)	(16,537)	(12,979)	1,044	**(38,686)**
Total Operating Expenses	**88,277**	**623,268**	**218,222**	**377,734**	**190,514**	**68,694**	**1,566,709**
Cost of Services	**56,507**	**134,496**	**160,812**	**11,206**	**98,813**	**(19,463)**	**442,371**

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

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

Reconciliation to subjective analysis	Service Analysis £000s	Not Reported to Management* £000s	Not Included in CIES Net Cost of Services £000s	Allocation of Recharges £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges and other service income	(391,274)	0	131,829	0	(259,445)	(157,701)	(417,146)
Interest and investment income	0	(748)	497	0	(251)	(26,545)	(26,796)
Income from council tax	0	0	0	0	0	(144,170)	(144,170)
Distribution from NNDR pool	0	0	0	0	0	(324,129)	(324,129)
Government grants and contributions	(733,064)	(4,095)	3,602	0	(733,557)	(145,313)	(878,870)
Total Income	**(1,124,338)**	**(4,843)**	**135,928**	**0**	**(993,253)**	**(797,858)**	**(1,791,111)**
Employee expenses	524,059	3	617	(192)	524,487	0	524,487
Other service expenses	1,081,336	22,622	(118,492)	(38,494)	946,972	31,216	978,188
Support services recharges	(38,686)	0	0	38,686	0	0	0
Depreciation and impairment	0	102,586	(7,080)	0	95,506	0	95,506
Interest payments	0	0	(3,027)	0	(3,027)	38,851	35,824
Pension interest costs	0	0	0	0	0	121,300	121,300
Precepts and levies	0	0	(28,064)	0	(28,064)	64,693	36,629
Payments to housing capital receipts pool	0	0	0	0	0	1,328	1,328
(Gain) / loss on disposal of non-current assets	0	0	0	0	0	32,394	32,394
Total operating expenses	**1,566,709**	**125,211**	**(156,046)**	**0**	**1,535,874**	**289,782**	**1,825,656**
(Surplus) / deficit in the provision of services	**442,371**	**120,368**	**(20,118)**	**0**	**542,621**	**(508,076)**	**34,545**

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

Note 8. Long-term Contracts

Undischarged obligations arising from PFI transactions as at 31 March 2013 were as follows:

	Payments							
Scheme	Liability Repayment £000s	Lifecycle Costs £000s	Interest Charges £000s	Service Charges* £000s	Total £000s	Indexation	Contract Expiry	Scheme Details
Housing Energy Services Contract						GDP Deflator	2020	Energy Services Contract - provision and maintenance of energy services for a number of blocks of flats – service commenced in 1999/00. Total obligation as at start of contract of £10,196,000 will be met from PFI grant and the Housing Revenue Account.
Payments within 1 year	173	93	174	85	525			
Payments within 2 to 5 years	901	372	486	397	2,156			
Payments within 6 to 10 years	530	163	77	203	973			
	1,604	628	737	685	3,654			
Miles Platting Housing						RPI	2037	Miles Platting – housing refurbishment, maintenance and estate management - services commenced in 2006/07. Total obligation as at start of contract of £496,894,000 to be met from PFI Grant and the Housing Revenue Account.
Payments within 1 year	2,210	3,476	3,806	5,044	14,536			
Payments within 2 to 5 years	10,212	13,902	13,790	22,402	60,306			
Payments within 6 to 10 years	11,790	17,378	13,628	37,869	80,665			
Payments within 11 to 15 years	11,301	17,378	10,405	48,168	87,252			
Payments within 16 to 20 years	13,514	17,378	6,718	57,094	94,704			
Payments within 21 to 25 years	13,966	13,902	2,299	51,040	81,207			
	62,993	83,414	50,646	221,617	418,670			
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	321	730	1,903	2,056	5,010			
Payments within 2 to 5 years	1,892	2,918	7,202	8,633	20,645			
Payments within 6 to 10 years	3,364	3,648	7,684	12,601	27,297			
Payments within 11 to 15 years	4,812	3,648	5,671	15,022	29,153			
Payments within 16 to 20 years	7,704	3,648	2,633	17,304	31,289			
	18,093	14,592	25,093	55,616	113,394			
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	88	0	306	247	641			
Payments within 2 to 5 years	538	0	1,120	1,052	2,710			
Payments within 6 to 10 years	1,261	0	1,005	1,469	3,735			
Payments within 11 to 15 years	1,222	0	250	973	2,445			
	3,109	0	2,681	3,741	9,531			
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	742	461	1,703	1,374	4,280			
Payments within 2 to 5 years	3,480	1,844	6,301	5,967	17,592			
Payments within 6 to 10 years	5,773	2,305	6,453	8,609	23,140			
Payments within 11 to 15 years	7,893	2,305	4,334	10,044	24,576			
Payments within 16 to 20 years	8,493	1,871	1,435	9,346	21,145			
	26,381	8,786	20,226	35,340	90,733			
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	1,193	620	1,973	2,790	6,576			
Payments within 2 to 5 years	6,333	2,479	7,150	11,141	27,103			
Payments within 6 to 10 years	10,442	3,098	6,762	15,447	35,749			
Payments within 11 to 15 years	13,891	3,098	3,577	17,379	37,945			
Payments within 16 to 20 years	4,561	775	265	4,912	10,513			
	36,420	10,070	19,727	51,669	117,886			
Total	**148,600**	**117,490**	**119,110**	**368,668**	**753,868**			

*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 Council has six PFI Schemes as follows:

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

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 penalties to be paid by the contractor if these standards are not met.

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

In 2010/11, the Council made a provision in respect of the Plymouth Grove PFI Scheme, to reflect the effect of the loss of the RTB properties on the value of the contract as per the difference between the present housing stock numbers, and the housing stock numbers which were used in the original financial model.

Education and Children's Services PFI Schemes

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

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

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

Work is currently underway to increase the number of pupil places at Temple Primary School. Once the construction is completed the expanded school will begin operation from September 2013. The Council is funding the capital works at the school. The PFI contract is to be amended to include the management and maintenance of the new facility.

Neighbourhood Services PFI Scheme

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

Note 9. Trading Operations

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

	2011/12 (Surplus) / Deficit * £000s	2012/13 Turnover £000s	2012/13 Expenditure £000s	2012/13 (Surplus) / Deficit* £000s
Building maintenance	1,113	(777)	2,276	1,499
Highways maintenance	(279)	(2,760)	3,049	289
Schools and welfare catering	(922)	(13,916)	12,242	(1,674)
Other catering	(183)	(2,642)	2,885	243
Corporation estates	1,611	(4,594)	3,147	(1,447)
Technical services	352	(399)	101	(298)
Manchester Engineering and Design	27	0	0	0
Industrial estates	2,246	(34)	11	(23)
Theatres	1,363	0	0	0
Markets	(1,347)	(7,180)	6,589	(591)
Manchester Temps	40	0	0	0
Car parking	(3,651)	0	0	0
Other trading	18	0	0	0
Total (Surplus) / Deficit	**388**	**(32,302)**	**30,300**	**(2,002)**

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

The following service areas were classed as trading accounts in 2011/12; however they no longer operate as trading accounts under the definition given in the Service Reporting Code of Practice and have therefore been taken out of the trading operations note for 2012/13:
Car Parking, Manchester Temps and Manchester Engineering and Design.

Note 10. Agency Activities

The Council provides services as agents of other public bodies, whereby the Council recoups the costs incurred from the principal body. The expenditure is analysed as follows:

	2011/12 £000s	2012/13 £000s
Expenditure		
Prison library service	86	106
Social workers for health authorities and joint finance	1,190	1,163
Payroll Bureau	157	189
Total	**1,433**	**1,458**

The basis of preparation of this note in relation to the payroll bureau has been revised in 2012/13. In previous years the figure included in the note was the value of the payroll processed. In 2012/13 the figures show the costs of processing this payroll. The 2011/12 figure has been re-stated.

Note 11. National Health Services Act 2006 Pooled Funds

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

Mental Health Pooled Budget

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

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

	2011/12 £000s	2012/13 £000s
Gross Funding		
Manchester City Council	13,164	6,098
Manchester Primary Care Trust	103,279	125,324
Total Funding	116,443	131,422
Total Expenditure	116,443	131,422
Overspend	0	0

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

Learning Disabilities Pooled Budget

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

	2011/12 £000s	2012/13 £000s
Gross Funding		
Manchester City Council	44,359	43,368
Manchester Primary Care Trust	0	0
Total Funding	44,359	43,368
Expenditure		
Commissioning	25,484	28,192
Provider - Manchester Learning Disability Partnership	21,586	21,351
Administration	556	297
Total Expenditure	47,626	49,840
Overspend	3,267	6,472

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

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

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

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

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

Note 12. Financing and Investment (Income) and Expenditure

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

	2011/12 £000s	2012/13 £000s
Interest payable on debt	36,278	25,027
Interest element of finance leases (lessee)	393	312
Interest payable on PFI unitary payments	10,626	10,205
Pensions interest costs	124,400	121,300
Funding of premiums following HRA debt settlement	(68,722)	0
Expected return on pension assets	(124,700)	(105,400)
Investment interest income	(12,382)	(11,673)
Rentals received on investment properties	(17,904)	(20,908)
Expenses incurred on investment properties	945	1,816
Investment properties impairment	50,980	26,515
Change in fair value of investment properties	(9,581)	(25,390)
Dividends receivable	(12,412)	(11,565)
(Gain) / loss on trading accounts (not applicable to a service)	(182)	243
Total financing and investment income and expenditure	**(22,261)**	**10,482**

Note 13. Taxation and non-specific grant income

The table below analyses the figure included in the Comprehensive Income and Expenditure Statement.
These are grants and council tax income that do not relate to a specific service.

	2011/12 £000s	2012/13 £000s	
Council Tax Income	143,011	144,170	
Revenue Support Grant	84,643	8,392	a
New Homes Bonus Grant	2,993	4,276	
Early Intervention Grant	30,230	31,292	
Local Services Support Grant	15,582	2,231	b
Council Tax Freeze Grant	3,502	3,554	c
Learning Disabilities Grant	14,480	14,873	
Housing Council Tax Administration Grant	6,254	6,095	
Contribution from Manchester PCT	7,372	7,064	
Troubled Families Grant	0	3,623	
National Non Domestic Rates distribution	270,624	324,129	a
Assets of Community Value - New Burdens Grant	0	13	
Value of donated heritage assets	0	910	d
Private Finance Initiative Grant	6,580	6,580	
Capital Grants and contributions	65,627	56,410	
Total taxation and non-specific grant income	**650,898**	**613,612**	

a. Revenue Support Grant and National Non Domestic Rates distribution form part of the same funding stream. The reduction between 2011/12 and 2012/13 represents a reduction in government funding.

b. The 2011/12 grant included transition grant of £13,703,000 that was one year funding only.

c. Council tax freeze grant is additional funding is payable to councils who freeze council tax at the previous year's level.

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

Note 14. Revenue grants credited to the Comprehensive Income and Expenditure Statement

The table below analyses the revenue grants credited to the Comprehensive Income and Expenditure Statement

	2011/12 £000s	2012/13 £000s	
Dedicated Schools Grant	350,313	340,806	a
Pupil Premium	10,212	17,968	
Housing and Council Tax Benefit Subsidy	311,497	321,386	
Standards Fund Grant	189	0	
Other Children's Grants	1,209	539	
Higher Education Funding Council	1,676	1,515	
Sixth Form Funding Grant	6,222	5,376	
Other Learning and Skills Council Grants	8,139	8,611	
Partnerships for Schools Grant	2,803	3,235	
Department of Communities and Local Government Grants	513	1,362	
Housing Market Renewal Grant	598	73	
Housing Subsidy	19,625	0	b
Private Finance Initiative Grant (Housing Revenue Account)	0	15,441	b
Decent Homes Backlog Funding	0	5,500	c
Homelessness Grant	1,474	0	d
Drugs Intervention Grant	405	746	
Other Home Office Grants	519	2,093	
North West Development Agency	400	0	
Youth Justice Board	1,847	1,795	
Asylum Seekers Grant	10,474	4,427	
Department of Transport Grants	3	0	
Museum, Libraries and Archives Council	2,288	8	e
Federation of Music Grant	0	1,225	f
Other Grants	1,135	787	
Total revenue grants credited to the Comprehensive Income and Expenditure Statement	**731,541**	**732,893**	

a. The main reason for the reduction in Dedicated Schools Grant is due to nine schools converting to Academies during the 2012/13 financial year.

b. Housing subsidy ceased to be paid by the Government following the HRA debt settlement in March 2012. However PFI grant which was previously an element of housing subsidy continues to be paid.

c. Decent Homes Backlog Funding is credited to the Housing Revenue Account and then transferred to the Major Repairs Reserve to fund capital works in Collyhurst and West Gorton.

d. The Homelessness grant has been incorporate within Revenue Support Grant in 2012/13.

e. The Museum, Libraries and Archives Council Grant ceased in 2011/12.

f. The Federation of Music Grant was shown as part of the Dedicated Schools Grant in 2011/12.

Note 15. Members' Allowances

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

	2011/12 £000s	2012/13 £000s
Members' allowances	1,983	1,933
Members' expenses	16	13
Total	**1,999**	**1,946**

Note 16. Officers' Emoluments

Employee Remuneration

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

The tables below include severance payments that may have been agreed at the year end but will not actually be paid until the staff leave and for which the amounts are accrued for in the Council's accounts. Amounts for compensation for loss of office are included if they were paid during the year.

The Council employs 8,740 non-schools based staff (8,919 in 2011/12). 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 or other related payments and those who have.

	2011/12 Staff Who Have Not Received Severance or Other Related Payments	2011/12 Staff Who Have Received Severance or Other Related Payments	2011/12 Total	2012/13 Staff Who Have Not Received Severance or Other Related Payments	2012/13 Staff Who Have Received Severance or Other Related Payments	2012/13 Total
£50,000 - £54,999	34	7	41	39	21	60
£55,000 - £59,999	26	6	32	26	12	38
£60,000 - £64,999	16	5	21	23	8	31
£65,000 - £69,999	24	1	25	24	4	28
£70,000 - £74,999	6	3	9	4	3	7
£75,000 - £79,999	8	0	8	6	1	7
£80,000 - £84,999	5	0	5	4	3	7
£85,000 - £89,999	5	0	5	4	1	5
£90,000 - £94,999	4	1	5	5	0	5
£95,000 - £99,999	2	0	2	2	0	2
£100,000 - £104,999	0	0	0	0	1	1
£105,000 - £109,999	2	0	2	1	1	2
£110,000 - £114,999	0	0	0	0	0	0
£115,000 - £119,999	0	0	0	0	1	1
£120,000 - £124,999	0	0	0	0	0	0
£125,000 - £129,999	0	0	0	0	0	0
£130,000 - £134,999	0	0	0	0	0	0
£135,000 - £139,999	0	0	0	0	1	1
	132	23	155	138	57	195

The Council employs 9,957 schools based staff (10,571 in 2011/12). The number of schools based staff in each salary band over £50,000 is shown below, split between those staff who have not received severance or other related payments and those who have. The reduction in staff numbers relates to the transfer to schools to academies.

	2011/12 Staff Who Have Not Received Severance or Other Related Payments	2011/12 Staff Who Have Received Severance or Other Related Payments	2011/12 Total	2012/13 Staff Who Have Not Received Severance or Other Related Payments	2012/13 Staff Who Have Received Severance or Other Related Payments	2012/13 Total
£50,000 - £54,999	105	0	105	85	0	85
£55,000 - £59,999	70	0	70	58	0	58
£60,000 - £64,999	53	0	53	49	0	49
£65,000 - £69,999	29	0	29	37	0	37
£70,000 - £74,999	12	0	12	17	0	17
£75,000 - £79,999	13	0	13	12	0	12
£80,000 - £84,999	9	0	9	8	0	8
£85,000 - £89,999	3	1	4	6	0	6
£90,000 - £94,999	2	0	2	2	0	2
£95,000 - £99,999	5	0	5	0	0	0
£100,000 - £104,999	3	0	3	4	0	4
£105,000 - £109,999	2	0	2	4	0	4
£110,000 - £114,999	2	0	2	2	0	2
£115,000 - £119,999	2	0	2	1	0	1
£120,000 - £124,999	0	0	0	0	0	0
£125,000 - £129,999	0	0	0	1	0	1
£130,000 - £134,999	1	0	1	0	0	0
£135,000 - £139,999	0	0	0	0	0	0
£140,000 - £144,999	0	0	0	1	0	1
	311	1	312	287	0	287

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 (disclosed by job title).

	Salary, Fees or Allowances		Expenses Allowance		Employer's Contribution to Pension		Employer's Contribution to Early Retirement Costs		Severance Payments	
	2011/12 £	2012/13 £	2011/12 £	2012/13 £	2011/12 £	2012/13 £	2011/12 £	2012/13 £	2011/12 £	2012/13 £
Chief Executive of the Council and Head of Paid Service of the Greater Manchester Combined Authority, Sir Howard Bernstein	203,934	203,934	0	0	17,451	0	0	0	0	0
City Treasurer of the Council and the Treasurer of the Greater Manchester Combined Authority, Richard Paver	154,914	154,914	1,239	1,239	14,638	0	0	0	0	0
City Solicitor of the Council and Monitoring Officer of the Greater Manchester Combined Authority	116,238	116,238	0	0	16,971	18,133	0	0	0	0
Deputy Chief Executive (Performance)	130,002	130,002	0	0	18,980	20,280	0	0	0	0
Deputy Chief Executive (Neighbourhoods)	120,000	120,000	1,041	963	17,520	18,720	0	0	0	0
Deputy Chief Executive (Regeneration) - Left 30 September 2011	69,033	0	620	0	10,079	0	0	0	0	0
Strategic Director (Children's)	104,900	113,000	0	0	15,315	17,628	0	0	0	0
Strategic Director (Adults)	120,000	120,000	722	963	17,520	18,720	0	0	0	0
Chief Executive of New East Manchester Ltd	120,000	120,000	0	635	17,520	18,720	0	0	0	0

Note 17. Exit Packages

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

The total cost figures shown include severance, early retirement and compensation for loss of office payments that have been agreed at the year end. There were no compulsory redundancies during the financial years 2011/12 and 2012/13.

	2011/12 Number of Staff Departures Agreed	2011/12 Total Cost of Exit Packages £000s	2012/13 Number of Staff Departures Agreed	2012/13 Total Cost of Exit Packages £000s
£0 - £19,999	341	2,742	369	3,695
£20,000 - £39,999	119	3,251	167	4,750
£40,000 - £59,999	26	1,250	71	3,478
£60,000 - £79,999	7	474	8	547
£80,000 - £99,999	1	99	1	85
	494	**7,816**	**616**	**12,555**

Note 18. Audit Fees

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

	2011/12 £000s	2012/13 £000s
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	428	250
Fees payable to Grant Thornton for the certification of grant claims and returns	65	31
	493	**281**

Note 19. Property Plant and Equipment

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

	Property, Plant and Equipment							
	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s
Movement in 2012/13								
Gross book value brought forward	449,809	1,138,248	39,184	404,177	25,945	167,060	182,177	2,406,600
Accumulated depreciation and impairment brought forward	(47,206)	(201,916)	(11,809)	(60,569)	(85)	(6,791)	(19,435)	(347,811)
Net book value carried forward as at 1 April 2012	402,603	936,332	27,375	343,608	25,860	160,269	162,742	2,058,789
Additions	19,288	27,232	8,383	23,149	46	60,514	14,643	153,255
Revaluations recognised in revaluation reserve	3,634	8,066	0	0	0	0	1,611	13,311
Downward Revaluations recognised in deficit on the provision of services	(7,548)	(7,663)	0	0	0	0	(2,044)	(17,255)
Derecognition - disposals	0	(32,393)	(646)	0	0	0	(3,409)	(36,448)
Derecognition - components	0	0	0	0	0	0	0	0
Transferred (to) held for sale assets	(2,371)	(105)	0	0	0	0	(7,489)	(9,965)
Other transfers	(2,996)	40,907	2,244	1	13	(69,389)	29,547	327
Other movements in cost or valuation - newly recognised leases	0	0	162	0	0	0	0	162
Depreciation	(11,337)	(22,866)	(4,486)	(7,016)	(20)	0	(518)	(46,243)
Impairments charged to the comprehensive income and expenditure statement	(14,161)	(38,132)	0	0	0	0	(3,286)	(55,579)
Impairments covered by the revaluation reserve	(1,627)	(10,471)	0	0	0	0	(375)	(12,473)
Reversal of prior year impairment	0	0	0	0	0	0	0	0
Net book value carried forward as at 31 March 2013	385,485	900,907	33,032	359,742	25,899	151,394	191,422	2,047,881

Gross book value carried forward	420,050	1,127,931	48,816	427,327	26,022	156,943	221,729	2,428,818
Accumulated depreciation and Impairment Carried Forward as at 31 March 2013	(34,565)	(227,024)	(15,784)	(67,585)	(123)	(5,549)	(30,307)	(380,937)
Net book value carried forward as at 31 March 2013	385,485	900,907	33,032	359,742	25,899	151,394	191,422	2,047,881

Movements on property, plant and equipment during 2011/12 were as follows:

	Property, Plant and Equipment							
	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s
Movement in 2011/12								
Gross book value brought forward	595,191	1,161,929	38,322	401,157	23,898	134,514	208,208	2,563,219
Accumulated depreciation and impairment brought forward	(189,241)	(160,401)	(8,927)	(55,140)	(68)	(6,791)	(13,046)	(433,614)
Net book value brought forward as at 31 March 2011	405,950	1,001,528	29,395	346,017	23,830	127,723	195,162	2,129,605
Transfer to Greater Manchester Combined Authority	0	0	0	(5,877)	0	0	0	(5,877)
Net book value carried forward as at 1 April 2011	405,950	1,001,528	29,395	340,140	23,830	127,723	195,162	2,123,728
Additions	29,975	35,867	4,891	12,149	2,048	55,658	17,787	158,375
Revaluations recognised in revaluation reserve	13,269	(1,356)	150	0	0	0	26	12,089
Revaluations recognised in surplus on the provision of services	(10,403)	(47,554)	0	(6,467)	0	0	(16,012)	(80,436)
Derecognition - disposals	0	(5,853)	0	0	0	0	(5,422)	(11,275)
Derecognition - components	0	0	0	0	0	0	0	0
Transferred (to) held for sale assets	(2,548)	(1,080)	0	0	0	0	(12,065)	(15,693)
Other transfers	3,238	11,928	(1,565)	2,336	1	(23,112)	(14,898)	(22,072)
Other movements in cost or valuation - newly recognised leases	0	0	887	0	0	0	0	887
Depreciation	(11,504)	(24,117)	(4,834)	(7,076)	(19)	0	(340)	(47,890)
Impairments charged to the comprehensive income and expenditure statement	(18,535)	(29,713)	(1,549)	0	0	0	(1,496)	(51,293)
Impairments covered by the revaluation reserve	(6,839)	(3,318)	0	0	0	0	0	(10,157)
Reversal of prior year impairment	0	0	0	2,526	0	0	0	2,526
Net book value carried forward as at 31 March 2012	402,603	936,332	27,375	343,608	25,860	160,269	162,742	2,058,789

Gross book value carried forward	449,809	1,138,248	39,184	404,177	25,945	167,060	182,177	2,406,600
Accumulated depreciation and impairment carried forward as at 31 March 2012	(47,206)	(201,916)	(11,809)	(60,569)	(85)	(6,791)	(19,435)	(347,811)
Net book value carried forward as at 31 March 2012	402,603	936,332	27,375	343,608	25,860	160,269	162,742	2,058,789

Note 20. Disposal of Assets

	2011/12 £000s	2012/13 £000s
Disposals of Assets		
Held for Sale - Council dwellings (right to buy)	1,253	1,411
Held for Sale - Other	23,275	4,505
Other Disposals including transfers to academies	11,275	36,519
	35,803	42,435

Loss on Disposal of Non-current Assets

	2011/12 £000s	2012/13 £000s
Other HRA assets	(912)	(2,387)
Removal of schools transferring to academy status from the balance sheet	5,853	32,394
Other non-HRA assets	4,910	(974)
	9,851	29,033

Note 21. Accounting for Local Government Schools

The Council has the following maintained schools:

	Community	Voluntary Controlled	Voluntary Aided	Foundation	Academy
Number of schools, excluding PFI schools	77	14	51	4	18
Value of Land and Buildings at 31 March 2013	£379,965,000	£33,998,000	N/A	N/A	N/A
Value of Land and Buildings at 31 March 2012	£393,125,000	£32,308,000	N/A	N/A	N/A
Number of schools subject to PFI contracts	1	0	0	1	0
Value of Land and Buildings at 31 March 2013	£5,662,000	N/A	N/A	N/A	N/A
Value of Land and Buildings at 31 March 2012	£5,764,000	N/A	N/A	N/A	N/A

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

Capital expenditure on community and voluntary controlled schools is added to the balances for those schools as reported in property, plant and equipment (note 19). Capital expenditure on voluntary aided and foundation schools is treated as REFCUS (Revenue Expenditure Funded from Capital under Statute) expenditure and written off each year to the Comprehensive Income and Expenditure Statement within the Education and Children's services line.

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

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

Individual schools' balances, for all categories of schools apart from academies, are included in the balance sheet of the Council within usable reserves (note 42).

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

	Community	Voluntary Controlled	Voluntary Aided	Foundation	Academies	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Opening LMS reserve	16,579	2,371	6,574	2,706	2,727	30,957
Funding, including DSG	171,761	21,756	92,644	31,076	15,786	333,023
Net expenditure incurred by schools	(170,204)	(21,859)	(92,676)	(30,855)	(18,513)	(334,107)
Closing LMS reserve	18,136	2,268	6,542	2,927	0	29,873

PFI Schemes

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

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

Note 22. Heritage Assets

Movements on tangible and intangible heritage assets during 2012/13 were as follo\

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

Movements on tangible and intangible heritage assets during 2011/12 were as follows:

	Heritage Assets					
Cost or valuation	**Fine Art Works £000s**	**Civic Plate £000s**	**Monuments Statues and Fountains £000s**	**Town Hall Sculptures £000s**	**Other £000s**	**Total £000s**
Balance at 1 April 2011	**374,365**	**2,959**	**619**	**3,462**	**225**	**381,630**
Additions / Donations	0	0	0	0	0	**0**
Disposals	0	0	0	0	0	**0**
Revaluations	9,659	0	0	0	0	**9,659**
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	**0**
Impairment losses / (reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0	**0**
Depreciation	0	0	0	0	0	**0**
Balance at 31 March 2012	**384,024**	**2,959**	**619**	**3,462**	**225**	**391,289**

a) Heritage Assets Nature and Scale of Assets Held

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

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

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

Heritage furniture, Civic plate and Lord Mayor's Regalia, Sculpture, paintings from the Town Hall Collection (and also some paintings from the MCG collection) are displayed throughout the Town Hall in appropriate public spaces, selected offices and meeting rooms. As part of the Town Hall Complex Transformation there are also heritage furniture items which are currently in storage whilst building works are in progress.

Further details can be found in the following documents:

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

b) Heritage Asset Management and Preservation

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

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

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

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

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

Further details can be found in the following documents:

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

Fine Art Works and Civic Plate / Lord Mayors Regalia / Model of HMS Manchester, Town Hall Sculptures, Furniture
Management of the collection is assisted with advice and support from Manchester City Galleries. Database records are held by MCG on behalf of the Town Hall on a Ke Emu electronic collection database. Viewing of the items is via a combination of both public display and prior arrangement access with Town Hall staff.
Items in the collection are stored and displayed in a manner which will aid their preservation. Specialised cleaning is performed as and when necessary.

Further details can be found in the following documents:
- Manchester Town Hall Collections Acquisition and Disposal Policy June 2007.

c) Heritage Assets Accounting Policies

Manchester City Galleries Collections
Specified items are included in the balance sheet at market valuation where this exceeds £100,000.
In the case of loss or damage the recoverable amount may be less than the full market valuation as works over £200,000 are insured at 75% of market value up to a threshold cap of £7,000,000.
Non-specified works are grouped and have an insurance value however these items are not included on the balance sheet as in most cases, only a nominal value can be attributed to a particular individual asset.

Revaluations of the Manchester City Galleries Collections are due to a reappraisal of valuations and where curators have received information or had evidence that a value had changed significantly. One piece of art by Francis Bacon has increased in value by £17m.

Three works of art were donated to the Manchester City Galleries Collections during 2012/13. These were:
LS Lowry - Northern Industrial Scene with central figure of man wearing a black suit.
Ivon Hitchens - Flowers against blue patchwork
Henry Moore - Rocking Chair no 4

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
These items are included in the balance sheet at insurance valuation. The Council's external valuer (Bonhams Valuation) last carried out a full valuation of the collection on 10 December 2007 and the large sculptures of Joule and Dalton have been valued at £1m and £500,000 respectively.

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

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

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

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

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

d) Heritage Assets not Reported in the Balance Sheet

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

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

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

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

Summary of Transactions Relating to Heritage Assets

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

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

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

Note 23. Valuation of Property, Plant and Equipment

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

- plant and machinery is included in the valuations of buildings when it is an integral part of the building

- properties classified as operational, excluding council dwellings, were valued on the basis of net realisable value in existing use or, where a market did not exist, on the basis of depreciated replacement cost

- council dwellings were valued in accordance with Department for Communities and Local Government guidance at open market value less a specified, notified percentage known as the social housing discount

- community assets and infrastructure have been valued at historical cost net of depreciation

- properties classified as non-operational have been valued on the basis of market value.

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

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

Asset Type	Range	
	From	To
Council Dwellings - main structure	20 years	67 years
Schools and ancillary buildings	9 years	61 years
Sports and leisure facilities	14 years	66 years
Other buildings	10 years	60 years
Sundry operational buildings	5 years	50 years
Vehicles, plant (including boilers), furniture and equipment	3 year	20 years

All assets, with the exception of those valued at historical cost net of depreciation, are revalued as part of a five year rolling programme. Accordingly, at least 20% of the above valuations have been reviewed by the District Valuer, Jacobs, external valuers commissioned by the Council and M. Robertson RICS, a valuer employed by the Council. All assets reviewed had a valuation date of 1 April 2012. Material changes after the valuation date have been accounted for.

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.

The latest revaluation date for each category of asset is listed below:

Asset Type	Year of Revaluation
Leisure Centres	2008/09
Buildings within parks	2008/09
Libraries	2008/09
Markets	2010/11
Cemeteries and Crematoria	2011/12
Depots	2011/12
Car Parks	2010/11
Day centres, luncheon clubs, resource centres	2008/09
Schools	2010/11
Youth clubs, children's centres, nurseries	2009/10
Offices	2011/12
Council dwellings	2012/13
Housing area offices	2012/13
Adult Education premises	2008/09
Sportcity	2008/09
National Football Museum	2012/13
Velodrome / BMX Centre	2012/13
Investment Properties	2012/13
Manchester Aquatic Centre	2008/09

Inspections for the property, plant and equipment (PPE) revalued during 2012/13 were carried out between 1 April 2012 and 31 March 2013, 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 £13,311,000 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 £55,579,000 in relation to PPE being charged to the Comprehensive Income and Expenditure Statement.

Note 24. Assets Held For Sale

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

	Assets Held For Sale £000s
Net book value brought forward	**11,511**
Movement in 2011/12	
Reclassifications	20,597
Disposals	(24,528)
Revaluations	(65)
Impairments	(1,377)
Net book value carried forward as at 31 March 2012	**6,138**
Movement in 2012/13	
Reclassifications	11,010
Additions	275
Disposals	(5,916)
Revaluations	(5,061)
Impairments	(698)
Net book value carried forward as at 31 March 2013	**5,748**

Note 25. Assets Recognised Under PFI Arrangements

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

	Energy Services £000s	Temple Primary School £000s	Plymouth Grove Housing £000s	Miles Platting Housing £000s	Public Lighting £000s	Total £000s
Net book value brought forward	141	5,866	18,524	39,797	52,151	116,479
Movement in 2011/12						
Expenditure	0	0	0	22	0	22
Disposals	0	0	0	0	0	0
Reclassifications	0	0	(39)	(172)	0	(211)
Depreciation	(8)	(102)	(475)	(1,124)	(1,086)	(2,795)
Revaluations	0	0	492	1,743	0	2,235
Impairments	0	0	0	(177)	0	(177)
Net book value carried forward as at 31 March 2012	133	5,764	18,502	40,089	51,065	115,553
Movement in 2012/13						
Expenditure	0	0	0	1	0	1
Disposals	0	0	0	0	0	0
Reclassifications	0	0	(115)	(206)	0	(321)
Depreciation	(8)	(102)	(495)	(1,187)	(1,086)	(2,878)
Revaluations	0	0	655	1,065	0	1,720
Impairments	0	0	0	0	0	0
Net book value carried forward as at 31 March 2013	125	5,662	18,547	39,762	49,979	114,075

	Energy Services £000s	Temple Primary School £000s	Plymouth Grove Housing £000s	Miles Platting Housing £000s	Public Lighting £000s	Wright Robinson High School £000s	Total £000s
Deferred liability brought forward	1,914	3,230	18,679	67,847	38,566	27,727	157,963
Movement in 2011/12							
Additional liability	0	0	0	2,554	0	0	2,554
Write down of liability	(155)	(47)	(291)	(4,468)	(1,018)	(649)	(6,628)
Deferred liability carried forward as at 31 March 2012	1,759	3,183	18,388	65,933	37,548	27,078	153,889
Movement in 2012/13							
Additional liability	0	0	0	0	0	0	0
Write down of liability	(156)	(73)	(297)	(2,938)	(1,128)	(697)	(5,289)
Deferred liability carried forward as at 31 March 2013	1,603	3,110	18,091	62,995	36,420	26,381	148,600

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

Note 26. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licences; the Council does not hold any internally generated software.

All software is given a finite life based on assessments of the period that the software is expected to be of use to the Council and amortised over the length of that useful life. The useful lives assigned to the major software suites used by the Council are:

Estimated useful life	Software licences	Line item of CIES in which amortisation is included
5 years	Xerox Lease Licences	Apportioned across all service lines in the CIES
	PARIS Real Time Module Server Licence	Apportioned across all service lines in the CIES
10 years	Website Oracle	Apportioned across all service lines in the CIES
	SAP Financial System	Apportioned across all service lines in the CIES
	Housing Benefits and Council Tax System	Included within Housing Services in the CIES

	2011/12 Purchased Software Licences £000s	2012/13 Purchased Software Licences £000s
Original cost	5,247	5,302
Amortisation at 1 April	(3,463)	(3,858)
Balance at 1 April	**1,784**	**1,444**
Expenditure	49	0
Transfer	6	152
Amortisation in year	(395)	(406)
Balance at 31 March	**1,444**	**1,190**

Comprising:		
Gross carrying amount	5,302	5,454
Accumulated Amortisation	(3,858)	(4,264)
Balance at 31 March	**1,444**	**1,190**

There are three items of capitalised software that are individually material to the financial statements:

	Carrying Amount		Remaining Amortisation Period
	31 March 2012 £000s	31 March 2013 £000s	
SAP Financial System 2005/06 Licences	950	634	2 years
SAP Financial System 2009/10 Licences	327	286	6 years
SAP Financial System 2012/13 Licences	0	151	10 years

Note 27. Assets Held as Lessee

Operating Leases

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

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

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

	31 March 2012 £000s	31 March 2013 £000s
Not later than one year	6,269	5,366
Later than one year and not later than five years	16,363	14,275
Later than five years	48,373	45,071
	71,005	**64,712**

Lease payments made:

	2011/12 £000s	2012/13 £000s
Minimum lease payments	7,244	6,330
Contingent rents	0	0
Sub lease payments (receivable)	(492)	(530)
	6,752	**5,800**

The total of future minimum sub lease payments expected to be received under non-cancellable leases as at 31 March 2013 is £4,099,000:

	31 March 2012 £000s	31 March 2013 £000s
Not later than one year	470	448
Later than one year and not later than five years	1,792	1,792
Later than five years	2,307	1,859
	4,569	**4,099**

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

	2011/12 £000s	2012/13 £000s
Adult Social Care	237	240
Central Services to the Public	4	9
Children's and Education Services	334	346
Cultural and Related Services	2,664	2,196
Environmental and Regulatory Services	1,524	1,309
Planning Services	1,773	1,520
Highways, Road and Transport Services	516	541
Housing Services	192	169
Total minimum lease payments	**7,244**	**6,330**

Finance Leases

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

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

	31 March 2012 £000s	31 March 2013 £000s
Land and buildings	500	429
Vehicles, plant and equipment	5,963	3,915
	6,463	**4,344**

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 2012 £000s	31 March 2013 £000s
Finance lease liability		
current	1,819	1,459
non-current	4,495	2,787
Finance costs payable in future years	1,235	802
	7,549	**5,048**

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

	31 March 2012 £000s	31 March 2013 £000s
Not later than one year	2,189	1,741
Later than one year and not later than five years	4,986	2,960
Later than five years	449	421
Total minimum lease payments	**7,624**	**5,122**

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

	31 March 2012 £000s	31 March 2013 £000s
Not later than one year	1,819	1,459
Later than one year and not later than five years	4,144	2,458
Later than five years	426	403
Total finance lease liability	**6,389**	**4,320**

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 2011/12 or 2012/13.

The Council has sub-let a number of properties held under these finance leases. At 31 March 2013 the minimum payments expected to be received under non-cancellable sub leases was £13,000 (£13,000 at 31 March 2012).

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

	Land and building £000s	Vehicles, plant and equipment £000s	Total £000s
Net book value brought forward	**500**	**7,133**	**7,633**
Movement in 2011/12			
Additions	0	887	887
Transfers of Assets upon Expiry of Lease - Gross Asset Cost	0	(398)	(398)
Transfers of Assets upon Expiry of Lease - Accumulated	0	398	398
Reclassifications	0	0	0
Depreciation	0	(2,057)	(2,057)
Revaluations	0	0	0
Impairments	0	0	0
Net book value carried forward as at 31 March 2012	**500**	**5,963**	**6,463**

Gross Book Value as at 31 March 2012	500	10,241	10,741
Accumulated Depreciation as at 31 March 2012	0	(4,278)	(4,278)
Net book value carried forward as at 31 March 2012	**500**	**5,963**	**6,463**

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

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

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

Note 28. 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 2012 £000s	31 March 2013 £000s
Not later than one year	9,865	9,217
Later than one year and not later than five years	32,047	31,075
Later than five years	675,586	669,723
Total minimum lease payments	**717,498**	**710,015**

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 29. Investment Properties

The value of income generating investment properties classed as operating leases is £296,983,000 (£288,106,000 in 2011/12). 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 2012/13 or 2011/12.

	2011/12 £000s	2012/13 £000s
Rental income from investment property	(17,904)	(20,908)
Direct operating expenses arising from investment property	945	1,816
Net gain	**(16,959)**	**(19,092)**

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

	Investment Properties £000s
Net book value brought forward at 1 April 2011	**384,346**
Movement in 2011/12	
Expenditure	4,541
Disposals	0
Reclassifications	17,165
Depreciation	0
Revaluations	9,581
Impairments	(50,980)
Net book value carried forward as at 31 March 2012	**364,653**
Movement in 2012/13	
Expenditure	2,009
Disposals	(71)
Reclassifications	(1,520)
Depreciation	0
Upwards revaluations	25,389
Impairments (including downward revaluations)	(26,515)
Net book value carried forward as at 31 March 2013	**363,945**

Note 30. Capital Expenditure and Capital Financing

	2011/12 £000s	2012/13 £000s
Opening Capital Financing Requirement	**1,236,291**	**962,774**
Expenditure		
Property, plant and equipment	158,379	153,255
Investment properties	4,541	2,009
Assets held for sale	0	275
Revenue expenditure funded from capital under statute*	33,951	22,262
Intangible Assets	49	0
Long term debtors	1,142	4,887
	198,062	182,688
Funded by		
Revenue contributions	14,433	31,000
Capital Receipts	44,523	9,025
Major Repairs Allowance	6,466	14,223
Government grants	108,494	28,241
External contributions	2,254	20,852
HRA Debt Settlement - Repayment of Debt	269,391	0
Minimum Revenue Provision	26,905	26,825
	472,466	130,166
Assets acquired under finance leases	887	162
Closing Capital Financing Requirement	**962,774**	**1,015,458**
Explanation of Movement in Year		
HRA Debt Settlement - Repayment of Debt	(269,391)	0
Minimum Revenue Provision	(26,905)	(26,825)
Increase in underlying need to borrow	21,892	79,347
Assets acquired under finance leases	887	162
	(273,517)	52,684

* 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 31. Contracted Capital Commitments

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

	31 March 2012 £000s	31 March 2013 £000s
Housing	15,110	10,570
Town Hall Complex	80,816	32,962
Education	47,285	12,045
Other services	8,801	6,510
	152,012	**62,087**

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

Note 32. Investments

The Council has the following long-term investments:

	31 March 2012 £000s	31 March 2013 £000s
Investments in Subsidiaries		
Manchester Airport Plc Share Capital	112,354	0
Destination Manchester Ltd Share Capital	10,200	10,200
Manchester Mortgage Corporation Plc Share Capital	5,902	5,984
Investments in Associates		
National Car Parks (Manchester) Ltd Share Capital	1,103	1,103
Investments in Joint Ventures		
Manchester Airports Holdings Ltd Share Capital	0	112,354
Total	**129,559**	**129,641**
Other long-term investments	2,621	2,308
Total Long-Term Investments	**132,180**	**131,949**

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

The investment in Manchester Airport Plc, a subsidiary of the Council, was shown at cost at 31 March 2012. On 1 March 2013 a new company was incorporated - Manchester Airports Holdings Ltd which is classed as a joint venture. The investment in Manchester Airports Holdings Ltd is shown at cost.

Other long-term investments are shown at their market value.

The table below shows summarised financial information for each associate for 2011/12 and 2012/13. These figures show the Council's share of the associate's results:

	National Car Parks (Manchester) Ltd 2011/12 £000s	Manchester Working Limited 2011/12 £000s	National Car Parks (Manchester) Ltd 2012/13 £000s	Manchester Working Limited 2012/13 £000s
Total assets as at 31 March	6,697	3,065	6,377	2,382
Total liabilities as at 31 March	(5,296)	(2,175)	(4,707)	(1,781)
Total revenue	(12,374)	(8,956)	(11,554)	(8,892)
(Surplus) / deficit	(645)	(387)	(270)	(339)

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

Council's share of Manchester Airports Holdings Ltd	2012/13 £000s
Total current assets as at 31 March	40,932
Total long term assets as at 31 March	1,128,190
Total current liabilities as at 31 March	53,676
Total income	146,083
Total expenditure	153,822

Note 33. Inventories and Long-Term Contracts

	31 March 2012 £000s	31 March 2013 £000s
Inventories	798	547
Long-term contracts	52	0
	850	**547**

Note 34. 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 2013.

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 2012 £000s	31 March 2013 £000s
Debtors		
Government departments	30,533	29,121
HM Revenue and Customs	6,136	4,808
Other local authorities	5,650	15,615
NHS Bodies	772	2,194
Other public bodies	54	48
Council tax	41,700	42,113
Housing rents	11,599	12,680
Financial institutions	1,191	788
Trade and individuals	68,381	75,406
	166,016	**182,773**
Payments in advance		
Government departments	0	0
Other local authorities	5	85
NHS Bodies	28	27
Other public bodies	0	0
Trade and individuals	11,689	8,339
	11,722	**8,451**
Impairment of Debt		
Housing rents	(7,745)	(9,778)
Council tax	(33,888)	(35,906)
Other	(29,280)	(31,761)
Total	**106,825**	**113,779**

Within debtors and payments in advance the amount outstanding for over 30 days that is not impaired is £21.6m.

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 2012 £000s	31 March 2013 £000s	
Amounts falling due after one year			
Mortgages			
Housing Revenue Account	189	149	(a)
General Fund	136	125	(a)
Manchester Airport Plc	83,195	83,168	(b)
Destination Manchester Ltd/Manchester Central	21,693	22,407	(c)
Ex GMC debt	215	191	(d)
PFI prepayments	6,859	9,640	(e)
Private Sector Loans - soft loans	268	292	(f)
Private Sector Loans - embedded derivatives (classed as soft loans in 2011/12)	2,472	7,768	(f)
Equity Mortgages	1,788	2,849	(g)
Eon Reality	0	2,200	(h)
Other	1,190	1,749	(i)
Total	**118,005**	**130,538**	

a - These debtors relate to mortgages granted to individuals.

b - These debtors relate to long-term loan advances made to Manchester Airports Holdings Ltd to assist in the financing of approved capital works. This figure includes loan interest accruals to 31 March 2013. This loan was renegotiated during 2009/10 and now includes debt that was previously the responsibility of the Greater Manchester Debt Administration Fund.

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

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

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

f - These debtors relate to loans to individuals given to carry out works to their properties or to provide relocation assistance following compulsory purchase orders. These loans are accounted for as embedded derivates (see note 43e) or soft loans (see note 41) in 2012/13. The amount relating to embedded derivates 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. The long term debtors treated as embedded derivatives had previously been classed as soft loans. This reclassification is the main reason for the increased value of these debtors on the balance sheet. The increase in value of the loans classed as embedded derivatives is mainly due to the reversal of the previous soft loan adjustment for foregone interest which is shown within the financial instruments adjustment account (note 43f).

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

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

i - These relate to loans given to other organisations by the Council.

Note 35. 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 2013.

	31 March 2012 £000s	31 March 2013 £000s
Government departments	15,374	14,630
HM Revenue and Customs	10,500	9,999
Other local authorities	10,587	14,578
NHS Bodies	1,995	1,318
Other public bodies	761	47
Council tax	4,074	4,373
Housing rents	2,499	2,789
Financial institutions	285	709
Trade and individuals	82,087	86,621
Total	**128,162**	**135,064**

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 2012 £000s	31 March 2013 £000s
Amounts falling due after one year		
Rental deposits	1,389	1,388
Equity mortgages - share of proceeds	608	969
Other	52	0
Total	**2,049**	**2,357**

Note 36. Analysis of Long-term Borrowing

a. To Balance Sheet Date

The table below shows the outstanding long-term borrowing at 31 March 2013:

	31 March 2012 £000s	Range of Interest Rates Payable from %	to %	Average Interest %	31 March 2013 £000s
Analysis of loans by type					
Market Loans	484,584	2.9000	10.1250	4.9139	474,100
Stocks	8,231	3.0000	4.0000	3.3651	8,198
Total Outstanding	492,815				482,298
Analysis of loans by maturity					
1-2 years	10,383				0
2-5 years	2,078				12,121
5-10 years	63,024				58,044
after 10 years	417,330				412,133
	492,815				482,298

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 2012 £000s	Range of Interest Rates Payable from %	to %	Average Interest %	31 March 2013 £000s
Analysis of loans by type					
Market Loans	1,384,815	2.9000	10.1250	4.9139	1,351,110
Stocks	18,608	3.0000	4.0000	3.3651	18,280
Total Outstanding	1,403,423				1,369,390
Analysis of loans by maturity					
1-2 years	11,202				0
2-5 years	3,015				16,536
5-10 years	94,021				84,096
after 10 years	1,295,185				1,268,758
	1,403,423				1,369,390

Note 37. 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 2012 £000s	Repaid in year £000s	Write down of Finance lease Deferred Liability £000s	Additions in year £000s	31 March 2013 £000s
Ex GMC debt	21,118	(1,634)	0	0	19,484
Finance leases	6,456	(1,585)	(713)	162	4,320
Private Finance Initiatives	153,889	(5,289)	0	0	148,600
	181,463	(8,508)	(713)	162	172,404

Note 38. Capital Grants Receipts in Advance

The note below shows the balance of capital grants received in advance. These grants were not recognised as income at the balance sheet date as they have conditions attached to them that may require the money to be returned.

	31 March 2012 £000s	31 March 2013 £000s
Carrington Reinstatement Deposit	801	801
Contributions from Private Developers	10,215	10,311
	11,016	11,112

Note 39. Provisions

Provisions are established to meet liabilities or losses which are likely or certain to be incurred, but the amounts or timings are

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 2012 £000s	Transfers in year £000s	Amounts used in year £000s	Contributions in year £000s	Amounts released in year £000s	31 March 2013 £000s	
Compensation provisions	16,463	(839)	(3,521)	4,475	(6,048)	10,530	a
Asbestos compensation provision	621	989	(617)	0	0	993	a
Personal injury compensation provision	73	(150)	0	150	0	73	a
Adult family placement provision	100	(88)	0	0	(12)	0	a
Cleopatra compensation provision	3,010	0	(1,305)	1,470	0	3,175	a
Transition Costs provision	138	0	0	0	(138)	0	
Voluntary early retirement / severance provision	0	0	0	3,393	0	3,393	b
Adult Services Provision	0	0	0	78	0	78	
Various other provisions	1,473	88	26	966	(532)	2,021	
	21,878	0	(5,417)	10,532	(6,730)	20,263	

a - The Compensation Provisions have been set up to compensate customers and employees for claims received by the Council as at 31 March 2013. These claims will be paid as the amount of compensation is agreed for each case. The amounts of the provisions have been calculated based on an estimate of the likely settlement of the claims. There is no expected reimbursement to fund these claims.

b- The voluntary early retirement / severance provision was set up to fund voluntary early retirement and severance payments that were accepted by the individual after 31 March 2013.

Note 40. Insurance Provision

Within compensation provisions is an insurance provision, created by the Council to cover for known claims. The amount in this provision at 31 March 2013 was £3,567,000 (£2,598,000 31March 2012).

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 claw back clause will be triggered, which could affect claims already paid.

As at 31 March 2013 £2.199m of claims had already been paid, with outstanding claims of £1.186m.

The Greater Manchester Council's (GMC) former insurer was also MMI. At 31 March 2013 £10.711m of claims relating to GMC had already been paid with outstanding claims estimated at £0.0m.

GMC ceased to exist on 31 March 1986 and any residual liabilities are shared between the ten local authorities of AGMA based on the population estimated by the Registrar General on the 30 June which falls 21 months before the beginning of the financial year in which any sum recoverable falls. Manchester's share of this liability is presently 18.73%. Therefore the Council's share of the ex GMC claims paid and outstanding at 31 March 2013 is £0.299m.

On 13 November 2012, the directors of MMI 'triggered' MMI's Scheme of Arrangement ('the Scheme') under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006). This was because solvent run off could not be foreseen and there was no alternative to insolvent liquidation.

The Scheme Administrator has set an initial levy of 15% of claims for which scheme creditors have received settlement of more than £50,000. Where scheme creditors are owed amounts from claims not yet paid by MMI, the settlement will be reduced to 85%.

It is now known that the claw back clause will be invoked and therefore a provision for the potential liability has been made in the balance sheet set at the initial 15% levy. This presently equates to £0.5m for Manchester City Council and £0.299m for Manchester City Council's share of the former GMC.

In addition, the insurance reserve contains sufficient balances to fund any further liabilities relating to MMI.

Note 41. 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 2012/13 the average net rate of interest paid and received was 3.94% (4.38% in 2011/12).

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 2012 £000s	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s
Financial liabilities at amortised cost	667,588	649,148	139,346	159,254	806,934	808,402
Financial liabilities at fair value through the I&E	0	0	0	0	0	0
Total Financial Liabilities	**667,588**	**649,148**	**139,346**	**159,254**	**806,934**	**808,402**
Loans and receivables	111,146	120,898	124,631	103,614	235,777	224,512
Available for sale assets	2,546	2,232	0	0	2,546	2,232
Unquoted equity investment at cost less impairment	75	75	0	0	75	75
Total Financial Assets	**113,767**	**123,205**	**124,631**	**103,614**	**238,398**	**226,819**

The unquoted equity investment at cost less impairment consists of the Council's shareholding in companies that are not quoted on the stock exchange and are not shown within the Council's group accounts. Investments in companies within the Council's group accounts are not classed as financial instruments.

Fair Value of Assets and Liabilities Carried at Amortised Cost

	Carrying Amount		Fair Value	
Liabilities	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s
Market debt	494,834	499,487	527,245	542,840
Stocks	8,231	8,198	6,890	7,171
Total Borrowings	**503,065**	**507,685**	**534,135**	**550,011**
Bank Overdraft	14,983	14,547	14,983	14,547
Ex GMC debt	21,118	19,484	21,118	19,484
PFI and finance lease liabilities	160,345	152,920	157,718	147,339
Trade creditors	107,423	113,766	107,423	113,766
Total Financial Liabilities	**806,934**	**808,402**	**835,377**	**845,147**

	Carrying Amount		Fair Value	
Assets	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s
Cash and cash equivalents	43,476	9,301	43,476	9,301
Trade debtors	192,301	215,211	192,301	215,211
Total Loans and Receivables	**235,777**	**224,512**	**235,777**	**224,512**

The carrying values of financial assets and liabilities for 2011/12 have been updated from those shown in the 2011/12 published accounts to remove payments and receipts in advance.

The fair value of the financial liabilities for 2011/12 have been updated from those shown in the 2011/12 published accounts to include accrued interest.

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

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

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

The fair value is greater than the carrying amount when the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. Market values and historical cost have been used to value investments as applicable.

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

	Financial Liabilities 2012-13	Financial Assets 2012-13			
	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	35,544	0	0	0	35,544
Losses on Derecognition	0	0	0	0	0
Interest Payable and Similar Charges	**35,544**	**0**	**0**	**0**	**35,544**
Interest Income	0	(11,673)	0	0	(11,673)
Gains on Derecognition	0	0	(13)	0	(13)
Interest and Investment Income	**0**	**(11,673)**	**(13)**	**0**	**(11,686)**

Soft Loans

This relates to loans given by the Council at a lower rate of interest than would be obtained if a similar market loan was taken out by the borrower. The Council's soft loans all relate to Private Sector Housing loans including:

Minor Works Loans
These loans are given by the Council to individuals to facilitate the carrying out of minor works to their homes. The value of the work required must be more than £2,500 and not more than £8,500. The loans are interest free and repayable as follows:

- On sale or transfer of the property
- If the property ceases to be the individuals principal home
- If the property is rented (in whole or part)
- On death of the individual
- If at any time, the Council believes the individual can repay the loan in full or part as a result of a change of circumstances and repayment would not cause hardship.

The individual's ability to repay the loan is assessed on a cyclical basis every 5 years.

Group Works Loans
These loans are given by the Council to individuals to facilitate the carrying out of efficiency works to their homes. There is no upper limit to the loan amount subject to there being sufficient equity in the property. The loans are interest free and repayable as follows:

- On sale or transfer of the property
- If the property ceases to be the individuals principal home
- If the property is rented (in whole or part)
- On death of the individual
- If at any time, the Council believes the individual can repay the loan in full or part as a result of a change

Property Essential Renovation Loans (PERL)
These loans are given by the Council to individuals to facilitate the carrying out of approved improvement works. The value of the work must total £7,000 or less. The loans are interest free and repayments are made by instalments set at the beginning of the loan agreement.
The table below shows the value of soft loans as per the balance sheet.

	Soft Loans at Fair Value Opening Balance						Soft Loans at Fair Value Closing Balance
	1 April 2012 £000s	New Loans Issued £000s	Fair Value Adjustment on Initial Recognition £000s	Principal Repayments £000s	Fair Value Adjustment on Repayment £000s	Fair Value Adjustment on Annual Valuation £000s	31 March 2013 £000s
Minor Works Loans	93	0	0	0	0	11	104
Group Works Loans	26	228	(207)	0	0	5	52
Property Essential Renovation Loans	149	33	(11)	(68)	19	14	136
Total Soft Loans	**268**	**261**	**(218)**	**(68)**	**19**	**30**	**292**

The table below shows the value of loans outstanding.

	Soft Loans at Nominal Value Opening Balance			Soft Loans at Nominal Value Closing Balance
	1 April 2012 £000s	New Loans Issued £000s	Principal Repayments £000s	31 March 2013 £000s
Minor Works Loans	661	0	0	661
Group Works Loans	123	228	0	351
Property Essential Renovation Loans	247	33	(68)	212
Total Loans	1,031	261	(68)	1,224

The difference in the balances in these two tables is the value of the interest foregone.

Soft Loans are recorded in the balance sheet at fair value. This is calculated based on the nominal value to be repaid reduced by the amount of foregone interest as the loans are offered at below market rates of interest. The foregone interest is calculated by comparing the actual rate charged and average market rates available form lenders.

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

Key Risks

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

Credit Risk - the possibility that other parties might fail to pay amounts due to the Council
Liquidity Risk - the possibility that the Council might not have funds available to meet its commitments to make payments
Refinancing Risk - the possibility that the Council might be required to renew financial instruments on maturity at a disadvantageous interest rate or terms
Market Risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Risk

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

The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the code of practice
- By the adoption of a Treasury Policy statement and Treasury management clauses within its constitution
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing
  - Its maximum and minimum exposures to fixed and variable rates
  - Its maximum and minimum exposures in the maturity structure of its debts
  - Its maximum and minimum exposures to investments maturing beyond a year
  - By approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counter parties with Government Guidance.

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

The annual Treasury Management Strategy was approved by Council on 7 March 2012 and is available on the Council's website.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is managed through the Annual Investment Strategy which was approved by full Council on 7 March 2012 and is available on the Council's website. Some of the key areas of the strategy are as follows:

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

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

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

Investment Limits

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

Banks and Building Societies	
Fitch or Equivalent AA+ and above	£20 million
Fitch or Equivalent AA/AA-	£15 million
Fitch or Equivalent A+/A	£10 million
Fitch or Equivalent A-	£5 million
Fitch or Equivalent BBB+	£0 million
Other	
Debt Management Office	£200 million
District Councils	£5 million
Other local authorities	£20 million

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

Monitoring of credit ratings

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

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

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

The trade debtor amount is £266,390,000 and the estimated exposure to default is £41,539,000.

Liquidity Risk

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

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

Refinancing and Maturity Risk

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

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes: monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council has £421,825,429 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, subject to influences from Government grants.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year, to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns. Similarly the drawing of longer term fixed rate borrowing would be postponed.

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

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

- LOBO risk (loans potentially subject to call £201,965,429@1%) = £2,019,654.

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares but does have shareholdings at a cost of £131,949,000 in a number of joint ventures and in local industry. 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 42. 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 2012 £000s	31 March 2013 £000s	Note	Purpose of Reserve
Reserves Held for Capital Purposes				
Capital Receipts Reserve	34,085	37,436	a	Proceeds of non-current assets sales available to meet future capital investment.
Major Repairs Reserve	4,050	8,093	b	Resources available to meet capital investment in council housing.
Capital Grants Unapplied Reserve	32,475	43,886	c	Capital grants and contributions available to meet future capital expenditure.
Total Reserves Held for Capital Purposes	**70,610**	**89,415**		
Reserves Held for Revenue Purposes				
a) Schools				
LMS Reserve	30,957	29,873		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.
Total Reserves Held for Schools	**30,957**	**29,873**		
b) Statutory				
Bus Lane Enforcement Reserve	1,045	1,112		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.
On-street Parking Reserve	2,755	3,274		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.
Ancoats Square Reserve	1,950	1,937		Commuted sum received from the Homes and Communities Agency to fund maintenance in future years.
Other smaller reserves under £1m	866	849		
Total Statutory Earmarked Reserves	**6,616**	**7,172**		
c) Balance held for PFIs				
Public Lighting PFI Reserve	5,778	4,719		The Public Lighting PFI Reserve has been established to fund future expenditure on the scheme.
Temple School PFI Reserve	598	589		Established to fund the requirements re. PFI contract for the Temple school via our external contractors.
Wright Robinson PFI Reserve	791	620		Established to fund the requirements re. PFI contract for the Wright Robinson school via our external contractors.
Total balance held for PFIs	**7,167**	**5,928**		
d) Small specific reserves				
Home Loans Reserve	558	566		Resources available to meet future needs of mortgage accounts.
Climate Innovation Fund	910	819		To support the emerging investment model on Green Deal for Manchester and schemes which contribute towards carbon reduction
Other smaller reserves under £1m	1,576	1,261		
Total small specific reserves	**3,044**	**2,646**		

	31 March 2012 £000s	31 March 2013 £000s	Note	Purpose of Reserve
e) Reserves held to smooth risk / assurance				
Insurance Fund Reserve	19,087	18,358		The Insurance Fund has been established to fund risks that are self-insured.
Children's Services Reserve	3,300	1,000		The Children's Services Reserve was established to fund future liabilities relating to Children's Services.
Cleopatra Reserve	2,362	4,362		The Cleopatra Reserve was set up to meet future potential compensation claims.
Pension Contribution Reserve	2,415	2,158		The Pension Contribution Reserve was set up to fund future additional pension costs.
Manchester International Festival	0	2,000		To give certainty to the cost to the council of supporting the festival as timescales do not readily fit with the Councils annual budget process.
Looked After Children Reserve	1,000	1,000		The Looked After Children Reserve was set up to smooth the effects of variations in looked after children numbers.
Transformation Reserve	13,000	8,041		The transformation reserve has been set up to fund future service transformation costs.
Community Care Reserve	1,539	1,500		The Community Care Reserve was set up to meet future potential care costs.
Other smaller reserves under £1m	1,298	2,100		
Total reserves held to smooth risk / assurance	**44,001**	**40,519**		
f) Revenue reserves held to support capital schemes				
Capital Fund Reserve	42,918	37,605		The Capital Fund was established to fund revenue contributions to major capital schemes.
Town Hall Reserve	9,316	4,252		The Town Hall Reserve was established to contribute towards the refurbishment of the Town Hall Extension and Central Library.
Service Improvement Fund Reserve	2,314	832		The Service Improvement Fund was established to fund improvements in Council services.
English Institute of Sport Reserve	1,332	2,685		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.
Other smaller reserves under £1m	341	341		
Total revenue reserves held to support capital schemes	**56,221**	**45,715**		
g) Economic growth and public sector reform				
SoccerEx Reserve	3,255	1,580		The SoccerEx Reserve will be used to fund the SoccerEx European Forum (2010-13) and the SoccerEx Global Convention (2014-17).
Manchester Investment Fund	10,772	10,772		To support the scaling up of community budgets in 2013/14 and future years.
Youth Unemployment Reduction Fund	952	476		Held for Manchester element of a Greater Manchester wide scheme aimed at reducing youth unemployment.
Total economic growth and public sector reform	**14,979**	**12,828**		

h) Grants and contributions used to meet commitments over more than one year (now shown as reserves due to change in accountancy treatment)			
Supporting People Reserve	1,657	44	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 classed as reserves.
Manchester Investment Fund	0	3,692	
Other grants and contributions (section 278 commuted sums)	1,247	1,247	
New Homes Bonus Grant Reserve	2,723	5,587	
English Partnership Reserve	1,897	1,343	
Economic Growth and Worklessness	2,007	7	
Homelessness	1,161	742	
Department of Health Reserve	792	166	
Winter Pressures Grant Reserve	660	1,475	
Workforce Development and Learning	1,410	989	
Other smaller reserves under £1m	4,892	3,920	
Total grants and contributions used to meet commitments over more than one year	**18,446**	**19,212**	
Total earmarked revenue reserves	**181,431**	**163,893**	
i) General Fund			
General Fund Reserve	26,462	41,010	Resources available to meet future running costs for non-HRA services.
Total all general fund reserves	**207,893**	**204,903**	
j) Housing Revenue Account			
Housing Revenue Account Reserve	56,539	61,001	Resources available to meet future running costs for council housing.
Grand Total All Reserves	**335,042**	**355,319**	

a - Capital Receipts Reserve

	2011/12 £000s	2012/13 £000s
Balance at 1 April	27,372	34,085
Capital receipts received in year	27,127	13,704
Capital receipts received in year relating to HRA debt settlement	24,885	0
Paid to housing national pool	(776)	(1,328)
Applied to fund capital expenditure	(44,523)	(9,025)
Balance at 31 March	**34,085**	**37,436**

b - Major Repairs Reserve

	2011/12 £000s	2012/13 £000s
Balance at 1 April	780	4,050
Transferred from capital adjustment account during year (equivalent to HRA depreciation)	11,621	11,438
Financing of capital expenditure on council dwellings	(6,466)	(14,223)
Decent homes backlog funding	0	5,500
Transfer (to) / from the HRA	(1,885)	1,328
Balance at 31 March	**4,050**	**8,093**

c - Capital Grants Unapplied Reserve

	2011/12 £000s	2012/13 £000s
Balance at 1 April	72,119	32,475
Grants received in year	81,318	60,504
Reclassified as revenue	(10,214)	0
Transferred to Capital Adjustment: Account General Grants and Contributions	(105,272)	(44,998)
Transferred to Capital Adjustment Account: Revenue Expenditure Funded from Capital Under Statute (REFCUS) Grants and Contributions	(5,476)	(4,095)
Balance at 31 March	**32,475**	**43,886**

Note 43. Unusable Reserves

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

Unusable Reserve	31 March 2012 £000s	31 March 2013 £000s	Note
Revaluation Reserve	693,982	699,126	a
Available for Sale Financial Instruments Reserve	1,531	1,727	b
Pensions Reserve	(647,300)	(802,400)	c, 45
Capital Adjustment Account	1,339,730	1,314,190	d
Deferred Capital Receipts Reserve	1,441	1,285	e
Financial Instruments Adjustment Account	(7,560)	(3,906)	f
Collection Fund Adjustment Account	4,276	3,766	g
Short-term Accumulated Absences Account	(7,409)	(7,093)	h
	1,378,691	1,206,695	

a - Revaluation Reserve

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

	2011/12 £000s	2012/13 £000s
Balance at 1 April	697,294	693,982
Revaluations relating to non current assets	22,635	44,081
Revaluations relating to assets held for sale	(65)	(5,061)
Revaluation gain depreciation	(6,778)	(5,939)
Impairment not charged to CIES	(10,157)	(12,473)
Write up of Historical Cost record - reversal of prior year impairments	(5,921)	0
Transfer of Investment Property Revaluation Reserve balance	(165)	(144)
Leased asset Revaluation Reserve to deferred liability	(887)	0
Disposals Transferred to Capital Adjustment Account	(1,974)	(15,320)
Balance at 31 March	693,982	699,126

b - Available for Sale Financial Instruments Reserve

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

	2011/12 £000s	2012/13 £000s
Balance at 1 April	1,686	1,531
Increase in Financial Instruments Market Value	6	237
Decrease in Financial Instruments Market Value	(161)	(28)
Realised (Loss) on Sale	0	(13)
Balance at 31 March	1,531	1,727

c - Pensions Reserve

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

	2011/12 £000s	2012/13 £000s
Balance at 1 April	(367,900)	(647,300)
Net Movement in Year	(279,400)	(155,100)
Balance at 31 March	(647,300)	(802,400)

The increase in the pension reserve deficit is mainly due to the reduction in the discount rate used to calculate the liability. The rate used in 2011/12 was 4.8% and has reduced to 4.5% in 2012/13. This reduction is due to falling bond yields.

d - Capital Adjustment Account (CAA)

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

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2011/12 £000s	2012/13 £000s
Balance at 1 April	1,139,994	1,339,730
Repayment of ex GMC debt	1,567	1,634
Minimum revenue provision	26,905	26,825
Reversal of PFI charges to HRA	2,876	6,009
Capital grants and contributions	105,272	49,095
Revenue contributions used	14,433	31,000
Investment property revaluations	9,581	25,389
Revaluation Reserve transfers to Investment Property	165	144
Revaluation gain depreciation	6,778	5,939
Transfer from donated asset reserve	0	910
Disposals transferred from revaluation reserve	1,974	15,320
Depreciation	(47,890)	(46,243)
HRA settlement - repayment of loans	269,391	0
Major Repairs Allowance	6,466	14,223
Capital Receipts Used	44,523	9,025
Write down of finance lease deferred liability	0	713
Other Disposals	(35,803)	(42,431)
Write down of intangible assets	(395)	(406)
Write down of long-term debtors	(1,994)	(321)
Loss on Repayment of Housing Loan	0	(56)
Write down revenue expenditure funded from capital under statute	(28,475)	(22,262)
Impairment of fixed assets	(175,638)	(100,047)
Balance at 31 March	**1,339,730**	**1,314,190**

e - Deferred Capital Receipts Reserve
The Deferred Capital Receipts Reserve holds the gains recognised on the granting of equity mortgages, equity loans and the disposal of council houses under right to buy legislation but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed up by cash receipts. When the deferred cash settlement eventually 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 vulnerable home owners to carry out essential renovation works. The minimum loan value available is £7,000 up to a maximum of £25,000 or 33% of the value of the improved home. The equity share is secured by a legal charge and loans are repayable on the death of the purchaser, or the sale of the property or when the purchaser ceases to occupy the property as their main home. The outstanding balance is adjusted in each year in line with the Land Registry House Pricing Index.

b) Relocation Assistance Loans
These are equity share loans provided to assist owner-occupiers displaced by demolition to purchase a replacement property. Loan values are available which meet the difference between the value of the property to be demolished and the cost of buying another property subject to specified limits. The equity share is secured by a legal charge and loans are repayable on the death of the purchaser, or the sale of the property or when the purchaser ceases to occupy the property as their main home. The outstanding balance is adjusted each year in line with the Land Registry House Pricing Index.

	Opening Balance				Closing Balance
	1 April 2012 £000s	New Loans Issued £000s	Principal Repayments £000s	Fair Value Adjustments £000s	31 March 2013 £000s
Historic Mortgages	261	0	(73)	0	188
Equity Mortgages	1,180	750	0	(50)	1,880
Equity Loans	0	0	0	(783)	(783)
Total Deferred Capital Receipts	**1,441**	**750**	**(73)**	**(833)**	**1,285**

Equity loans were treated as soft loans previously. House prices have fallen since these loans were given which is reflected in the above figures.

f - Financial Instruments Adjustment Account

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

	2011/12 £000s	2012/13 £000s
Balance at 1 April	(6,948)	(7,560)
Soft loans prior year reversal	0	5,276
Soft loans in year movements	114	(931)
Premium and discounts	(787)	(773)
Manchester Mortgage Corporation investment revaluation	61	82
Balance at 31 March	**(7,560)**	**(3,906)**

The Council has undertaken a review of its Financial Instruments in 2012/13 which has resulted in a significant movement during the year. In prior years Home Improvement Loans and Relocation Assistance Loans were included as Soft Loans however these have now been reclassified as Embedded Derivatives resulting in the reversal of foregone interest charged. This is shown as soft loans prior year reversal in the above table..

g - Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers, compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.

	2011/12 £000s	2012/13 £000s
Balance at 1 April	3,853	4,276
Movement in Year	423	(510)
Balance at 31 March	**4,276**	**3,766**

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.

	2011/12 £000s	2012/13 £000s
Balance at 1 April	(6,126)	(7,409)
Movement in Year	(1,283)	316
Balance at 31 March	**(7,409)**	**(7,093)**

Note 44. 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 2012/13 are as follows:

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2012/13			382,749
Academy figure recouped for 2012/13			(41,943)
Total DSG after Academy recoupment			340,806
Brought forward from 2011/12			709
Carry forward to 2013/14 (agreed in advance)			0
Agreed budgeted distribution in 2012/13	30,155	311,360	341,515
In year adjustments	0	0	0
Final budgeted distribution for 2012/13	30,155	311,360	341,515
Less actual central expenditure	29,432		
Less actual ISB deployed to schools		311,360	
Plus Local Authority contribution for 2012/13	0	0	0
Carry forward to 2013/14	**723**	**0**	**723**

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 45. 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 two pension schemes:

The Local Government Pension Scheme is a fully funded defined benefits scheme. The last triennial valuation was on 31 March 2010. Tameside MBC administer the scheme on behalf of the Greater Manchester Authorities.

In order to assess the value of the employer's liabilities in the fund at 31 March 2013, the value of employer's liabilities have been brought forward from those at the formal valuation for 31 March 2010 allowing for the different financial assumptions required under IAS 19 for the year. In calculating the service cost, changes in the pensionable payroll, as estimated from contribution information, have been allowed for. In calculating the asset share the employer's share of the assets, allocated at the latest valuation, have been rolled forward allowing for investment returns, the effect of contributions paid into and estimated benefits paid out of the fund.

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 Children, Schools and Families. Further information is included in Note 46.

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:

	2011/12 £000s	2012/13 £000s
Comprehensive Income and Expenditure Statement		
Net cost of Services:		
current service cost	40,000	43,000
past service costs	20,300	800
curtailments and settlements	100	200
Net operating expenditure:		
interest cost	124,400	121,300
expected return on assets in the scheme	(124,700)	(105,400)
Net charge to the Comprehensive Income and Expenditure Statement	60,100	59,900
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS19.	(8,000)	(11,100)
Actual amount charged against the General Fund Balance for the pensions in the year:		
Employers' contribution payable to scheme	**52,100**	**48,800**

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme	
	2011/12 £000s	2012/13 £000s
Balance at 1 April	2,273,200	2,546,900
Current Service Cost	40,000	43,000
Interest Cost	124,400	121,300
Contributions by Scheme Participants	15,200	14,700
Actuarial Losses	173,900	395,400
Losses on Curtailments	100	200
Benefits Paid	(100,200)	(98,500)
Past Service Cost	20,300	800
Balance at 31 March	**2,546,900**	**3,023,800**

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2011/12 £000s	2012/13 £000s
Balance at 1 April	1,905,300	1,899,600
Expected Rate of Return	124,700	105,400
Actuarial (Losses)	(97,500)	0
Actuarial Gains	0	251,400
Employer Contributions	52,100	48,800
Contributions by Scheme Participants	15,200	14,700
Benefits Paid	(100,200)	(98,500)
Balance at 31 March	**1,899,600**	**2,221,400**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £273,100,000 (return on scheme assets £27,500,000 2011/12).

Scheme History

	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s	2012/13 £000s
Present Value of Liabilities	(1,791,600)	(2,914,600)	(2,273,200)	(2,546,900)	(3,023,800)
Fair Value of Assets	1,392,700	1,877,400	1,905,300	1,899,600	2,221,400
(Deficit) in the Scheme	**(398,900)**	**(1,037,200)**	**(367,900)**	**(647,300)**	**(802,400)**

The liabilities show the underlying commitment that the Council has in the long run to pay retirement benefits. The increased total liability of £802,400,000 has resulted in a decrease in the net worth of the Council of £155,100,000 as recorded in the balance sheet resulting in a positive overall balance of £1,562,014,000.

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 total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £37,893,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme's assets and liabilities have been assessed by Hymans Robertson, an independent firm of actuaries.

The main assumptions used in their calculations have been:

	2011/12	2012/13
Long-term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	6.3%	4.5%
Bonds	3.9%	4.5%
Property	4.4%	4.5%
Cash	3.5%	4.5%
Mortality Assumptions:		
Longevity at 65 for Current Pensioners		
Men	20.1 years	20.1 years
Women	22.9 years	22.9 years
Longevity at 65 for Future Pensioners		
Men	22.5 years	22.5 years
Women	25.0 years	25.0 years
Rate of Inflation (CPI)	2.5%	2.8%
Rate of Increase in Salaries *	4.3%	4.6%
Rate of Increase in Pensions	2.5%	2.8%
Expected Return on Assets	5.6%	4.5%
Rate for Discounting Scheme Liabilities	4.8%	4.5%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum - Pre April 2008	50.0%	50.0%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum - Post April 2008	75.0%	75.0%

* Salary increases are assumed to be 1% per annum until 31 March 2015 reverting to the long term assumptions shown thereafter.

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2012	31 March 2013
Equities	70.0%	72.0%
Bonds	18.0%	17.0%
Property	5.0%	5.0%
Cash	7.0%	6.0%
	100.0%	100.0%

Actuarial Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserve in 2012/13 can be analysed into the following categories measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09	2009/10	2010/11	2011/12	2012/13
Difference between the Expected and Actual Return on Assets	(28.8%)	(31.2%)	(13.3%)	(8.0%)	(17.0%)
Experience Gains / (Losses) on Liabilities	(0.3%)	(0.3%)	11.5%	(1.4%)	(3.2%)

Note 46. 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 45.

The pension costs charged to the accounts are at the contribution rate set by the DfE on the basis of a notional fund. In 2012/13 the Council's contribution to the DfE in respect of teachers' pension costs was £17,273,000 (£18,307,000 2011/12), the set contribution rate being 14.1% (14.1% 2011/12).

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with related increases. In 2012/13 these amounted to £6,690,000 (£6,497,000 2011/12) of which £1,515,000 (£1,507,000 2011/12) relates to former establishment employees and is refunded by the Higher Education Funding Council.

Note 47. Contingent Assets and Liabilities

There is the following contingent asset at the balance sheet date:

a) As part of the Plymouth Grove and Miles Platting PFI contracts the operators are able to earn income from the sale of properties. There is a profit share mechanism in place in relation to this income with the Council benefitting from a share of the profits. The scale of this profit share cannot be assessed..

b) As part of the Bowes Street Regeneration Scheme in Moss Side the Council has provided homebuyers, purchasing the renovated properties, equity mortgage loans for up to 30% of the property value. As these loans are repayable on the sale of the property or if the homebuyer decides to repay the loan before sale, the timing of the receipt cannot be assessed. Thus a debtor has not been recognised on the Council's balance sheet.

There are the following contingent liabilities at the Balance Sheet date:

a) Under the Equal Pay Act 1970 as modified by the Equal Pay Act (Amendment) Regulations 2003 employees have a right to claim compensation from their employer for failing to give equal pay for work of equal value.

The majority of potential claims have been settled and provision has been made for the assessed cost of known remaining claims. This is shown within known compensation provisions in note 39. There remains the potential for some further claims but the scale of any liabilities cannot be assessed.

Note 48. 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	2011/12 £000s	2012/13 £000s	
Central Government - revenue grants	904,516	813,822	a
Central Government - capital grants	76,125	39,318	a
Greater Manchester Combined Authority - capital contribution	0	10,065	b
Manchester Airport Plc - dividend	11,000	11,065	c
Manchester Airport Plc - repayment of interest	9,980	9,980	c
Manchester Airport Plc - net rent	5,946	6,244	c
Manchester Primary Care Trust	15,936	11,099	f
Destination Manchester Limited - interest on loans	1,258	1,084	c
	1,024,761	**902,677**	

Expenditure	2011/12 £000s	2012/13 £000s	
Greater Manchester Combined Authority - levy	34,336	36,271	b
Greater Manchester Waste Disposal Authority - levy	23,808	28,064	b
Greater Manchester Police Authority / Crime Commissioner - precept	17,893	18,157	b
Greater Manchester Fire and Rescue Authority - precept	6,527	6,623	b
Greater Manchester Pension Fund - employer's contributions	52,100	48,800	d
Teachers' Pension Agency - employer's contributions	18,307	17,273	e
Manchester Primary Care Trust	11,709	8,324	f
	164,680	**163,512**	

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 2012/13 is set out in Note 15. Details of member's interest, both pecuniary and non-financial are recorded in the register of member's interest (available for public inspection). The executive directors are required on an annual basis to make any declaration of any related party transactions. During 2012/13 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).

Grant details are set out in Notes 13 and 14. Central Government debtors and creditors are set out in Notes 34 and 35.

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.

c. Entities controlled or significantly influenced by the Council
The Council has a number of subsidiaries over which it has control and associate and joint venture companies over which it exerts significant influence. Manchester Airports Holdings Ltd is a joint venture and Destination Manchester Ltd is a subsidiary; the council and these organisations have related party transactions that are considered to be material.

Manchester Airports Holdings Ltd
The Council is a related party to Manchester Airports Holdings Ltd. MCC owns 35.5% of the share capital of the company. The principal activities of the Group during the year were ownership, operation and development of airport facilities. Sir Richard Leese was appointed as a director to Manchester Airports Holdings Ltd in March 2013.

Destination Manchester Ltd (DML)
Destination Manchester Ltd's ultimate parent and controlling party is Manchester City Council. Destination Manchester Ltd owns and manages the Manchester Central Convention Complex, who hold major conferences and exhibitions. The directors who served the company during the year were Sir Howard Bernstein and Richard Paver.

d. Greater Manchester Pension Funds
The Local Government Pension Scheme is a fully funded defined benefits scheme. Pension details are set out in Note 45.

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 46.

f. Manchester Primary Care Trust (PCT)
The objective of Manchester PCT is to ensure that people in Manchester have access to high quality, safe health services when they need them. Manchester PCT provides frontline services such as health visiting, district nursing and speech and language therapy.

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

Note 49. 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.

These funds are not Council assets and are not included in the Council's Balance Sheet but are recorded in the notes to the financial statements.

	Income £	Expenditure £	Assets £	Liabilities £	Purpose
Manchester City Council is Sole Trustee:					
Castlefield Heritage Trust	1,244	600	332,194	0	Castlefield Heritage Trust was established in 1996 to provide conservation maintenance and protection, for the public benefit, of areas and waterways in Manchester and Salford. This includes Castlefield and the adjacent areas to Castlefield and the Castlefield Basin.
Other Trust Funds:					
I love Manchester (The Lord Mayor of Manchester's) Charity Appeal Trust	37,227	58,387	775,572	2	Lord Mayor of Manchester Charity Appeal Trust provides unrestricted funds, which can be used for any charitable purpose in order to benefit the residents of Manchester, including providing holidays for needy families who reside within the City.
Manchester Immigration Needs Trust	4,244	0	130,574	0	Manchester Immigration Needs Trust was established in 1985 to provide financial assistance to Manchester residents who are suffering from poverty and hardship and seeking to establish a right to reside in the City. Financial assistance is provided by the payment of grants to individuals.
Manchester Safeguarding Children Board	307,711	383,257	193,527	30,401	Manchester Safeguarding Children Board is a statutory multi-agency board whose main functions are to co-ordinate what is done by each agency on the board for the purposes of safeguarding and promoting the welfare of children in Manchester and to ensure the effectiveness of what is done for this purpose.
Total	350,426	442,244	1,431,867	30,403	

Note 50. Analysis of Cash and Cash Equivalents

Cash and Cash Equivalents	31 March 2012 £000s	31 March 2013 £000s
Cash in hand	128	62
Call accounts	31,848	9,239
Investments less than 3 months	11,500	0
Total cash and cash equivalents	**43,476**	**9,301**
Bank overdraft	(14,983)	(14,547)
Total	**28,493**	**(5,246)**

Note 51. Cash Flow Statement - Adjustments to net surplus or deficit on the provision of services for non-cash movements

	31 March 2012 £000s	31 March 2013 £000s
Depreciation of non current assets	(47,890)	(46,205)
Impairment of non current assets	(150,617)	(100,047)
Amortisation of intangible fixed assets	(395)	(406)
Pension fund adjustments	(8,000)	(11,100)
Movement in market value of investment property	0	25,389
Donated assets fair value	0	910
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	(673)	4,019
(Increase) in impairment for provision for bad debts	(15,123)	(6,957)
Contributions to provisions	(313)	(3,802)
Carrying amount of property, plant and equipment, investment properties and intangible assets sold	(35,803)	(42,436)
Other non-cash movement	261,839	18,720
(Decrease) in inventories	(168)	(251)
Increase/(decrease) in debtors (less capital)	(31,622)	2,573
Increase in interest debtors	0	203
(Increase)/decrease in creditors (less capital)	71,182	(14,742)
Decrease in interest creditors	0	3,821
Total	**42,417**	**(170,311)**

Note 52. Cash Flow Statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

	31 March 2012 £000s	31 March 2013 £000s
Proceeds from the disposal of property, plant and equipment, investment properties and intangible assets	26,088	13,403
Capital Grants credited to surplus or deficit on the provision of services	65,627	56,410
Other adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities	6,105	0
	97,820	69,813

Note 53. Cash Flow Statement - Operating Activities

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

	2011/12 £000s	2012/13 £000s
Interest received	(13,304)	(11,471)
Interest paid	43,510	39,364
Dividends received	(12,412)	(11,565)
Net cash flows from operating activities	**17,794**	**16,328**

Note 54. Cash Flow Statement - Investing Activities

	2011/12 £000s	2012/13 £000s
Purchase of plant, property and equipment, investment property and intangible assets	162,516	148,767
Proceeds from the sale of plant, property and equipment, investment property and intangible assets	(27,681)	(13,403)
Capital grants received	(78,437)	(39,317)
Other receipts from investing activities	(4,120)	(15,959)
Net cash flows from investing activities	**52,278**	**80,088**

Note 55. Cash Flow Statement - Financing Activities

	2011/12 £000s	2012/13 £000s
Repayments of long and short term borrowing	74,879	11,648
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	6,705	6,838
Proceeds from short term investments	(24,885)	0
Cash receipts of long and short term borrowing	(10,000)	(15,000)
Net payments / (receipts) relating to preceptors element of Council Tax	(6,898)	6,642
Net payments / (receipts) relating to national non domestic rates	(11,642)	9,476
Net cash flows from financing activities	**28,159**	**19,604**

Note 56. Post Balance Sheet Events

The Public Health White Paper, Healthy lives, Healthy People: Our strategy for public health in England set out the vision for a reformed public health system in England. The Health and Social Care Act 2012 transfers substantial health improvement duties to local authorities from 1 April 2013. Local authorities have been given a ring-fenced public health grant, which takes into account estimates of baseline spending, including from the PCT recurrent resources and non-recurrent resources, such as the pooled treatment budget and drugs intervention programme, and a fair shares formula based on the recommendations of the Advisory Committee for Resource allocation. The public health grant is being provided to: improve significantly the health and wellbeing of local populations; carry out health protection functions delegated from the Secretary of State; reduce health inequalities across the life course, including within hard to reach groups; and ensure the provision of population healthcare advice. The allocation for Manchester is £40.105m for 2013/14, rising to £44.116m in 2014/15.

Due to the reforms brought about as a result of the Local Government Resource Review, from 1 April 2013 any increase or decrease in business rates yield will be shared between the Council and Central Government. At 1 April 2013 provision will be made for the estimated effect of outstanding appeals against rateable values. The estimated provision required for outstanding appeals against rateable values at 1 April 2013 was £55.237m. The Council's share of this provision is £27.066m.

The following Community schools have transferred to academy status since 31 March 2013:
Webster Primary School
The Willows Primary School
Haveley Hey Community School
Abbey Hey Primary School
Crossacres Primary School

These were previously valued on the Council's balance sheet at £24,890,000 but have been revalued to a nil value at 31 March 2013 to reflect the fact that there is no ongoing economic benefit to the Council from these school assets.

Since the draft accounts were produced in June three additional primary schools have transferred to academy status - Aspinal Primary, Green End Primary and Ladybarn Primary. They are currently shown on the balance sheet at a combined value of £14,604,000.

Note 57. Authorisation for Issue of the Statement of Accounts

The 2012/13 Statement of Accounts was authorised for issue by Richard Paver, the City Treasurer on 26 September 2013. 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.

2011/12 £000s		Note	2012/13 £000s
	Expenditure		
24,116	Repairs and maintenance		20,843
22,055	Supervision and management		17,546
145	Rents, rates, taxes and other charges		285
36,641	Depreciation and impairment of non-current assets	e,f	33,148
57	Debt management costs		16
68,722	Repayment of premiums		0
481	Movement in the allowance for bad debts		1,823
330	Revenue expenditure funded from capital under statute	g	163
152,547			**73,824**
	Income		
56,183	Dwelling rents (gross)		59,324
761	Non-dwelling rents (gross)		518
2,330	Charges for services and facilities		3,451
6,060	Contributions towards expenditure		8,562
294,276	Income relating to repayment of debt in relation to the introduction of HRA self financing		0
19,625	HRA subsidy receivable	h	0
0	Private Finance Initiative Grant		15,441
0	Decent Homes Backlog Funding		5,500
0	Mortgage Repayments		39
379,235			**92,835**
(226,688)	**Net (Surplus) of HRA Services as included in the Council's Comprehensive Income and Expenditure Statement**		**(19,011)**
96	HRA services share of corporate and democratic core		98
180	HRA share of other amounts included in the Council's net cost of services but not allocated to specific services		5
(226,412)	**Net (Surplus) of HRA Services**		**(18,908)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(912)	(Gain) on disposal of HRA non-current assets		(2,387)
20,987	Interest payable and similar charges		9,746
(68,722)	Premiums income		0
(261)	Interest and investment income		(162)
(3)	Pensions interest cost and expected return on pension assets		82
(7,338)	Capital grants and contributions receivable		(5,438)
(282,661)	**(Surplus) for the year on HRA services**		**(17,067)**

Movement on the Housing Revenue Account Statement

2011/12 £000s		2012/13 £000s
(51,773)	**Balance on the HRA at the end of the previous year**	**(56,539)**
(282,661)	(Surplus) for Year on the HRA Income and Expenditure Statement	(17,067)
	Adjustments between accounting basis and funding basis under statute	
(1,885)	Transfer (from) / to Major Repairs Reserve	1,328
(1,110)	Difference between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined in accordance with statute	(1,096)
400	Capital expenditure funded by the HRA	0
949	Gain on disposal of HRA non-current assets	2,387
21	Transfer to short term accumulating absences account	0
(476)	HRA share of retirement benefits per IAS19	(267)
856	HRA share of employer contribution to pension scheme	139
(25,020)	Impairment of non-current assets	(21,709)
(330)	Amortisation of Revenue Expenditure Funded from Capital under Statute	(163)
2,876	Reversal of PFI Charges	6,009
294,276	Income relating to repayment of debt	0
7,338	Capital grants and contributions receivable	5,438
0	Transfer to General Fund Reserve	15,000
0	Decent Homes Backlog Funding	5,500
0	Mortgage Repayments	39
(4,766)	**Net (Increase) in Year on the HRA**	**(4,462)**
(56,539)	**Balance on the HRA at the end of the current year**	**(61,001)**

Notes to the Housing Revenue Account

(a) Housing Stock

The Council was responsible for managing an average of 16,872 dwellings during 2012/13.

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

	31 March 2012	31 March 2013
Houses and bungalows	9,790	9,692
Flats	7,203	7,186
Others	105	82
	17,098	**16,960**

The change in stock is as follows:

	2011/12	2012/13
Stock at 1 April	17,291	17,098
Sales	(50)	(61)
Demolitions	(327)	0
Transfers	0	(77)
New buildings	182	0
Acquisitions	2	0
Stock at 31 March	**17,098**	**16,960**

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

	31 March 2012 £000s	31 March 2013 £000s
Operational		
Council dwellings	402,603	385,485
Other land and buildings	3,814	3,628
Vehicles, plant and equipment	82	77
	406,499	**389,190**
Non-operational		
Surplus properties	92	1,147
Assets under construction	107	149
	406,698	**390,486**

(b) Vacant Possession of Dwellings

The vacant possession value of dwellings within the Council's HRA at 1 April 2012 was £1,133,459,000. The difference between the vacant possession value and balance sheet value of dwellings within the HRA shows the cost of providing council housing at less than open market rents.

(c) Major Repairs Reserve

	2011/12 £000s	2012/13 £000s
Balance at 1 April	780	4,050
Transferred from capital adjustment account during year (equivalent to HRA depreciation)	11,621	11,438
Financing of capital expenditure on council dwellings	(6,466)	(14,223)
Decent homes backlog funding	0	5,500
Transfer (to) / from the HRA	(1,885)	1,328
Balance at 31 March	**4,050**	**8,093**

(d) Capital Expenditure, Funding and Receipts

	2011/12 £000s	2012/13 £000s
Expenditure		
Property, plant and equipment	29,798	19,335
Revenue expenditure funded from capital under statute	330	163
	30,128	**19,498**
Funded by		
Borrowing	15,924	0
Revenue contributions	400	0
Major repairs reserve	6,466	14,223
Government grants	6,840	1,111
External contributions	498	4,164
	30,128	**19,498**
Receipts		
Council dwellings	2,201	5,271
Mortgage repayments	37	39
	2,238	**5,310**

(e) Depreciation

	2011/12 £000s	2012/13 £000s
Property, plant and equipment		
Council dwellings	11,504	11,336
Other land and buildings	112	97
Vehicles, plant and equipment	5	5
	11,621	**11,438**

(f) Impairment Charges

	2011/12 £000s	2012/13 £000s
Non-enhancing capital expenditure	12,626	10,910
Downward revaluation of assets	11,125	7,548
Reversal of previous downward revaluation of assets	(4,640)	0
Damaged properties / demolitions	5,909	3,251
	25,020	**21,709**

(g) Revenue Expenditure Funded From Capital Under Statute

Revenue expenditure funded from capital under statute of £163,000 (£330,000 in 2011/12) has been charged to the HRA.

(h) HRA Subsidy Payable to the Council

	2011/12 £000s
Management allowance	13,687
Maintenance allowance	20,129
Major Repairs allowance	9,736
Charges for capital	14,908
PFI allowances	15,441
Guideline rent income	(54,264)
Interest on receipts	(12)
	19,625

Following HRA self financing housing subsidy is no longer payable to Councils. Further details are shown in note (i)

(i) Contribution from the Pension Reserve

The cost of the HRA has increased by £128,000 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 is £128,000. The overall amount to be met from rent payers remains unchanged.

(j) Rent Arrears

	2012 £000s	2013 £000s
Arrears at 31 March	11,599	12,680

	2011/12 £000s	2012/13 £000s
Provision at 1 April	7,783	7,745
Contributions in year	544	1,823
Amounts written (off) / back in the year	(582)	210
Provision as at 31 March	**7,745**	**9,778**

(k) Small Scale Voluntary Transfer

As part of its strategy to achieve the decent homes standard, the Council has a programme of transfers of part of its housing stock to registered social landlords. In 2012/13 76 properties were transferred to registered social landlords. A further property was transferred to the Council's general fund.

In 2011/12 no properties were transferred.

(l) HRA Self-financing

From 1 April 2012 a new financing regime for the HRA was introduced which fundamentally changed how local authority housing is funded. The housing subsidy system was abolished and replaced by a new self financing system. Under self-financing the Council retains all the housing rental income and has responsibility for financing the management and maintenance of the stock. The new self-financing system was created by a once and for all debt settlement between Central Government and Local Authorities based on the level of debt that was deemed affordable from within the retained housing rental income.

As a result of this new financing regime the Council received a debt settlement of £294.276m (excluding premiums) on 28 March 2012. Of the debt settlement £199.966m related to Public Works Loan Board (PWLB) debt which was settled directly by the Government together with the related premiums of £35.952m.

As the HRA debt settlement exceeded the amount of PWLB loans outstanding a cash sum of £94.310m to repay market debt, together with an additional amount to repay market debt related premiums of £32.773m, was paid by the Government to the Council.

Following negotiations with lenders the Council repaid market debts of £69.425m together with related premiums of £32.770m. The balance of £3,000 that was not used to repay the related premiums was returned to the Government.

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. This income finances payment of business rates to the national pool and the net expenditure requirements of the Council and pay precepts to the Police and Fire and Rescue Authorities.

2011/12 £000s		2012/13 £000s	
	Income		
124,033	Council Tax - net amount receivable		126,822
	Transfers from General Fund		
48,935	- Council Tax benefits		48,607
294,157	Collectable from business ratepayers		305,003
467,125			**480,432**
	Expenditure		
	Precepts and demands		
140,087	- Manchester City Council	142,158	
17,893	- Greater Manchester Police Authority / Police and Crime Commissioner	18,157	
6,527	- Greater Manchester Fire and Rescue Authority	6,623	
			166,938
	Business rates		
293,059	- Payment to national pool	303,905	
1,098	- Costs of collection	1,098	
			305,003
	Impairment of debts		
1,544	- Write offs of uncollectable amounts		3,679
3,484	- Allowance for impairment		2,449
	Contribution		
2,936	- Towards previous year's estimated collection fund surplus		2,959
466,628			**481,028**
497	Movement on fund balance		(596)
4,523	Fund balance brought forward		5,020
5,020	**Fund Balance Carried Forward**		**4,424**

Notes to the Collection Fund Account

(a) National Non-Domestic Rates

The Council collects national non-domestic rates (NNDR) for its area on behalf of central government. These rates are based on rateable values for properties set by the Valuation Office, part of HM Revenues and Customs, which are multiplied by a uniform business rate set by central government. The NNDR for the year was set at 45.8p (43.3p for 2011/12). The total non-domestic rateable value at 31 March 2013 was £856,616,000 (£857,175,000 at 31 March 2012).

(b) Calculation of the Council Tax Base

For 2012/13 there were 220,150 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 179,142 equivalent number of dwellings after taking account of discounts, exemptions and disabled relief. These equate to 136,780 equivalent Band D properties, which are used for the calculation of the tax base.

In 2012/13 the tax base was 136,780 properties. The table below shows the total number of equivalent properties after discounts, exemptions and disabled relief and the number of chargeable Band D equivalents.

Valuation Band	Total Equivalent Number of Dwellings after Discounts, Exemptions and Disabled Relief	Chargeable Band D Equivalents
A	105,606	70,375
B	29,366	22,839
C	25,501	22,668
D	11,850	11,850
E	4,394	5,371
F	1,722	2,488
G	649	1,081
H	54	108
	179,142	136,780

The number of chargeable Band D equivalents for 2011/12 was 135,340.

(c) The Contribution towards the previous year's Collection Fund surplus is split as follows

	Surplus 2011/12 £000s	Surplus 2012/13 £000s
Manchester City Council	2,500	2,522
Greater Manchester Police Authority / Police and Crime Commissioner	319	320
Greater Manchester Fire and Rescue Authority	117	117
	2,936	2,959

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 historical 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 full 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 for the Council's subsidiaries, associates and joint venture.

The following pages include:

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

Reporting Standards. Where subsidiaries, associates or joint ventures financial statements are shown under another accounting basis (i.e. UK GAAP) their accounts have been restated to comply with IFRS.

Where subsidiaries, associates or joint ventures 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. The exception to this is the land and building assets relating to Manchester Airports Holdings Ltd and Destination Manchester Ltd. Manchester Airports Holdings Ltd land and buildings are held at deemed cost (the cost or valuation of assets at 1 April 2005) less accumulated depreciation and impairment. Destination Manchester Ltd land and buildings are held at cost less accumulated depreciation and impairment. Due to the cost and timescale required to undertake these valuations it has not been possible to update them.

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. Those entities considered to be material are included in the group; these are Destination Manchester Ltd, Northwards Housing Ltd, Manchester Mortgage Corporation Plc and One Education Ltd. All subsidiaries consolidated into the Council's group accounts have a financial year end of 31 March.

Associates – where the Council exercises a significant influence and has a participating interest. Those entities considered to be material are included in the group; these are National Car Parks Manchester Ltd and Manchester Working Ltd.

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. The group contains one material joint venture which is Manchester Airports Holdings Ltd.

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

At 28 February 2013 when the Council no longer had control of Manchester Airports Holdings Ltd all assets, liabilities and the minority interest were written out of the group accounts. On 1 March 2013 the value of the investment in the restructured company was introduced in the balance sheet under long term investments in associates and joint ventures. The minority interest at the date of loss of control was written out of the group accounts. The difference between the former subsidiary's net assets and the value of the investment in the joint venture has been recognised as a gain on loss of control of the subsidiary in the group accounts. The value of the investment in the joint venture at 1 March 2013 has been taken as the Council's equity share of the company. The value shown in the balance sheet at 31 March 2013 is the value of the joint venture introduced, adjusted by the Council's share of the results of the results of the joint venture during March.

Manchester Airports Holdings Ltd audited accounts are available at the following website - http://www.manchesterairport.co.uk/manweb.nsf/alldocs/4ACB59E4AA31431080257BB9002C6C28/$File/MAG+Annual+Report+1213.pdf

For each of the group entities, the group accounts include a share of their operating results, assets and liabilities. Subsidiaries are accounted for on an acquisition basis with intra-group transactions written out. Associates and 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.

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 £000s	Earmarked GF Reserves £000s	Housing Revenue Account £000s	Earmarked HRA Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Major Repairs Reserve £000s	Total Usable Reserves £000s
Balance at 1 April 2011	(21,660)	(160,072)	(2,981)	(48,792)	(27,372)	(72,119)	(780)	(333,776)
(Surplus) / deficit on provision of services	99,257	0	(282,661)	0	0	0	0	(183,404)
Other comprehensive income and expenditure								
(Surplus) on revaluation of non-current assets	0	0	0	0	0	0	0	0
(Surplus) on revaluation of available for sale financial assets	0	0	0	0	0	0	0	0
Actuarial losses on pension assets/liabilities	0	0	0	0	0	0	0	0
Share of other comprehensive income and expenditure of subsidiaries	0	0	0	0	0	0	0	0
Total comprehensive income and expenditure	99,257	0	(282,661)	0	0	0	0	(183,404)
Reversal of items debited or credited to the comprehensive income and expenditure statement	(217,307)	0	277,728	0	(50,973)	39,644	(3,270)	45,822
Insertion of items not debited or credited to the comprehensive income and expenditure statement	88,290	5,006	146	0	776	0	0	94,218
Other adjustments	(103)	0	0	0	43,484	0	0	43,381
Total adjustments between accounting basis and funding basis under regulations	(129,120)	5,006	277,874	0	(6,713)	39,644	(3,270)	183,421
Net (increase) / decrease before transfers to earmarked reserves	(29,863)	5,006	(4,787)	0	(6,713)	39,644	(3,270)	17
Transfers (to) / from earmarked reserves	25,061	(26,365)	5,801	(5,780)	0	0	0	(1,283)
(Increase) / decrease in year	(4,802)	(21,359)	1,014	(5,780)	(6,713)	39,644	(3,270)	(1,266)
Balance at 31 March 2012	(26,462)	(181,431)	(1,967)	(54,572)	(34,085)	(32,475)	(4,050)	(335,042)
Movement in reserves during 2012/13								
(Surplus) / deficit on provision of services	51,612	0	(17,067)	0	0	0	0	34,546
Other comprehensive income and expenditure								
(Surplus) on revaluation of non-current assets	0	0	0	0	0	0	0	0
(Surplus) on revaluation of available for sale financial assets	0	0	0	0	0	0	0	0
Actuarial losses on pension assets/liabilities	0	0	0	0	0	0	0	0
Share of other comprehensive income and expenditure of subsidiaries	0	0	0	0	0	0	0	0
Total comprehensive income and expenditure	51,612	0	(17,067)	0	0	0	0	34,545
Reversal of items debited or credited to the comprehensive income and expenditure statement	(140,846)	0	(1,439)	0	(13,704)	(11,411)	(4,043)	(171,443)
Insertion of items not debited or credited to the comprehensive income and expenditure statement	87,653	19,462	(956)	0	1,328	0	0	107,487
Other adjustments	(207)	0	0	0	9,025	0	0	8,818
Total adjustments between accounting basis and funding basis under regulations	(53,400)	19,462	(2,395)	0	(3,351)	(11,411)	(4,043)	(55,138)
Net (increase) / decrease before transfers to earmarked reserves	(1,788)	19,462	(19,462)	0	(3,351)	(11,411)	(4,043)	(20,593)
Transfers (to) / from earmarked reserves	(12,760)	(1,924)	(5,572)	20,572	0	0	0	316
Minority interest share of net assets on date of loss of control	0	0	0	0	0	0	0	0
(Increase) / decrease in year	(14,548)	17,538	(25,034)	20,572	(3,351)	(11,411)	(4,043)	(20,277)
Balance at 31 March 2013	(41,010)	(163,893)	(27,001)	(34,000)	(37,436)	(43,886)	(8,093)	(355,319)

	Revaluation Reserve £000s	Available for sale Financial Instruments £000s	Pensions Reserve £000s	Capital Adjustment Account £000s	Deferred Capital Receipts £000s	Financial Instruments Adjustment Account £000s	Collection Fund Adjustment Account £000s	Short term Compensated Absences £000s	Total Unusable Reserves £000s	Council Share of Group Reserves £000s	Reserves excluding Minority Interest £000s	Minority Interest Reserve £000s	Total Group Reserves £000s
Balance at 1 April 2011	(697,294)	(1,686)	367,900	(1,146,679)	(589)	6,948	(3,853)	6,126	(1,469,127)	(353,911)	(2,156,814)	(367,661)	(2,524,475)
(Surplus) / deficit on provision of services	0	0	0	0	0	0	0	0	0	10,241	(173,163)	9,720	(163,443)
Other comprehensive income and expenditure													
(Surplus) on revaluation of non-current assets	(5,605)	0	0	0	0	0	0	0	(5,605)	0	(5,605)	0	(5,605)
(Surplus) on revaluation of available for sale financial assets	0	155	0	0	0	(61)	0	0	94	0	94	0	94
Actuarial losses on pension assets/liabilities	0	0	271,400	0	0	0	0	0	271,400	22,263	293,663	15,075	308,738
Share of other comprehensive income and expenditure of subsidiaries	0	0	0	0	0	0	0	0	0	2,101	2,101	0	2,101
Total comprehensive income and expenditure	(5,605)	155	271,400	0	0	(61)	0	0	265,889	34,605	117,091	24,795	141,885
Reversal of items debited or credited to the comprehensive income and expenditure statement	0	0	60,100	(105,353)	0	(114)	(423)	0	(45,790)	(32)	0	0	0
Insertion of items not debited or credited to the comprehensive income and expenditure statement	0	0	(52,100)	(42,905)	0	787	0	0	(94,218)	0	0	0	0
Other adjustments	8,917	0	0	(51,446)	(852)	0	0	0	(43,381)	0	0	0	0
Total adjustments between accounting basis and funding basis under regulations	8,917	0	8,000	(199,704)	(852)	673	(423)	0	(183,389)	(32)	0	0	0
Net (increase) / decrease before transfers to earmarked reserves	3,312	155	279,400	(199,704)	(852)	612	(423)	0	82,500	34,573	117,091	24,795	141,885
Transfers (to) / from earmarked reserves	0	0	0	0	0	0	0	1,283	1,283	0	0	0	0
(Increase) / decrease in year	3,312	155	279,400	(199,704)	(852)	612	(423)	1,283	83,783	34,573	117,091	24,795	141,885
Balance at 31 March 2012	(693,982)	(1,531)	647,300	(1,346,383)	(1,441)	7,560	(4,276)	7,409	(1,385,344)	(319,338)	(2,039,723)	(342,866)	(2,382,590)
Movement in reserves during 2012/13													
(Surplus) / deficit on provision of services	0	0	0	0	0	0	0	0	0	(373,395)	(338,850)	6,569	(332,281)
Other comprehensive income and expenditure													
(Surplus) on revaluation of non-current assets	(26,548)	0	0	0	0	0	0	0	(26,548)	0	(26,548)	0	(26,548)
(Surplus) on revaluation of available for sale financial assets	0	(196)	0	0	0	(82)	0	0	(278)	0	(278)	0	(278)
Actuarial losses on pension assets/liabilities	0	0	144,000	0	0	0	0	0	144,000	3,994	147,994	0	147,994
Share of other comprehensive income and expenditure of subsidiaries	0	0	0	0	0	0	0	0	0	214	214	12	226
Total comprehensive income and expenditure	(26,548)	(196)	144,000	0	0	(82)	0	0	117,174	(369,187)	(217,468)	6,581	(210,887)
Reversal of items debited or credited to the comprehensive income and expenditure statement	0	0	59,900	115,522	0	(4,345)	510	0	171,587	(144)	0	0	0
Insertion of items not debited or credited to the comprehensive income and expenditure statement	0	0	(48,800)	(59,460)	0	773	0	0	(107,487)	0	0	0	0
Other adjustments	21,404	0	0	(30,378)	156	0	0	0	(8,818)	0	0	0	0
Total adjustments between accounting basis and funding basis under regulations	21,404	0	11,100	25,684	156	(3,572)	510	0	55,282	(144)	0	0	0
Net (increase) / decrease before transfers to earmarked reserves	(5,144)	(196)	155,100	25,684	156	(3,654)	510	0	172,456	(369,331)	(217,468)	6,581	(210,887)
Transfers (to) / from earmarked reserves	0	0	0	0	0	0	0	(316)	(316)	0	0	0	0
Minority interest share of net assets on date of loss of control	0	0	0	0	0	0	0	0	0	0	0	336,285	336,285
(Increase) / decrease in year	(5,144)	(196)	155,100	25,684	156	(3,654)	510	(316)	172,140	(369,331)	(217,468)	342,866	125,398
Balance at 31 March 2013	(699,126)	(1,727)	802,400	(1,320,699)	(1,285)	3,906	(3,766)	7,093	(1,213,204)	(688,669)	(2,257,192)	0	(2,257,192)

*A breakdown of the Council's usable and unusable reserves can be found in the Council's Movement in Reserves Statement

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 2011/12 Gross Expenditure £000s	Restated 2011/12 Gross Income £000s	Restated 2011/12 Net Expenditure £000s		Note	2012/13 Gross Expenditure £000s	2012/13 Gross Income £000s	2012/13 Net Expenditure £000s
			Continuing operations				
212,074	39,898	172,176	Adult social care		209,068	39,676	169,392
11,649	8,499	3,150	Central services to the public		16,365	8,729	7,636
694,524	435,462	259,062	Education and children's services		673,107	451,941	221,166
77,118	23,428	53,690	Cultural and related services		72,305	24,852	47,453
40,401	8,047	32,354	Environmental and regulatory services		40,608	11,161	29,447
47,531	17,548	29,983	Planning services		52,887	16,513	36,374
356,553	374,769	(18,216)	Highways and transport services		304,103	337,263	(33,160)
369,224	337,470	31,754	Housing services		363,015	348,452	14,563
146,107	79,569	66,538	Housing Revenue Account		67,698	87,109	(19,411)
0	294,276	(294,276)	Housing Revenue Account - Repayment of Debt		0	0	0
8,960	1,136	7,824	Corporate and democratic core		7,066	34	7,032
44,297	15	44,282	Non-distributed costs		8,719	0	8,719
2,008,438	**1,620,117**	**388,321**	**Cost of services**		**1,814,941**	**1,325,730**	**489,211**
			Other operating expenditure				
35,939	26,088	9,851	Loss on disposal of non-current assets		32,394	3,361	29,033
58,235	0	58,235	Levies not included in net cost of services		64,693	0	64,693
776	0	776	Payments to government housing capital receipts pool		1,328	0	1,328
94,950	**26,088**	**68,862**	**Total other operating expenditure**		**98,415**	**3,361**	**95,054**
278,863	251,339	27,524	Financing and investment income and expenditure	2	219,932	162,198	57,734
15,400	300	15,100	Deficit on discontinued operations		0	0	0
0	0	0	(Gain) on loss of control of Manchester Airport Plc	6	0	388,385	(388,385)
0	650,898	(650,898)	Taxation and non-specific grant income		0	613,612	(613,612)
2,397,651	**2,548,742**	**(151,091)**	**(Surplus) on provision of services**		**2,133,288**	**2,493,286**	**(359,998)**
22,760	22,780	(20)	Share of operating results of associates and joint ventures	5	74,267	56,393	17,874
579	13,100	(12,521)	Tax expenses (subsidiaries)		19,639	6	19,633
189	0	189	Tax expenses (associates and joint ventures)		195	9,985	(9,790)
2,421,179	**2,584,622**	**(163,443)**	**Group (surplus) on provision of services**		**2,227,389**	**2,559,670**	**(332,281)**
		(5,605)	(Surplus) on revaluation of non-current assets				(26,548)
		94	(Surplus) / deficit on revaluation of available for sale financial assets				(278)
		308,738	Actuarial losses on pension assets / liabilities				147,994
		2,101	Share of other comprehensive income and expenditure of subsidiaries				226
		141,885	**Total comprehensive income and expenditure**				**(210,887)**

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Reconciliation of the Single Entity Comprehensive Income and Expenditure Statement (Surplus) / Deficit to the Group Comprehensive Income and Expenditure Statement (Surplus) / Deficit

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

Restated 2011/12 £000s		Note	2012/13 £000s
(183,404)	(Surplus) / deficit on the Authority's single entity Income and Expenditure Account for the year		34,545
(14,616)	Distribution from group entities included in the Authority's single entity (surplus) on the Income and Expenditure Account	3	(7,875)
34,408	Add deficit / (surplus) attributable to subsidiaries	4	(367,033)
169	Add deficit attributable to associates and joint ventures (after corporation tax)		8,082
(163,443)	**Group income and expenditure account (surplus) for the year**		**(332,281)**

Group Balance Sheet

The balance sheet is fundamental to the understanding of the Group's financial position at the end of the financial year. The statement reports on the Group's balances on assets (non-current and current), liabilities (long and short-term) and reserves.

Restated 31 March 2012 £000s		Note	31 March 2013 £000s	
	Non-current assets			
3,273,811	Property, plant and equipment	8	2,105,590	
391,289	Heritage assets		422,968	
719,553	Investment properties	9	363,945	
21,444	Intangible non-current assets	10	1,340	
3,181	Long-term investments in associates and joint ventures	11	794,496	
2,621	Other long-term investments		2,308	
13,148	Long-term debtors	12	108,881	
18,000	Deferred tax asset	13	0	
4,443,047	**Total non-current assets**			**3,799,528**
	Current assets			
3,000	Short-term investments	14	3,000	
1,784	Inventories	15	591	
129,272	Short-term debtors	16	113,507	
55,174	Cash and cash equivalents	17	23,191	
6,338	Short-term assets held for sale		5,748	
195,568	**Total current assets**			**146,037**
4,638,615	**Total assets**			**3,945,565**
	Current liabilities			
(10,250)	Short-term borrowing	18	(25,387)	
(14,983)	Bank overdraft	17	(14,547)	
(243,448)	Short-term creditors	19	(143,972)	
(11,748)	Short-term provisions	20	(15,706)	
(8,740)	Short-term deferred liabilities		(7,911)	
(289,169)	**Total current liabilities**			**(207,523)**
4,349,446	**Total assets less current liabilities**			**3,738,042**
	Long-term liabilities			
(2,049)	Long-term creditors		(2,357)	
(10,429)	Long-term provisions		(4,746)	
(808,934)	Long-term borrowing	21	(482,240)	
(388,486)	Long-term deferred liabilities	22	(166,311)	
(11,016)	Capital grants receipts in advance		(11,112)	
(16,200)	Deferred capital receipts	23	0	
(729,742)	Pensions liability	24	(814,084)	
(1,966,856)	**Total long-term liabilities**			**(1,480,850)**
2,382,590	**Net assets**			**2,257,192**
	Financed by:			
335,042	Usable reserves			355,319
1,385,344	Unusable reserves	25		1,213,204
319,338	Group income and expenditure reserve	25		688,669
2,039,724	**Group balances and reserves**			**2,257,192**
342,866	Minority interest reserve	26		0
2,382,590	**Total reserves**			**2,257,192**

Group Cash flow statement

The cash flow statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Restated 2011/12 £000s		Note	2012/13 £000s
(163,443)	Net (surplus) on the provision of services		(332,281)
(133,341)	Adjustments to net surplus on the provision of services for non-cash movements		109,884
152,131	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities		86,680
(144,653)	**Net cash flows from operating activities**	29	**(135,717)**
145,194	Investing activities	30	139,456
41,201	Financing activities	31	27,808
41,742	**Net decrease in cash and cash equivalents**		**31,547**
81,933	Cash and cash equivalents at the beginning of the reporting period		40,191
40,191	**Cash and cash equivalents at the end of the reporting period**	17	**8,644**

Notes To The Group Accounts

Note 1. Group Accounting Policies

The Group Accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom, issued in 2012 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:

A. Consolidation

Subsidiaries
Subsidiaries have been consolidated using the acquisition accounting basis. This is a full, line by line consolidation of the financial transactions and balances of the Council and its subsidiaries. To avoid overstating the figures within the group financial statements, all transactions and balances between members of the group (the Council and its subsidiaries) have been eliminated.

Associates
Associates 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 associate's net asset movement. The Council's share of the associate's operating results for the year is included within the group income and expenditure account.

Joint Ventures

Joint Ventures have been consolidated using the equity method. An investment is brought into the group balance sheet and adjusted by the Council's share in the joint venture's net asset movement. The Council's share of the joint venture's operating results for the year is included within the group income and expenditure account.

B. 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. The exception to this is the land and buildings in Manchester Airports Holdings Ltd which are included at deemed cost and in Destination Manchester Group which are included at cost.

C. 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.

D. Financial Guarantees

Financial guarantees between the Council and entities included in the group accounts are disclosed below:

ALMO: Northwards Housing Ltd
The company is limited by guarantee. The Council is the only member and is required to contribute £1 in the event of the company being wound up.

Note 2. Financing and Investment Income and Expenditure

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

	2011/12 £000s	2012/13 £000s	Note
Interest payable on debt	56,000	42,230	a
Interest element of finance leases (lessee)	393	312	
Interest payable on PFI unitary payments	10,626	10,205	
Pensions interest costs	147,917	123,715	b
Funding of premiums following HRA debt settlement	(68,722)	0	
Expected return on pension assets	(149,457)	(107,601)	c
Investment Interest income	(2,478)	(1,849)	d
Investment Properties Impairment	50,980	26,515	
Change in fair value of investment properties	(8,483)	(25,390)	
(Gain) / loss on disposal of investment properties	300	0	
Dividends receivable	(1,411)	(500)	e
Dividends payable	9,000	8,946	f
(Gain) / loss on trading accounts (not applicable to a service)	(182)	243	
Rentals received on investment properties	(17,904)	(20,908)	
Expenses incurred on investment properties	945	1,816	
Total financing and investment income and expenditure	**27,524**	**57,734**	

a. Interest Payable

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

	2011/12 £000s	2012/13 £000s
Manchester City Council	36,278	25,027
Manchester Airport Plc	18,600	16,106
Destination Manchester Ltd	1,122	1,073
One Education Ltd	0	24
Total	**56,000**	**42,230**

b. Pensions Interest Costs

These figures represent the pension interest costs by the group as follows:

	2011/12 £000s	2012/13 £000s
Manchester City Council	124,400	121,300
Manchester Airport Plc	21,400	0
Northwards Housing Ltd	1,613	1,654
Destination Manchester Ltd	171	171
One Education Ltd	333	590
Total	**147,917**	**123,715**

c. Expected Return on Pension Assets

These figures represent the expected return on pension assets by the group as follows:

	2011/12 £000s	2012/13 £000s
Manchester City Council	(124,700)	(105,400)
Manchester Airport Plc	(22,600)	0
Northwards Housing Ltd	(1,846)	(1,635)
One Education Ltd	(311)	(566)
Total	**(149,457)**	**(107,601)**

d. Investment Interest Income

	2011/12 £000s	2012/13 £000s
Manchester City Council	(12,382)	(11,673)
Manchester Airport Plc	10,000	10,000
Destination Manchester Ltd	0	(43)
One Education Ltd	(2)	(13)
Northwards Housing Ltd	(6)	(15)
Manchester Mortgage Corporation	(88)	(105)
Total	**(2,478)**	**(1,849)**

The above figures include consolidation adjustments where transactions between the Council and the subsidiary are eliminated for the purpose of preparing the group accounts.

e. Dividends Receivable

The dividends receivable figures include consolidation adjustments where transactions between the Council and the subsidiary are eliminated for the purpose of preparing the group accounts.

f. Dividends Payable

The dividends payable figures include consolidation adjustments where transactions between the Council and the subsidiary are eliminated for the purpose of preparing the group accounts.

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

This figure represents the related party transactions between the Council and its subsidiaries during the year which have been removed from the group income and expenditure account on consolidation.

	2011/12 £000s	2012/13 £000s
Payments		
Manchester Mortgage Corporation Plc	6	7
Northwards Housing Ltd	23,729	25,615
One Education Ltd	7,575	7
	31,310	**25,629**
Receipts		
Destination Manchester Ltd	1,778	1,084
Manchester Airport Plc	11,605	11,641
Northwards Housing Ltd	3,311	4,045
One Education Ltd	0	984
	16,694	**17,754**
Total Excluded	**(14,616)**	**(7,875)**

Note 4. (Surplus) / Deficit Attributable to Subsidiaries

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

	2011/12 £000s	2012/13 £000s
Destination Manchester Ltd	(1,291)	(1,101)
Manchester Airport Plc	9,995	(385,428)
Manchester Mortgage Corporation Plc	(55)	(75)
Northwards Housing Ltd	19,162	21,168
One Education Ltd	6,597	(1,597)
Total	**34,408**	**(367,033)**

Note 5. (Surplus) / Deficit Attributable to Associates and Joint Ventures

This figure represents the total (surplus) / deficit attributable to Manchester City Council's associates and joint ventures, before corporation tax:

	2011/12 £000s	2012/13 £000s
Manchester Working Ltd	560	223
National Car Parks Manchester Ltd	(580)	(563)
Manchester Airports Holdings Ltd	0	18,214
Total	**(20)**	**17,874**

Note 6. Calculation of gain on loss of control of subsidiary undertaking

	£000s
Net assets of Manchester Airport Plc as at 31 March 2012	761,900
Loss attributable to subsidiary for the period 1 April 2012 to 28 February 2013	(14,600)
Net assets of airport on date of loss of control	**747,300**
Less minority interest share of net assets on date of loss of control	(336,285)
Manchester City Council's share of net assets removed from the balance sheet on date of loss of control	**411,015**
Manchester City Council's equity share value of Manchester Airports Holdings Ltd at 31 March 2013	(799,400)
(Gain) on loss of control	**(388,385)**

Note 7. Segmental Reporting Analysis

The table below is a reconciliation of the 2012/13 internal management reports (monitoring and outturn) used by the Council's Executive to make decisions and the 2012/13 Group Comprehensive Income and Expenditure Statement. Segments are identified based on business units reported to Executive. The management reports of group entities are not reported to the Council's Executive Committee therefore the subjective analysis will not differ to that in the Council's single entity statements.

Subjective Analysis	Chief Executives	Children's Services	Directorate for Adults	Corporate Services	Neighbourhood Services	Housing Revenue Account	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees Charges and Other Service Income	(20,734)	(113,165)	(52,992)	(45,002)	(86,665)	(72,716)	**(391,274)**
Government Grants	(11,036)	(375,607)	(4,418)	(321,526)	(5,036)	(15,441)	**(733,064)**
Total Income	**(31,770)**	**(488,772)**	**(57,410)**	**(366,528)**	**(91,701)**	**(88,157)**	**(1,124,338)**
Employee Expenses	53,243	319,003	53,486	34,639	61,289	2,399	**524,059**
Other Operating Expenses	36,563	300,562	177,124	359,632	142,204	65,251	**1,081,336**
Support Services Recharges	(1,529)	3,703	(12,388)	(16,537)	(12,979)	1,044	**(38,686)**
Total Operating Expenses	**88,277**	**623,268**	**218,222**	**377,734**	**190,514**	**68,694**	**1,566,709**
Cost of Services	**56,507**	**134,496**	**160,812**	**11,206**	**98,813**	**(19,463)**	**442,371**

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

	£000s
Cost of services in service analysis	442,371
Add analysis of subsidiaries not included in net cost of services	(53,410)
Add amounts not reported to management*	120,368
Remove amounts reported to management not included in net cost of services in CIES	(20,118)
Net cost of services in comprehensive income and expenditure statement	**489,211**

Reconciliation to subjective analysis	Service Analysis as Reported to Executive	Analysis of subsidiaries not included in service analysis	Not Reported to Management*	Not Included in CIES Net Cost of Services	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Subsidiaries & Associates not in NCS	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(391,274)	(332,477)	0	131,829	0	(591,922)	(157,701)	(400,579)	(1,150,202)
Share of operating income of associates and joint ventures	0	0	0	0	0	0	0	(56,393)	(56,393)
Interest and investment income	0	0	(748)	497	0	(251)	(26,545)	20,890	(5,906)
Income from council tax	0	0	0	0	0	0	(144,170)	0	(144,170)
Distribution from NNDR pool	0	0	0	0	0	0	(324,129)	0	(324,129)
Government grants and contributions	(733,064)	0	(4,095)	3,602	0	(733,557)	(145,313)	0	(878,870)
Total Income	**(1,124,338)**	**(332,477)**	**(4,843)**	**135,928**	**0**	**(1,325,730)**	**(797,858)**	**(436,082)**	**(2,559,670)**
Employee expenses	524,059	118,260	3	617	(192)	642,747	0	0	642,747
Other service expenses	1,081,336	160,807	22,622	(118,492)	(38,494)	1,107,779	31,216	28,781	1,167,776
Share of operating expenditure of associates and joint ventures	0	0	0	0	0	0	0	74,267	74,267
Support Services Recharges	(38,686)	0	0	0	38,686	0	0	0	0
Depreciation, amortisation and impairment	0	0	102,586	(7,080)	0	95,506	0	0	95,506
Interest payments	0	0	0	(3,027)	0	(3,027)	38,851	17,203	53,027
Pension interest costs	0	0	0	0	0	0	121,300	2,415	123,715
Precepts and levies	0	0	0	(28,064)	0	(28,064)	64,693	0	36,629
Payments to housing capital receipts pool	0	0	0	0	0	0	1,328	0	1,328
(Gain) or loss on disposal of non-current assets	0	0	0	0	0	0	32,394	0	32,394
Total operating expenses	**1,566,709**	**279,067**	**125,211**	**(156,046)**	**0**	**1,814,941**	**289,782**	**122,666**	**2,227,389**
(Surplus) / deficit on provision of services	**442,371**	**(53,410)**	**120,368**	**(20,118)**	**0**	**489,211**	**(508,076)**	**(313,416)**	**(332,281)**

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

The table below is a reconciliation of the 2011/12 internal management reports (monitoring and outturn) used by the Council's Executive to make decisions and the 2011/12 Group Comprehensive Income and Expenditure Statement. The segments identified in the subjective analysis are the same segments that are reported to Executive during the year. The management reports of group entities are not reported to the Council's Executive Committee therefore the subjective analysis will not differ to that in the Council's single entity statements.

Subjective Analysis	Chief Executives	Children's Services	Directorate for Adults	Corporate Services	Neighbourhood Services	Housing Revenue Account	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees Charges and Other Service Income	(20,268)	(36,565)	(47,245)	(41,263)	(87,234)	(67,393)	**(299,968)**
Government Grants	(9,308)	(381,649)	(11,415)	(311,745)	(6,651)	(19,625)	**(740,393)**
Total Income	**(29,576)**	**(418,214)**	**(58,660)**	**(353,008)**	**(93,885)**	**(87,018)**	**(1,040,361)**
Employee Expenses	52,009	88,750	53,611	34,919	67,083	3,952	**300,324**
Other Operating Expenses	41,178	481,180	189,558	349,350	162,332	78,488	**1,302,086**
Support Services Recharges	(5,061)	(907)	(17,966)	(18,224)	(31,125)	(775)	**(74,058)**
Total Operating Expenses	**88,126**	**569,023**	**225,203**	**366,045**	**198,290**	**81,665**	**1,528,352**
Cost of Services	**58,550**	**150,809**	**166,543**	**13,037**	**104,405**	**(5,353)**	**487,991**

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

	£000s
Cost of services in service analysis	487,991
Add analysis of subsidiaries not included in service analysis	(32,571)
Add amounts not reported to management*	148,826
Remove amounts reported to management not included in net cost of services in CIES	(215,925)
Net cost of services in comprehensive income and expenditure statement	**388,321**

Reconciliation to subjective analysis	Service Analysis as Reported to Executive	Analysis of subsidiaries not included in service analysis	Not Reported to Management*	Not Included in CIES Net Cost of Services	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Subsidiaries & Associates not in NCS	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(299,968)	(356,641)	(10,826)	(213,132)	0	(880,567)	(248,781)	(38,022)	(1,167,370)
Share of operating income of associates	0	0	0	0	0	0	0	(22,780)	(22,780)
Interest and investment income	0	0	(168)	(170)	0	(338)	(24,794)	20,770	(4,362)
Income from council tax	0	0	0	0	0	0	(143,011)	0	(143,011)
Distribution from NNDR pool	0	0	0	0	0	0	(270,624)	0	(270,624)
Government grants and contributions	(740,393)	0	(5,476)	6,657	0	(739,212)	(237,263)	0	(976,475)
Total Income	**(1,040,361)**	**(356,641)**	**(16,470)**	**(206,645)**	**0**	**(1,620,117)**	**(924,473)**	**(40,032)**	**(2,584,622)**
Employee expenses	300,324	98,234	6	21,523	5,324	425,411	0	0	425,411
Other service expenses	1,302,086	225,836	11,569	9,692	(77,081)	1,472,102	53,528	26,566	1,552,196
Share of operating expenditure of associates	0	0	0	0	0	0	0	22,760	22,760
Support Services Recharges	(74,058)	0	2,301	0	71,757	0	0	0	0
Depreciation, amortisation and impairment	0	0	151,420	11,552	0	162,972	0	0	162,972
Interest payments	0	0	0	(28,509)	0	(28,509)	47,298	19,722	38,511
Pension interest costs	0	0	0	0	0	0	124,400	23,517	147,917
Precepts and levies	0	0	0	(23,538)	0	(23,538)	58,235	0	34,697
Payments to housing capital receipts pool	0	0	0	0	0	0	776	0	776
(Gain) or loss on disposal of non-current assets	0	0	0	0	0	0	35,939	0	35,939
Total operating expenses	**1,528,352**	**324,070**	**165,296**	**(9,280)**	**0**	**2,008,438**	**320,176**	**92,565**	**2,421,179**
(Surplus) / deficit on provision of services	**487,991**	**(32,571)**	**148,826**	**(215,925)**	**0**	**388,321**	**(604,297)**	**52,533**	**(163,443)**

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

Note 8. Property Plant and Equipment

Movements on tangible fixed assets in the group during 2012/13 were as follows:

	Property, Plant and Equipment							
	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s
Movement in 2012/13								
Gross book value brought forward	449,809	1,841,479	459,127	1,234,477	25,945	202,560	182,177	4,395,574
Accumulated depreciation and impairment brought forward	(47,206)	(357,705)	(348,972)	(341,569)	(85)	(6,791)	(19,435)	(1,121,763)
Net book value brought forward as at 31 March 2012	**402,603**	**1,483,774**	**110,155**	**892,908**	**25,860**	**195,769**	**162,742**	**3,273,811**
Removal of asset values relating to loss of control of Manchester Airport Plc	0	(493,300)	(78,900)	(549,300)	0	(35,500)	0	(1,157,000)
Additions	19,288	27,913	9,499	23,149	46	60,514	14,643	155,052
Revaluations recognised in revaluation reserve	3,634	8,066	0	0	0	0	1,611	13,311
Revaluations recognised in deficit on the provision of services	(7,548)	(7,663)	0	0	0	0	(2,044)	(17,255)
Derecognition - disposals	0	(32,393)	(646)	0	0	0	(3,409)	(36,448)
Derecognition - components	0	0	0	0	0	0	0	0
Transferred from held for sale	(2,371)	(105)	0	0	0	0	(7,489)	(9,965)
Other transfers	(2,996)	36,400	2,244	1	13	(64,789)	29,547	420
Other movements in cost or valuation - newly recognised leases	0	0	162	0	0	0	0	162
Depreciation	(11,337)	(24,154)	(5,401)	(7,016)	(20)	0	(518)	(48,446)
Impairments charged to the comprehensive income and expenditure statement	(14,161)	(38,132)	0	0	0	0	(3,286)	(55,579)
Impairments covered by the revaluation reserve	(1,627)	(10,471)	0	0	0	0	(375)	(12,473)
Net Book Value carried forward as at 31 March 2013	**385,485**	**949,935**	**37,113**	**359,742**	**25,899**	**155,994**	**191,422**	**2,105,590**
Gross book value carried forward	420,050	1,190,637	58,775	427,327	26,022	161,543	221,729	2,506,083
Accumulated depreciation and impairment carried forward as at 31 March 2013	(34,565)	(240,702)	(21,662)	(67,585)	(123)	(5,549)	(30,307)	(400,493)
Net Book Value carried forward as at 31 March 2013	**385,485**	**949,935**	**37,113**	**359,742**	**25,899**	**155,994**	**191,422**	**2,105,590**

Movements on tangible fixed assets in the group during 2011/12 were as follows:

	Property, Plant and Equipment							
	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s
Movement in 2011/12								
Gross book value brought forward	595,191	1,862,307	444,964	1,217,457	23,898	193,614	208,208	4,545,639
Accumulated depreciation and impairment brought forward	(189,241)	(288,349)	(324,136)	(315,140)	(68)	(7,191)	(13,046)	(1,137,171)
Net book value brought forward at 31 March 2011	**405,950**	**1,573,958**	**120,828**	**902,317**	**23,830**	**186,423**	**195,162**	**3,408,468**
Government Reorganisation - Combined Authority	0	0	0	(5,877)	0	0	0	(5,877)
Net book value carried forward as at 1 April 2011	**405,950**	**1,573,958**	**120,828**	**896,440**	**23,830**	**186,423**	**195,162**	**3,402,591**
Additions	29,975	36,921	5,656	12,149	2,048	140,558	17,787	245,094
Revaluations recognised in revaluation reserve	13,269	(1,356)	150	0	0	0	26	12,089
Revaluations recognised in deficit on the provision of services	(10,403)	(47,554)	0	(6,467)	0	0	(16,012)	(80,436)
Derecognition - disposals	0	(5,853)	(160)	(100)	0	(200)	(5,422)	(11,735)
Derecognition - components	0	0	0	0	0	0	0	0
Transferred from held for sale	(2,548)	(4,880)	(1,100)	(9,100)	0	(1,200)	(12,065)	(30,893)
Other transfers	3,238	20,328	31,935	39,036	1	(129,812)	(14,898)	(50,172)
Other movements in cost or valuation - newly recognised leases	0	0	887	0	0	0	0	887
Depreciation	(11,504)	(38,259)	(38,292)	(27,776)	(19)	0	(340)	(116,190)
Impairments charged to the comprehensive income and expenditure statement	(18,535)	(46,213)	(9,749)	(13,800)	0	0	(1,496)	(89,793)
Impairments covered by the revaluation reserve	(6,839)	(3,318)	0	0	0	0	0	(10,157)
Reversal of prior year impairment	0	0	0	2,526	0	0	0	2,526
Net book value carried forward as at 31 March 2012	**402,603**	**1,483,774**	**110,155**	**892,908**	**25,860**	**195,769**	**162,742**	**3,273,811**
Gross book value carried forward	449,809	1,841,479	459,127	1,234,477	25,945	202,560	182,177	4,395,574
Accumulated depreciation and impairment carried forward as at 31 March 2012	(47,206)	(357,705)	(348,972)	(341,569)	(85)	(6,791)	(19,435)	(1,121,763)
Net book value carried forward as at 31 March 2012	**402,603**	**1,483,774**	**110,155**	**892,908**	**25,860**	**195,769**	**162,742**	**3,273,811**

Note 9. Investment Properties

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

	Single Entity £000s	Manchester Airport Plc £000s	Total Group £000s
Net book value brought forward at 1 April 2011	**384,346**	**334,800**	**719,146**
Movement in 2011/12			
Expenditure	4,541	0	4,541
Disposals	0	(1,000)	(1,000)
Reclassifications	17,165	22,200	39,365
Revaluations	9,581	(1,100)	8,481
Other impairments	(50,980)	0	(50,980)
Net book value carried forward as at 31 March 2012	**364,653**	**354,900**	**719,553**
Movement in 2012/13			
Remove investment properties relating to subsidiary*	0	(354,900)	(354,900)
Expenditure	2,009	0	2,009
Disposals	(71)	0	(71)
Reclassifications	(1,520)	0	(1,520)
Revaluations	25,389	0	25,389
Impairments	(26,515)	0	(26,515)
Net Book Value carried forward as at 31 March 2013	**363,945**	**0**	**363,945**

* Investment properties relating to Manchester Airport Plc have been removed following loss of control

Note 10. Intangible Non-Current Assets

	1 April 2011 £000s	31 March 2012 £000s	31 March 2013 £000s
Manchester City Council *	1,784	1,444	1,190
Manchester Airport Plc (goodwill)	10,000	20,000	0
One Education Ltd	0	0	150
Total	**11,784**	**21,444**	**1,340**

* Detail in note 26 page 107

The negative goodwill relating to Destination Manchester Ltd that was included in the 2011/12 accounts has been removed and credited to the group income and expenditure reserve.

Note 11. Investments in Associates and Joint Ventures

This figure includes the Council's investment in its Associates and Joint Ventures:

	31 March 2012 £000s	31 March 2013 £000s
Manchester Working Ltd	891	601
National Car Parks Manchester Ltd	2,290	2,725
Manchester Airports Holdings Ltd	0	791,170
Total	**3,181**	**794,496**

Note 12. Long-Term Debtors

Transactions between the Council and its subsidiaries have been removed from the long-term debtors figures:

	31 March 2012 £000s	31 March 2013 £000s
Manchester City Council *	118,005	130,538
Manchester Airport Plc	(83,200)	0
Destination Manchester Ltd	(21,657)	(21,657)
Total	**13,148**	**108,881**

* Detail in note 34 page 115

Note 13. Deferred Tax Asset

The deferred tax asset in 2011/12 was entirely attributable to Manchester Airport Plc.

Note 14. Short-Term Investments

The short-term investments figure is entirely attributable to Manchester Mortgage Corporation.

Note 15. Inventories

	31 March 2012 £000s	31 March 2013 £000s
Manchester City Council *	850	547
Manchester Airport Plc	900	0
Destination Manchester Ltd	34	44
Total	**1,784**	**591**

* Detail in note 33 page 114

Note 16. Short-Term Debtors

Transactions between the Council and its subsidiaries have been removed from the group short-term debtors figures:

	31 March 2012 £000s	31 March 2013 £000s
Manchester City Council *	106,825	113,779
Manchester Airport Plc	28,811	0
Manchester Mortgage Corporation	(9,877)	25
Destination Manchester Ltd	3,046	1,509
Northwards Housing Ltd	(1,566)	(1,353)
One Education Ltd	2,033	(453)
Total	**129,272**	**113,507**

* Detail in note 34 page 114

Note 17. Cash and Cash Equivalents

	31 March 2012 £000s	31 March 2013 £000s
Manchester City Council	43,476	9,301
Manchester Airport Plc	700	0
Manchester Mortgage Corporation	2,881	2,962
Destination Manchester Ltd	3,673	4,360
Northwards Housing Ltd	2,268	4,075
One Education Ltd	2,176	2,493
Total Cash and Cash Equivalents	**55,174**	**23,191**
Bank overdraft	(14,983)	(14,547)
Total	**40,191**	**8,644**

Note 18. Short-Term Borrowing

	31 March 2012 £000s	31 March 2013 £000s
Manchester City Council *	(10,250)	(25,387)
Total	**(10,250)**	**(25,387)**

Detail in note 41 page 120

Note 19. Short-Term Creditors and Receipts in Advance

	31 March 2012 £000s	31 March 2013 £000s
Manchester City Council *	(128,162)	(135,064)
Manchester Airport Plc	(113,912)	0
Manchester Mortgage Corporation	9,898	(3)
Destination Manchester Ltd	(8,158)	(7,077)
Northwards Housing Ltd	41	(1,179)
One Education Ltd	(3,155)	(649)
Total	**(243,448)**	**(143,972)**

* Detail in note 35 page 116

Note 20. Short-Term Provisions

	31 March 2012 £000s	31 March 2013 £000s
Manchester City Council *	(11,748)	(15,517)
Northwards Housing Ltd	0	(189)
Total	**(11,748)**	**(15,706)**

* Detail in note 39 page 118

Note 21. Long-Term Borrowing

	31 March 2012 £000s	31 March 2013 £000s
Manchester City Council *	(492,815)	(482,298)
Manchester Airport Plc	(316,200)	0
Destination Manchester Ltd	81	58
Total	**(808,934)**	**(482,240)**

* Detail in note 41 page 120

Note 22. Long-Term Deferred Liabilities

	31 March 2012 £000s	31 March 2013 £000s
Manchester City Council *	(172,723)	(164,493)
Manchester Airport Plc	(213,900)	0
Destination Manchester Ltd	(1,863)	(1,818)
Total	**(388,486)**	**(166,311)**

* Detail in note 37 page 118

Note 23. Deferred Capital Receipts

The deferred capital receipts in 2011/12 were entirely attributable to Manchester Airport Plc.

Note 24. Pensions Liability

	31 March 2012 £000s	31 March 2013 £000s
Manchester City Council *	(647,300)	(802,400)
Manchester Airport Plc	(75,200)	0
Northwards Housing Ltd	(5,112)	(8,440)
One Education Ltd	(2,130)	(3,244)
Total	**(729,742)**	**(814,084)**

* Detail in note 45 page 132

Note 25. Group Reserves

	31 March 2012 £000s	31 March 2013 £000s
Unusable Reserves		
Manchester City Council *	1,378,691	1,206,695
Destination Manchester Ltd	6,653	6,509
Total	**1,385,344**	**1,213,204**
Group Income and Expenditure Reserve		
Manchester Airport Plc / Manchester Airports Holdings Ltd	306,679	678,816
Destination Manchester Ltd	15,898	15,907
Northwards Housing Ltd	(4,243)	(6,842)
One Education Ltd	(1,075)	(1,434)
National Car Parks (Manchester) Ltd	1,188	1,621
Manchester Working Ltd	891	601
Total	**319,338**	**688,669**

* Detail in note 43 pages 128 to 130

Note 26. Minority Interest Reserve

In 2011/12, this related to the share of group entity reserves held by minority interests:

- 5% minority shareholdings held by each of the other nine Greater Manchester district councils in Manchester Airport Plc.

Following loss of control of Manchester Airport Plc, there is no longer a minority interest to report in the group accounts.

Note 27. Contingent Liabilities of Associates and Joint Ventures

National Car Parks (Manchester) Ltd is jointly and severally liable for value added tax due to them by other group companies. The Council's share of this liability amounts to £720,000.

Manchester Airports Holdings Ltd has a contingent liability in respect of claims that have been made from individual property owners in respect of alleged loss of property value arising from the development and use of new or extended airport runways. Manchester Airports Holdings Ltd will defend any proceedings in respect of these claims and whilst the outcome of these claims is currently uncertain, it is the directors' opinion based on legal and property advice that no further material cost will be incurred.

Note 28. Capital Commitments

National Car Parks (Manchester) Ltd has capital commitments contracted for but not provided for in the financial statements relating to non-cancellable operating leases. The Council's share of these capital commitments is £4.8m.

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 £7.9m.

Note 29. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2011/12 £000s	2012/13 £000s
Interest received	(3,398)	(1,590)
Interest paid	62,750	58,829
Taxation	12,754	13,708
Total	**72,106**	**70,947**

Note 30. Cash Flow Statement - Investing Activities

	2011/12 £000s	2012/13 £000s
Purchase of plant, property and equipment, investment property and intangible assets	255,435	209,877
Proceeds of plant, property and equipment, investment property and intangible assets	(27,684)	(15,145)
Capital grants received	(78,437)	(39,317)
Other receipts from investing activities	(4,120)	(15,959)
Total	**145,194**	**139,456**

Note 31. Cash Flow Statement - Financing Activities

	2011/12 £000s	2012/13 £000s
Repayments of long and short term borrowing	54,779	11,648
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	8,005	6,838
Equity dividends paid	7,588	8,204
Cash receipts of long and short-term borrowing	(10,631)	(15,000)
Net payments / (receipts) relating to preceptors element of council tax	(6,898)	6,642
Net payments / (receipts) relating to national non domestic rates	(11,642)	9,476
Total	**41,201**	**27,808**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER CITY COUNCIL

Opinion on the Council Statement of Accounts

We have audited the Statement of Accounts of Manchester City Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The Statement of Accounts comprise the Council Movement in Reserves Statement, the Council Comprehensive Income and Expenditure Statement, the Council Balance Sheet, the Council Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Manchester City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the City Treasurer and auditor

As explained more fully in the Statement of Responsibilities for the Annual Statement of Accounts, the City Treasurer is responsible for the preparation of the 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Statement of Accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Statement of Accounts

An audit involves obtaining evidence about the amounts and disclosures in the Statement of Accounts sufficient to give reasonable assurance that the Statement of Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the City Treasurer; and the overall presentation of the Statement of Accounts. In addition, we read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited Statement of Accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Council Statement of Accounts

In our opinion the Statement of Accounts:

- give a true and fair view of the financial position of Manchester City Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the Statement of Accounts are prepared is consistent with the Statement of Accounts.

Opinion on the Manchester City Council Group Accounts

We have audited the Manchester City Council Group Accounts for the year ended 31 March 2013 under the Audit Commission Act 1998. The Group Accounts comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Manchester City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the City Treasurer and auditor

As explained more fully in the Statement of Responsibilities for the Annual Statement of Accounts, the City Treasurer is responsible for the preparation of the Group Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group Accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Group Accounts

An audit involves obtaining evidence about the amounts and disclosures in the Group Accounts sufficient to give reasonable assurance that the Group Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the City Treasurer; and the overall presentation of the Group Accounts. In addition, we read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited Group Accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for qualified opinion on the Group Accounts

Included in the Group comprehensive income and expenditure account is an amount of £388.4m related to the gain on disposal of the group's controlling interest in Manchester Airport Group Limited ("MAG"). Following a restructuring transaction, this is now accounted for as the joint venture, Manchester Airport Holdings Limited ("MAHL"), with a carrying value of £791.2m for the year ended 31 March 2013. Further detail is given in the introduction of the group accounts and in Notes 6 and 11 to the Group Accounts.

The valuation of MAG and MAHL's land and buildings affects the determination of the gain on disposal of the controlling interest and the valuation of the investment in the joint venture respectively. The land and buildings in MAG and MAHL have been measured at cost in their statutory financial statements. The Council has chosen to measure MAG's land and buildings at cost (2011/12 £493.3m) in the Group Accounts. Under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (based on International Financial Reporting Standards), consolidation adjustments should have been made to align the accounting policies of subsidiaries with those of the Council to measure the land and buildings at fair value.

As a result of the Council choosing to measure MAG and MAHL's land and buildings at cost rather than fair value, we were unable to determine whether adjustments to the gain on disposal of the Group's controlling interest and the valuation of the investment in the joint venture might be necessary for the year ended 31 March 2013.

Qualified opinion on Group Accounts

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the Group Accounts:

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (based on International Financial Reporting Standards).

Opinion on other matters

In our opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the Group Accounts are prepared is consistent with the Group Accounts.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and the auditor

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Manchester City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Sarah Howard
Partner, for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

30 September 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER CITY COUNCIL

Issue of audit opinion on the Council Statement of Accounts

In our audit report for the year ended 31 March 2013 issued on 30 September 2013 we reported that, in our opinion, the Statement of Accounts:

- gave a true and fair view of the financial position of Manchester City Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Issue of audit opinion on the Manchester City Council Group Accounts

In our audit report for the year ended 31 March 2013 issued on 30 September 2013 we reported a qualified opinion on the Manchester City Council Group Accounts in the following terms:

Basis for qualified opinion on the Group Accounts

Included in the Group comprehensive income and expenditure account is an amount of £388.4m related to the gain on disposal of the group's controlling interest in Manchester Airport Group Limited ("MAG"). Following a restructuring transaction, this is now accounted for as the joint venture, Manchester Airport Holdings Limited ('MAHL'), with a carrying value of £791.2m for the year ended 31 March 2013. Further detail is given in the introduction of the group accounts and in Notes 6 and 11 to the Group Accounts.

The valuation of MAG and MAHL's land and buildings affects the determination of the gain on disposal of the controlling interest and the valuation of the investment in the joint venture respectively. The land and buildings in MAG and MAHL have been measured at cost in their statutory financial statements. The Council has chosen to measure MAG's land and buildings at cost (2011/12 £493.3m) in the Group Accounts. Under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (based on International Financial Reporting Standards), consolidation adjustments should have been made to align the accounting policies of subsidiaries with those of the Council to measure the land and buildings at fair value.

As a result of the Council choosing to measure MAG and MAHL's land and buildings at cost rather than fair value, we were unable to determine whether adjustments to the gain on disposal of the Group's controlling interest and the valuation of the investment in the joint venture might be necessary for the year ended 31 March 2013.

Qualified opinion on Group Accounts

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the Group Accounts:

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Issue of value for money conclusion

In our audit report for the year ended 31 March 2013 issued on 30 September 2013 we reported that, in our opinion, in all significant respects, Manchester City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

In our report dated 30 September 2013, we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We have now completed this work. No matters have come to our attention since that date that would have a material impact on the Statement of Accounts or Group Accounts on which we gave our opinions and value for money conclusion.

We certify that we have completed the audit of the Statement of Accounts of Manchester City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Sarah Howard
Partner
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

4 October 2013

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 National Non-Domestic Rates that it collects, and out of which are to be paid precepts issued by precepting authorities, its own demands and payments into the NNDR pool.

Community Assets

These are assets that the Council intends to hold in perpetuity, which have no determinable finite useful life and may have restrictions on their disposal (e.g. parks).

Contingent Assets

Sums due from individuals or organisations that may arise in the future but which cannot be determined in advance.

Contingent Liabilities

Sums due to individuals or organisations that may arise in the future but which cannot be determined in advance.

Core Cities

Core Cities are a unique and united local authority voice to promote the role of cities in driving economic growth, representing the councils of England’s eight largest city economies outside London - Birmingham, Manchester, Liverpool, Leeds, Sheffield, Bristol, Newcastle and Nottingham.

These cities drive local and underpin national economies. Working in partnership, they aim to enable each City to enhance their economic performance and make them better places to live, work, visit and do business.

Corporate and Democratic Core

This comprises the activities that all local authorities engage in because they are elected multi-purpose authorities. The cost of these activities is over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services.

Creditors

Amounts owed by the Council for goods and services provided by the balance sheet date, where payment has not been made at that date.

Current Service Cost

The increase in present value of a defined benefit pension scheme’s liabilities expected to arise from employee service in the current financial year.

Curtailments

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces the accrual of defined benefits for a number of employees for some or all of their future service.

Debtors

Sums of money owed to the Council at the balance sheet date but not received at that date.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciated Replacement Cost

A method of valuation that provides a proxy for the market value of specialist properties.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of property, plant and equipment.

Exceptional Items

Material items which derive from effects or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Return on Pension Assets

For a funded defined benefit pension scheme, the average return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

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 NNDR 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 because the benefits are one period closer to settlement.

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 rentals 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 usually 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 but the proceeds are pooled and distributed by the Government.

Operating Lease

A lease other than a finance lease.

Past Service Cost

For a defined benefit pension scheme, the increase in present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept

The amount levied by the various joint authorities (e.g. fire and rescue authority), which is collected by the Council on their behalf.

Provisions

These are sums set aside to meet liabilities or losses that have been incurred but where the amount and/or timing of such costs are uncertain.

Public Works Loan Board (PWLB)

A Government agency that lends money to local authorities. Local authorities are able to borrow some or all of their requirements to finance capital expenditure from this source.

Residual Value

The net realisable value of property, plant or equipment at the end of its useful life.

Reserves

These are sums set aside to meet possible future costs where there is no certainty about whether or not these costs will be incurred.

Revenue Contributions

The method of financing capital expenditure directly from revenue.

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

These are items of capital expenditure that do not result in, or remain matched by, the Council’s property, plant and equipment.

Revenue Support Grant (RSG)

A grant paid by the Government to each local authority to help to finance its general expenditure.

Settlement

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligations and the assets used to effect the settlement.

MANCHESTER
CITY COUNCIL

Manchester City Council
Annual Governance Statement 2012/13

Contents

Manchester City Council
Annual Governance Statement 2012/13

1. Scope of Responsibility

1.1 Manchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

1.2 In discharging these responsibilities, the Council must put in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes arrangements for the management of risk. The Council first adopted a Code of Corporate Governance in June 2008. This Code is included in the Council's Constitution (part 6 section G). It sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose.

1.3 The Code of Corporate Governance and the Council's Constitution are reviewed annually to ensure they remain consistent with the principles of the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) joint framework for delivering good governance in local government (2012).

1.4 This Annual Governance Statement (AGS) explains how Manchester City Council has complied with the Code of Corporate Governance. The AGS also meets the requirements of the Accounts and Audit (England) Regulations 2011 regulation 4(3) which requires all relevant bodies to prepare an Annual Governance Statement (AGS).

1.5 Further details on any areas of particular interest can be accessed by clicking on the hyperlinks (highlighted and underlined throughout the document).

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, cultures and values by which the Council is directed and controlled, and through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives as set out in the Corporate Plan 2011/2014, and to consider whether those objectives have led to the delivery of appropriate, cost effective services. These objectives are underpinned by the corporate values of People, Pride and Place.

2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control identifies and prioritises risks; evaluates the likelihood of those risks being realised and the impact should they be realised; and aims to manage them efficiently, effectively and economically.

3. Context of 2012/13 AGS

3.1 Over the past year the Council has been developing and strengthening work on new delivery models to implement Public Service Reform, and the additional responsibilities placed on the Council by new legislation. This includes the Localism Act 2011, Health and Social Care Act 2012 and Welfare Reform Act 2012. The Council has introduced new governance structures and systems and made a number of revisions to the Code of Corporate Governance, to support our on-going transformation and to ensure that the Council is well positioned to deliver its new responsibilities effectively. This section sets out brief details of the key policy and legal drivers to transformation.

The Local Government Settlement December 2012

In December 2012, Government published the provisional local government finance settlements for both 2013/14 and 2014/15. The settlements were broadly as expected, which left the Council with the expected £80m (approximate) funding gap in 2013/15. The impact of this has been that the Council has faced significant funding reductions from 2010/11 and 2014/15, with an overall reduction in the Council's budget of 28% during this period. This combined with the increased cost of the levies for Waste Disposal and Transport has led to a 37% reduction in the resources available to support the Directorate net revenue budgets. In addition, there have also been considerable changes to how local government is funded including:

- Local Government Resource Review and the partial re-localisation of business rates
- Changes to the Council Tax system with the localisation of council tax support and associated reduction in funding, the resultant changes to how the tax base is calculated and the ability to generate income locally through council tax charges
- Reform of the funding arrangements for schools from 2013/14
- Transfer or responsibility for public health functions from 1 April 2013

Together these bring more volatility and uncertainty to the level of resource the Council will receive.

Impact of Welfare Reform Act 2012

3.2 The Welfare Reform Act 2012 has fundamentally changed the administration and entitlement of welfare benefits and the process of getting people ready for work. The reforms are expected to lead to a migration of benefit claimants from areas with a high cost of living to more affordable localities both within and across councils. This could significantly impact on key services such as school allocations, or primary and social care services. Manchester City Council has a critical role in managing the impact the changes will bring both to place and people and influencing the behavioural changes that will help people move from welfare dependency to work and independent living. Key elements of the Act include:

- Universal Credit – The introduction of a single welfare payment to replace a mix of out of work benefits and working tax credits
- The Work Programme – A single welfare to work programme to support the long term unemployed into work
- Fit for Work Assessments – Aimed at reassigning disability and incapacity benefits based on an individual's capability to work

3.3 The Council's performance management framework has been updated to include a real time 'Welfare Reform Dashboard'. This dashboard presents intelligence and insights on the impact of welfare reform and measures the effectiveness of interventions and activities. In collaboration with the Core Cities Working Group, the performance measures have been developed to ensure comparative benchmarking data is available across the core cities. The Welfare Reform Dashboard is reported to the Strategic Management Team (SMT) led by the Chief Executive, the Strategic Housing Board and Welfare Reform Programme Board.

Greater Manchester City Deal

3.4 In March 2012, Government announced a range of bespoke City Deal Agreements with Greater Manchester Combined Authority. This was a major step in empowering the region to make its own decisions on how to maximise economic growth, based on the unique needs and opportunities of the region's economy. The City Deal Implementation Plan sets out the delivery programme for the different elements of City Deal including the creation of a City Apprenticeship and Skills Hub, a housing investment fund, and a revolving infrastructure fund on an 'earn back' basis; strengthening of the Greater Manchester Business Growth Hub; and work with government on devolution of transport funding.

3.5 Governance of City Deal is delivered through the Greater Manchester Combined Authority. The Combined Authority has a track record of multiple authorities pooling resources, sharing risks and benefits, agreeing strategic investment programmes and working together to deliver. The Local Enterprise Partnership (LEP) is a key component of Greater Manchester's governance arrangements combining business leadership with the political accountability of the local authority. The LEP brings together nine private sector, four local authority members and two observers that support the City's growth strategy.

A New Strategic Narrative

3.6 A new strategic narrative reflecting the changed context for the City, has been developed through a process of engagement with key partners, to accompany The Manchester Way: Manchester's Community Strategy 2006 – 2015 . The narrative supports the strategic priorities of the Manchester Partnership and the Council's budget setting process. It emphasises the importance of aligning budget decisions with the overall vision for the City, through supporting growth and investing in the future of the City. It also emphasises the need to invest in people, to build personal and community resilience, in order to reduce demand on high cost public services. The strategic narrative provides the high level policy framework for transformation and reform.

Transformation of Council Services and Public Service Reform

3.7 Over the past year the Council has accelerated the pace of transformation across services. Social care and health services have been integrated into two Directorates: Children and Commissioning Services and Families, Health and Wellbeing. The latter also has responsibilities for commissioning and delivering services to protect and promote public health. From 1 April 2013 the statutory Health and Wellbeing Board will be in place -shadow for a year - with responsibility for a programme of integration, public health and prevention. The Council has stepped up reform, taking a longer term sustainable approach that is evidence based, with the objective of reducing dependency on public sector services. The Greater Manchester Whole Place Budget is a key element of this work testing new methods of commissioning, co-investing and delivering services across public sector agencies to:

- Integrate health and social care
- Transform the justice system
- Increase work and skills
- Increase early intervention with children in their early years, and
- Reduce the number of troubled families.

3.8 The Council's Manchester Investment Fund (MIF) enables continued investment in interventions that aim to reduce dependency, implement new delivery models, and produce results that will secure reinvestment in the Fund.

3.9 The funding reductions set out in the final financial settlement in January 2013 will lead to further reductions in our workforce to deliver savings of approximately £24 million. In December 2012, the Personnel Committee and the Executive agreed a VSS Scheme (combined Voluntary Severance and Voluntary Early Retirement Scheme) to support the transformation of the workforce and to achieve the anticipated workforce budget savings across 2013/14 and 2014/15. The practical application of the VSS Scheme has been developed to ensure that important skills necessary for the future needs of the Council are not lost and disruption to services is managed on a practical level. The on-going review of services and skills will drive workforce reductions and be linked to corporate objectives in line with ***m people*** principles.

4. The Governance Framework

4.1 Corporate governance is a phrase used to describe how organisations direct and control what they do. It also encompasses the values that councils hold important and promote throughout their work. The Council operates to a Code of Corporate Governance. This is set within the Council's Constitution. The Code and the Constitution are reviewed annually. The Code was last updated in July 2012. However, given the pace and scale of change since then, the Code is currently being revised. It was approved, as part of the refreshed Constitution, at Full Council in May 2013.

4.2 This section of the AGS outlines the key changes that have been made to the Council's governance framework during 2012/13. These changes have been organised around the six principles of good governance in local government:

- Principle 1: Focussing on the Council's purpose, its outcomes for the community and on implementing a vision for the local area;
- Principle 2: Having clear responsibilities and arrangements for accountability;
- Principle 3: Promoting values for the authority, demonstrating values of good governance and upholding good conduct and behaviour;
- Principle 4: Taking informed and transparent decisions that are subject to effective scrutiny and managing risk;
- Principle 5: Developing the capacity and capability of Members and Officers to be effective;
- Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

Principle 1: Focussing on the Council's purpose and outcomes for the community and on implementing a vision for the local area

Manchester's Vision

4.3 The New Strategic Narrative, described in paragraph 3.6, refreshes and updates The Manchester Way: Manchester's Community Strategy 2006 - 2015. Progress towards achieving the vision for Manchester continues to be measured through the State of the City indicators and reported in the annual State of the City report. Additional performance indicators are being developed to measure progress against new areas in the Strategic Narrative. This work is overseen by the Manchester Board and will be completed by July 2013. More frequent reporting on the strength and performance of Manchester's economy is through The Real Time Economy Dashboard.

4.4 Manchester City Council's Corporate Plan 2011/2014 sets out our key strategies, priorities and related activities to deliver the Community Strategy.

Our vision articulated in the budget setting process

4.5 The budget setting framework includes a budget reporting and public consultation process. This allows people to express their views on where money should be invested and where savings should be made to ensure we set a balanced budget. The 2013 budget consultation process included online and hard copy questionnaires. The online form was available on our Council consultation webpages, which were publicised through a variety of digital, business and community channels. All Manchester households received information about the budget consultation. Front-line staff were made aware of how to appropriately collect and record budget responses. Residents who needed additional support were able to request a digital recording of their views through the Customer Contact Centre.

Creating a vision for the local area

4.6 Local Councillors (Members) are our key community leaders. They work with local businesses, residents, public, private and voluntary sector organisations, to create and manage the delivery of a vision for their local area. Underpinning the vision are Local Plans and Ward Plans. The ward co-ordination process allows flexibility for Members and Ward Co-ordinators to deal with resident engagement and local issues in ways that best suit the needs of their wards.

Implementing a vision for the local area

4.7 Manchester has been modelled into Strategic Regeneration Framework (SRF) areas to set a broad spatial framework within which investment can be planned and guided to make the greatest contribution to a local area. The Neighbourhood Focus Strategy takes a strategic approach to the neighbourhood aspects of economic, environment and housing strategies. The Neighbourhoods Board plays a key role in responding to the new challenges and opportunities presented by the 'Place' agenda and for 'Place Shaping'. Membership of the Board includes partners from a range of organisations with a clear stake in local delivery and management.

Reviewing the vision

4.8 We continue to review the implications of our vision on our governance arrangements through:

- The Medium Term Financial Strategy (MTFS) 2010/11 to 2012/13.
- The Performance Management Framework
- Member Scrutiny through the Overview and Scrutiny Committees
- Regular resident consultation and engagement activities and engagement with our staff

Communicating the vision

4.9 We communicate our vision, purpose, and performance through a number of channels. These include: our Council website; social media sites and Blog Networks; online digital publications; local and business specific media partners and printed publications such as the Annual Report and the State of the City report.

Value for Money

4.10 Manchester City Council Value for Money Strategy 2010/2013 defines Value for Money (VfM) as: *"about obtaining the maximum benefit from the resources available to the organisation. It is often defined as achieving the right balance between economy, efficiency and effectiveness, the 3 E's - spending less, spending well and spending wisely. For Manchester this means delivering the best services at the lowest possible costs to our residents."*

4.11 The VfM Strategy is regularly monitored through the VfM Action Plan. It is an integral component of the Council's business planning process and the Performance Management Framework (PMF). The VfM Strategy has come to the end of its lifecycle and is being reviewed to ensure the lessons learnt from the deliver of the VfM Strategy inform future VfM work which will be embedded into the PMF rather than continuing with a standalone strategy.

Failure in service delivery

4.12 The Council's complaints procedure is committed to ensuring the highest possible standards of public accountability. Grievances against the Council can be reported directly to the Council's Corporate Complaints team, local Councillors or the Local Government Ombudsman. The Complaints procedure is published in the booklet "Comments, Compliments and Complaints – Let us know what you think about Council services". Staff policy and procedural guidance on complaints handling is also available.

Principle 2: Having clear responsibilities and arrangements for accountability

4.13 The Council's Constitution sets out and describes the functions, responsibilities and lines of accountability that the Council operates within. The Constitution is reviewed at least annually to ensure it reflects political and organisational changes in the national and local context. The Constitution has been updated and was presented to full Council in May 2013 to adopt. The Constitution includes:

- A Scheme of Delegation that states the decision making powers of the Chief Executive, the City Treasurer (The Section 151 Officer), City Solicitor (The Monitoring Officer) and senior officers;
- The Code of Conduct for Members and Code of Conduct for Employees;

- The Member/Officer Relations Protocol which ensures Members receive objective and impartial advice and that Officers are protected from accusations of bias and any undue influence from Members;
- A clear statement of the respective roles and responsibilities of all Councillors and senior officers;
- Clear guidance for Councillors on their individual and collective roles and responsibilities when working with partners;

4.14 Several revisions were made to the Constitution during 2012/13 to keep pace with new legislative requirements coming into effect at different times in the year. For instance, the Health and Social Care Act 2012 transferred the general duty to improve and protect public health from the NHS to local authorities, along with some mandatory public health functions. The Constitution was amended to include a Health and Wellbeing Board for Manchester, as a Committee of the Council, and a scheme of delegation for a Director of Public Health.

4.15 The Partnership Governance Framework sets out the Council's expectations of governance arrangements in its partnerships. The Framework is currently being reviewed to ensure that it remains relevant to partnership working in the current climate and continues to be underpinned by principles of good governance. The Framework also makes clear the roles and responsibilities of Members and Officers, both individually and collectively. The Council's Register of Significant Partnerships lists brief details of all our key partnership arrangements. This Register is reviewed annually to ensure it remains up-to-date.

Principle 3: Promoting the values for the authority and demonstrating values of good governance through maintaining high standards of conduct and behaviour.

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

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

4.17 The Localism Act 2011 required councils to adopt a local Code of Conduct for elected and co-opted Members of the Council. Manchester City Council's Local Code of Conduct for Members was adopted by the Council in July 2012. It is based on the 7 principles of public life, set out by the Nolan Committee on Standards in Public Life, to enhance and maintain the integrity (real and perceived) of local government.

4.18 The Standards Committee reports annually on ethical governance within the Council. Alongside the Audit Committee it has overview of the Council's Whistle Blowing Procedures. Policies that relate to ethical governance include the Whistle Blowing

Policy, Anti Fraud and Anti-Corruption Policy and Anti-Bribery and Money Laundering Regulations.

4.19 To prevent Members from being influenced by prejudice, bias or conflicts of interest, the Council maintains and performs regular checks on our Register of Interests for Members.

Principle 4: Taking informed and transparent decisions that are subject to effective scrutiny and managing risk

Informed and transparent decision making

4.20 The Council's Constitution sets out the decision making framework and processes. Paragraph 4.13 provides further information. The Council and Committee meetings are held in public (subject to limited exemptions). Agendas and reports are made available to the public well in advance of meetings. The Council also publishes the Forward Plan of Key Decisions. This Forward Plan provides the public with notification of key matters that will be considered and resolved by Council and Committees.

4.21 The Council's Performance Management Framework provides accurate, relevant and timely information to Council and Committees through performance reports and dashboards. This crucial information supports decision making and informs how resources can be allocated in the most cost effective and efficient way. Committee reports provide clear explanations of technical issues and their implications. Appropriate legal, financial and other professional advice is also included and considered as part of the decision-making process.

Scrutiny Committees

4.22 The decisions of the Executive and the way in which Council services are delivered, are subject to scrutiny by Scrutiny Committees. Members of Scrutiny Committees hold decision makers to account and consider how public services are meeting the needs of local residents. Scrutiny Committees have a key role in ensuring that the people of Manchester get the best out of their public services and that they are delivered in the way residents want.

Business planning

4.23 Each of the Council's Directorates produced a Business Plan. These Business Plans focus on the Council's priorities of Sustainable Economic Growth, People and Place. The plans identify the risks and potential impacts policy changes such as welfare reform changes. Business Plans also include budget delivery and workforce development plans. The Council's Scrutiny Committees are responsible for reviewing the Business Plans. Different elements of a plan are then allocated to individual services and teams to deliver. Staff are set individual objectives based on their team plans, via the appraisal process, and their performance against these objectives is measured throughout the year.

4.24 Significant progress has been made with the Council's transformation programme to commission and deliver health and social care services for adults and children under a single, integrated approach. As the future plans for these directorates focus on a shared approach it was not sensible to produce separate plans for Children's Services and the

Directorate for Adults, Health and Wellbeing. In recognition of this, an Integrated Health and Care Delivery and Integrated Commissioning Plan was developed covering these two directorates.

Use of information

4.25 The Council works within the Code of Recommended Practice for Local Authorities on Data Transparency. The Council publishes data on our performance in a timely manner and in a clear format, and complies with requests to publish data whenever this is in the public interest. Manchester launched its Intelligence Hub in September 2012. The Intelligence Hub is an interactive, on-line product which includes an analysis tool containing over 100 statistical variables, spanning different themes of data. The tool enables a user to display statistical data in different formats and to export it for their own analysis. The Hub brings together information on:

- The State of the City reports;
- Joint Strategic Needs Assessments;
- Ward profiles;
- Performance Dashboards and statistics, including the Real Time Economy Dashboard that is published online every month;
- Links to advice and guidance about procurement, commissioning and the Data Protection Act 1998 and the Freedom of Information Act 2000.

The Equality Act 2010

4.26 The Council must consider its obligations under Section 149 of the Equality Act 2010. We have in place a robust Equality Impact Assessment (EIA) framework that informs decision making and budget considerations.

Risk Management

4.27 The City Treasurer has overall responsibility for the Risk Management function. The Head of Internal Audit and Risk Management manages these functions through the Corporate Risk and Resilience Team. The Risk and Resilience function is primarily concerned with:

- Supporting and embedding effective governance, risk management and internal control arrangements;
- Providing support in improving arrangements for the identification, evaluation and management of risks, including the provision of health and safety support, business continuity planning and insurance;
- Reviewing strategic risk management and business continuity arrangements as set out in the Corporate Risk and Resilience Strategy 2013/14.

4.28 The Corporate Risk and Resilience Strategy 2013/14 articulates the objectives and priorities for risk and business continuity. It is set within the context of changes in government policy, Public Service Reform (PSR), financial constraints and the Council's Transformation Programme. The Council's Strategic Directors and their management teams identify, scrutinise and manage the risks to the delivery of their Business Plans and broader strategic risks to their Service, in a Directorate Risk Register.

Principle 5: Developing the capacity and capability of Members and officers to be effective

4.29 A cross party Member Development Working Group (MDWG), chaired by the Deputy Leaders, meets to review the training needs of Members. The MDWG ensures that Members have the correct skills and knowledge to deliver their Council duties. Development opportunities are available through:

- Internal and external training opportunities, including courses with the North West Employers Organisation;
- Online e-learning and training;
- Council in-house briefing sessions.

4.30 Members are accountable for their performance to their political leadership and to their constituents. All Members sign a Public Service Contract that requires them to submit cyclical reports on the level and nature of their activities as Members. These reports are available for public inspection. The Political Groups on the Council also have their own internal performance management systems.

4.31 The Council's People Strategy was first agreed in 2007. It set out the organisation's key priorities and objectives with regards to developing the skills and capacity of the workforce. The Strategy was refreshed in 2012, with the revised document agreed by the Personnel Committee. The People Strategy 2013/2015 sets out the organisation's key workforce development priorities in the context of a significant period of change. The Strategy is aligned with the commitments and approach to managing the workforce detailed in the ***m people*** agreement. The Strategy focuses on five themes which are being taken forward both corporately and at a Directorate level:

- Developing leadership skills and capacity
- Planning the future workforce
- Developing workforce skills and capacity
- Reducing worklessness
- Reward and recognition

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

4.32 The Ward Co-ordination, process facilitates direct communication between residents and their elected Councillors and ensures a focus on service improvement at a neighbourhood level. Councillors are democratically elected and so accountable for decisions in their local area and responsible for providing a leadership role in building sustainable communities. Public accountability is also achieved through the scrutiny function (see paragraph 4.22).

4.33 Business Plans identify key engagement and communication activities that will provide opportunities for people to influence decision making. Our Community Engagement Strategy sets out different ways of effectively engaging with our communities. It is supported by the Community Engagement Toolkit which provides practical guidance on implementing the Strategy.

4.34 Paragraph 4.12 sets out the Council Complaints Procedure which allows people to scrutinise and challenge decisions made by the Council. Regular review and analysis of complaints has enabled the Council to strengthen weak processes and procedures.

4.35 The Council's Publication Scheme describes the information that the Council routinely makes available to the public and the Council's legal obligations for making information publically accessible.

5. Annual review of effectiveness of the governance framework

5.1 Manchester City Council has a legal responsibility to conduct an annual review of the effectiveness of its governance framework, including the systems of internal control. Through evaluation and analysis during the 2012/13 review, the Council has good assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance (see paragraph 4.1).

5.2 The 2012/13 review of governance arrangements comprised:

- Evaluation of the process of challenge and scrutiny by Council and its Committees;
- The Annual Opinion of the Head of Internal Audit and Risk Management;
- Outcomes of the Annual Review of the Systems of Internal Audit;
- Our External Auditor's opinion of the effectiveness of our systems of risk and governance;
- Review of the role and responsibilities of the Chief Finance Officer;
- Assessment of the robustness of corporate governance in business planning, including analysis of findings from the Governance Self Assessment Questionnaire;
- Evaluation of the effectiveness of our processes to gain reassurance about the robustness of governance arrangements in the Council's Significant Partnerships;
- Outcomes of external assessments carried out by regulatory bodies.

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

5.3 The Council has four committees jointly responsible for monitoring and reviewing the Council's governance:

- The Executive - Proposes the budget and policy framework to Council and makes decisions on resources and priorities relating to the budget and policy framework;
- The Audit Committee - Approves the Council's Annual Accounts, responds to the External Auditor's recommendations and oversees the effectiveness of the Council's governance and risk management arrangements, the internal control environment and associated anti fraud and anti corruption arrangements;
- The Finance Scrutiny Committee - Scrutinises the implications of financial decisions and budget management; corporate, partnership and city region governance decisions; and the Council's Transformation Agenda;
- The Standards Committee - Promotes and maintains high standards of conduct amongst Members, advising on the adoption and revision of the Code of Conduct for Members, and monitoring the Code of Corporate Governance.

5.4 There is provision for Councillors (minimum of five or the Chair of the relevant Scrutiny Committee) to call in decisions taken by the Executive (or Senior Officers under delegated authority), for consideration by the relevant Scrutiny Committee. The Committee will then consider the reasons for calling the decision in and either confirm the decision, refer it to the decision maker for reconsideration, or refer it to full Council if the Committee believes that the decision runs contrary to the budget or policy framework. No decisions were subject to the call in process during 2012/13. This provides good assurance that decisions taken by the Executive and Committees were in accordance with the Council's agreed budget and policy framework.

Head of Internal Audit and Risk Management Annual Opinion 2012/13

5.5 Based on the programme of planned Internal Audit work, and other than a small number of significant control issues that arose during the year, the Head of Internal Audit and Risk Management provided substantial assurance that the Council's systems of governance, risk management and internal control were generally sound and operated reasonably consistently. Key governance, risk management and internal control issues that arose during the year are listed below:

- Internal Audit raised concerns over cash management and handling throughout the year, particularly in relation to service users. These emerged from planned audits and in response to allegations of irregularity. There are inherent risks in cash handling, especially when managed on behalf of service users and clients, but improvement is needed in 2013/14;
- Two audits raised concerns over social care casework and management, particularly on children's social care and adult mental health. Clear, comprehensive action plans to address areas for improvement are being delivered and Internal Audit will follow these up including further reports to Audit Committee in 2013/14 to independently confirm progress made;
- Given the scale and range of data and information assets held, there are inherent risks of loss or leakage of sensitive information. During 2012/13 a small number of incidents emphasised the need for controls to be strengthened and whilst work was already underway to improve the current arrangements this remained a key risk issue in the year.

5.6 The additional challenge from an audit perspective is the financial context in which the Council is required to operate. The impact of delivering savings programmes will be substantial, will impact on all business areas and is based on reasonable but ambitious assumptions. There has been extensive planning and ongoing consultation on the budget proposals. Programmes for transformation of Services have been set out in business plans. Whilst the Council is well placed to respond to this challenge, the scale and pace of required change remains a fundamental risk. In a Council of Manchester's size and complexity, with its significant ambitions, change agenda and savings requirements, there is an inherent risk of breakdown in the systems of control particularly where roles, responsibilities and systems are changing. We have worked actively with management to identify and examine these areas of potential risk and support them in anticipating future risks and challenges for 2013/14 and beyond.

Annual Review of the System of Internal Audit 2012-13

5.7 In accordance with the Accounts and Audit Regulations 2003 (Amended 2006 and 2011) the Council conducts an annual review of the effectiveness of its system of internal audit to be considered as part of its governance assurance processes, including production of the Annual Governance Statement. The review found that Internal Audit had continued to build on its strengths and to consolidate its role. Service delivery in support of the Council's priorities and objectives, and identifying and addressing risks to service delivery, remained key priorities. The Internal Audit Team delivered its audit plan on time, had a sound base for carrying out audit activity and met its overall objectives of providing audit assurance and advisory support to the Council. Section managers and staff were aware of and operated in line with professional standards and codes of ethics. External Audit provided positive, independent assurance of the work of the Team.

External Auditor's Review of the Effectiveness of our Governance Arrangements

5.8 Grant Thornton, in their capacity as the Council's external auditor, produce an Annual Audit Letter. The Annual Audit Letter summarises the key issues arising from the work that Grant Thornton have carried out. The Annual Audit Letter 2011/12 was reported to Audit Committee on 1 November 2012. The main conclusions of the Audit Letter were:

"That the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012".

"That the AGS and Explanatory Foreword (of the Annual Accounts) were consistent with our knowledge of the Council and met the requirements of CIPFA/SOLACE and showed an overall improvement in the compilation and content of the AGS."

"Whilst the Council faces significant financial challenges in 2012-13 and beyond, its current arrangements for securing financial resilience are robust".

5.9 The Annual Audit Letter for 2012/13 is due to be reported to Audit Committee on 28 November 2013. As part of the 2012/13 audit, Grant Thornton will provide its opinion on key risk areas, including:

- financial resilience following the reduced central government grant settlement;
- the Annual Accounts 2012/13;
- Value for Money.

5.10 The Council takes external audit recommendations very seriously and monitors their implementation on an ongoing basis. Assurance reports are presented to Audit Committee and Grant Thornton bi-annually summarising our performance in implementing recommendations effectively and within agreed timescales. The latest assurance report was presented to Audit Committee on 21 March 2013 and the next report will be in September 2013.

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

5.11 As part of its work on governance and financial management across public services, the Chartered Institute of Public Finance and Accountancy issued its Statement on the role of the Chief Financial Officer in Local Government (the Statement) in 2010. The Council has undertaken a review of the role and responsibilities of its Chief Financial Officer (CFO) against the five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

5.12 We have concluded that the CFO is ideally placed to develop and implement strategic objectives both within Manchester City Council and the Greater Manchester Combined Authority, given his role as the City Council's Section 151 Officer, City Council Treasurer and Greater Manchester Combined Authority (GMCA) Treasurer. He reports directly to the Chief Executive and is a Member of the Council's Senior Leadership Team. The CFO influences all material business decisions and oversees the corporate governance arrangements, audit and risk management framework, the financial and annual budget strategy and planning processes.

Assessment of the robustness of corporate governance in business planning, including analysis of findings from the Governance Self Assessment Questionnaire

5.13 The annual business planning process includes a questionnaire about the extent to which corporate governance is embedded in each of the Directorates. Responses to the questionnaire enable us to draw conclusions about the areas of corporate governance, systems and processes our staff need support with implementing and/or understanding. During 2012/13 the governance self assessment questionnaire was amended to closely align with and reflect the Council's Code of Corporate Governance and systems of control. Responses to the questionnaire provided crucial information about how well the Code is understood by staff and how robustly it is embedded in local procedures and working practices. Detailed guidance was also provided on sources of evidence to demonstrate compliance with the Code. The assessment concluded that staff across the organisation had a good understanding of the Code. The assessment also concluded that further work is needed to ensure robust corporate governance in three key areas. These areas are set out below and discussed in sections six and seven.

- Embedding good conduct and behaviour – This is particularly important where new integrated delivery models are in place involving staff from a number of different public sector organisations working together. We need to ensure that all staff are aware of whistle blowing, Anti-fraud, Anti-Corruption policies, the Council's Constitution and Financial Regulations.
- Impact and implications of the Localism Act 2011 and Education Act 2012 – We need to be clearer about how new Acts will affect decision making, strategic planning and operational management across all our services.
- Strengthening decision making – Whilst sound decision making processes are in place, we need to make improvements in how we gathering and use evidence-led intelligence, identify and manage risk at an appropriate level and how we manage our performance in a timely fashion.

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

5.14 The Council's Register of Significant Partnerships comprises a summary of all our key partnership arrangements. These partnerships are structured in a number of different forms, from joint venture partnerships, statutory partnerships and strategic alliances to partnerships responsible for key contractual agreements. The partnerships are defined as significant because they either manage substantial amounts of public money and/or are leading bodies that determine high level strategy and set out our vision for the future. As such, they present some level of risk to our reputation and standing. We provide leadership and advice on governance matters, through the Partnership Governance Framework (see paragraph 4.15).

5.15 In 2012/13 we reviewed the effectiveness of processes used to assess the robustness of good governance in partnership arrangements, to ensure they continue to provide a reasonable, reliable assessment of partnership governance risk. We concluded that there were a number of areas that could be strengthened.

- *Self-assessment Questionnaire*

Additional questions will be added to the partnership self-assessment questionnaire to assess the effectiveness of processes related to monitoring spend, delivering value for money, insurance liability cover and implementing recommendations from external inspection and audits. Approval of self-assessments will also need to be obtained from the Strategic Management Team (SMT) Lead Officer.

- *Governance in new and emerging partnerships*

  Information on registration and self-assessments forms will help inform Council decisions on whether to enter into partnerships, providing an early opportunity to influence governance arrangements. The Internal Audit and Risk Management Team will be able to provide early advice and guidance on governance processes to assist partnerships to manage and mitigate risks.

- *Role and responsibilities of officers and Members in partnership arrangements*

  The Partnership Governance Framework will be reviewed to ensure governance arrangements reflect CIPFA principles, that the individual and collective roles and responsibilities of Members and Officers are clearly set out and that the Council's expectations of good governance systems and processes are made explicit.

The Council's internal governance and internal control management groups

5.16 Overall officer responsibility for internal governance and internal control lies with the Chief Executive and Strategic Management Team (SMT). The SMT Use of Resources and Governance Sub-Group is responsible for evaluating the effectiveness and fitness for purpose of the Council's corporate governance arrangements and for leading the development and implementation of changes necessary to bring about improvement. The Annual Governance Statement (AGS) Working Group is responsible for supporting the work of the SMT Use of Resources and Governance Sub-Group and developing this AGS.

Manchester City Council's 2012/13 Local Accounts

5.17 The Care Quality Commission (CQC) is the regulatory body responsible for the quality of health, mental health and adult social care in England. The CQC continue to publish information of the standards of residential, nursing and home care, which includes both internal services such as Reablement and the wider care sector from whom Manchester commission care. Until 2009/10 the CQC produced an annual assessment (Capturing Regulatory Activity at a Local Level - CRILL) of how each local authority commissions services for people in their local area. However, changes to the role of the CQC means that this is no longer the case. Instead, Councils are now advised to produce 'local accounts'. This is not a statutory requirement but good practice in demonstrating accountability and transparency. Local accounts must demonstrate how the Council has safeguarded and maintained personal dignity, put people first and achieved value for money, judged against the health and social care outcomes for their area. At the time of writing Manchester's 2012/13 Local Accounts was not available for assessment and analysis.

5.18 Currently, across the north-west region, Councils are working on a sector led improvement programme to raise standards in adult social care through peer support, challenge and review. A suite of performance measures are being developed to allow Councils to benchmark their social care provision performance data. This data will enable Councils to engage in a process of peer challenge and review. Annual performance outturn data will be considered alongside a range of other factors in order to assess standards across the region.

The Office for Standards in Education, Children's Services and Skills (Ofsted)

5.19 Ofsted inspects and regulates services which care for children and young people and those providing education and skills for learners. As of 28 March 2013, Ofsted inspection reports were published for 50 schools during 2012-/3. Ofsted concluded that 35 or 70% of schools inspected were good or better for overall effectiveness. 41 schools or 82% were judged to be good or better for Leadership and Management. Overall, 75% of schools in Manchester are judged to be good or better in their most recent inspection. 74% of all children in Manchester schools attend an outstanding or good school. All school inspection reports are published on the Ofsted website.

5.20 The last Safeguarding Children Ofsted judgement of the Council took place in 2011. Manchester was judged as 'Adequate'. A more recent Safeguarding Peer Review took place in March 2013. The findings are currently being acted upon and progress is regularly monitored at the Performance Improvement Board. An Ofsted Inspection of the Council's Fostering Service in March 2013 judged it to be 'Good'.

6 Progress on governance issues identified from last year's (2011/12) Annual Governance Statement

6.1 This section summarises the activity against each of the governance improvement actions identified in the 2011/12 AGS.

Greater Manchester City Deal

6.2 A City Deal Implementation Plan was agreed between the Combined Authority and Cabinet Office in September 2012. The Plan sets out an agreed programme of delivery and progress is discussed on a monthly basis with the Cabinet Office. Good progress has been made on most areas although some milestones, in particular related to the Earnback model, have been significantly delayed in progressing through Whitehall departments. Agreement to the detailed arrangements for Earnback is expected shortly. Progress to date includes:

- Endorsement of the Greater Manchester Investment Framework aligning core economic development funds, enabling the more efficient use of investment that meets Greater Manchester's economic priorities. The Regional Growth Fund 3 programme has been incorporated within the framework and further work is in hand to ensure that this forms the platform for further devolution of funding or increased influence over national programmes;
- Funding has been agreed for the City Apprenticeship and Skills Hub which will place apprentices with Small and Medium Enterprises and a skills tax incentive pilot. Implementation is underway. Good progress is being made to link mainstream skills funding with local labour market priorities. The analysis of labour priorities is complete and work to develop a mechanism to link these to outcomes is progressing. These initiatives will help deliver a step change in labour market participation, and help drive down welfare dependency;

- Funding from Regional Growth Fund 2 to strengthen Greater Manchester's Business Growth Hub is due to be agreed imminently providing businesses large and small with the support they need to grow;
- MIDAS and UK Trade and Investment are developing pilot proposals to increase high value inward investment following agreement of the GM Internationalisation strategy. The first phase will focus on e-health.
- The Low Carbon Hub has been established with a plan to reduce emissions by 48% by 2020 and is developing a portfolio of investment propositions as part of the joint venture with the UK Green Investment Bank;
- A housing investment board has been established with the Homes and Communities Agency as part of the investment framework with a business plan to support delivery of projects across GM and enable receipts to be recycled locally;
- Good progress has been made on transport projects with the announcement of the High Speed 2 rail line with stations proposed at Piccadilly and Manchester Airport and funding for the Northern Rail Hub. Manchester is working across the North to develop proposals to for the devolution of rail franchising.

6.3 Further support from Government is sought focused on the outputs of the Greater Manchester Community Budgets pilot. The Community Budget work demonstrates how Greater Manchester can effectively deliver savings through developing new public service delivery models that reduce dependency and support growth. Further funding would be devolved to a local level under proposals put forward by the Heseltine Review of October 2012. This has been broadly adopted by Government to advance decentralisation, unleash the potential of local economies, strengthen partnerships with industry and foster economic growth. Central to the Review was empowering Local Economic Partnerships (LEPs) and devolution of some central funding streams into a single Local Growth Fund pot from 2015 onwards, the content of the Single Local Growth Fund will be addressed at the spending round in June 2013.

6.4 Governance of City Deal is through the Greater Manchester Combined Authority. See paragraphs 3.4 to 3.5 for further details.

Implications of the Appointment of Police and Crime Commissioner

6.5 The Greater Manchester Police and Crime Panel hold monthly, public meetings. It first met on 30 November 2012. At that meeting the Panel's governance arrangements and rules of procedures were agreed. The Association of Greater Manchester (AGMA) structures include the Police and Crime Panel, the Steering Group and the Police and Crime Leads meeting. Manchester City Council's representative at these meetings is the Leader of the Council. A Working Group is in place to support the Police and Crime Commissioner. The Working Group includes representation from Manchester City Council (Councillor Priest and the Deputy Chief Executive (Neighbourhoods).

6.6 The Greater Manchester Police and Crime Panel discusses matters relating to how it contributes to AGMA level discussions, opportunities to collaborate on jointly commission services and interventions to create economies of scale within the community safety agenda. The Police and Crime Commissioner is responsible for the Police and Crime Plan, produced through consultation with the Police and Crime Panel Steering Group and other key partners, including Manchester City Council.

Localism Act 2011

6.7 Different parts of The Localism Act 2011 took effect at different times during 2012/13. A new "local" Code of Conduct for Members and new arrangements for dealing with complaints that a Member has acted in breach of the Code, are now in place. There is also a new "Register of Members' Interests" on the Council's website. Independent Persons and Co-opted Independent Members of the Council's new voluntary Standards Committee have also been appointed. Revisions to the Council's Constitution to include new procedures to address the following aspects of the Act, are currently under consideration:

- The 'Community Right to Challenge' expressions of interest submitted by a voluntary or community body, charity or Council employees, to provide or assist in providing a service provided by, or on behalf of the Council;
- The "Community Right to Bid" nominations for assets to be included on the Council's Register of Assets of Community Value";
- The designation of community groups as Neighbourhood Forums, with powers to submit Neighbourhood Development Plans and Neighbourhood Development Orders for planning permission.

6.8 The Localism Act also required the development of an annual Pay Policy Statement setting out the Authority's position with regard to pay in general and the pay of Chief Officers in particular. Manchester's second statement was agreed by full Council in March 2013.

Health and Social Care Act 2012

6.9 The Health and Social Care Act 2012 signalled wide ranging reorganisation of the NHS with significant implications for Councils. The Act has placed greater emphasis on integration between health agencies, social care and other council services to deliver person centred support that promote early intervention, independence, health and wellbeing. The Act also established statutory Health and Well-Being Boards to provide governance for public health. The Boards work towards encouraging agencies who arrange the provision of any health or social care services in Manchester to work together in an integrated way, to advance the health and wellbeing of Manchester's residents.

6.10 Membership of the Health and Wellbeing Board includes the Director of Families, Health and Wellbeing, the Director of Children's and Commissioning Services, the Director of Public Health, at least one elected Member of the Council and representatives from each of the three Clinical Commissioning Groups (CCGs). A representative of the Council's Local Healthwatch organisation will also be included on the membership (yet to be appointed).

Public Service Reform and The Manchester Investment Fund (MIF)

6.11 The Whole Place Community Budget (WPCB) work started the journey of Public Service Reform (PSR) in Greater Manchester. PSR aims to reduce dependency on high cost services and support economic growth across Greater Manchester. It also aims to ensure that residents of all ages in Manchester are learning, working, developing their skills and enjoying life in the city. PSR is key to the future development of Greater

Manchester in terms of helping to deliver the Greater Manchester Strategy and the role of the Combined Authority.

6.12 The first phase of the WPCB was completed in October 2012. The business cases, which were the outcome of joint work with Whitehall colleagues, were presented to AGMA and Government Ministers. They were also show-cased at a national conference in November 2012. The second phase of WPCB was completed in March 2013. The evaluation of outcomes from this phase will inform the evaluation and reporting framework of the Council's PSR Programme. The four themes of the Programme are:

- Troubled Families and Work and Skills
- Integrated Health and Social Care
- Early Years
- Transforming Justice.

6.13 The Greater Manchester Public Service Reform Executive has overall responsibility for the PSR Programme. The PSR Executive in turn reports to the AGMA Wider Leadership Team and the AGMA Joint Committee / Combined Authority. Thematic Strategic Groups and operational groups drive progress on particular themes. At a Greater Manchester Level there is also a GM Troubled Families Steering Group. Progress is reported nationally to the Troubled Families Unit through regular returns and attendance at regional/national events or visits to Manchester.

6.14 The work in Manchester is overseen by the Manchester Investment Board (MIB). This Board is chaired by the Deputy Chief Executive (Performance) and includes representation from Strategic Directors and partners. There are governance arrangements in place for each of the four themes:-

1. There is a Troubled Families Board. Local Integration Teams (LITs) review performance and direct activity around Troubled Families at a local level. The LITs report to the Troubled Families Board, which reports progress to the Manchester Investment Board.
2. Health and Social Care is governed via the Blueprint Steering Group and the Health and Wellbeing Board.
3. Early Years via the joint steering group with the Health, also the Health and Wellbeing Board.
4. Transforming Justice is governed at a Greater Manchester level.

6.15 These governance arrangements have strengthened the links between delivery at a local level and the citywide strategic direction for the PSR Programme. Involvement of partners at both local and Board level has strengthened the commitment and involvement of partner organisations. It has also provided a higher level of scrutiny to the work required to secure investment, and maximised the knowledge and intelligence of different organisations.

6.16 An evaluation framework for the Troubled Families Workstream has been developed to monitor progress and to highlight risks. An interim evaluation of the Troubled Families programme highlighted a positive cost benefit analysis ratio. However, it is too soon to fully evaluate the programme as most of the interventions currently in place are still running their course. An evaluation framework is also in place to assess the effectiveness and resilience of new delivery and investment models in place across Targeted and Specialist Services.

6.17 The core principles of Public Service Reform are:

- Interventions chosen on the strength of the evidence base.
- Integrated, co-ordinated and sequenced interventions packaged in the right order and at the right time for each family.
- Family based approach not just focus on individual, in order to best influence behaviour.
- New investment models to move money and resources between partners and enable sharing of investments and benefits.
- Robust evaluation evidence to inform investment decisions.
- Decommissioning of some existing provision and integrated recommissioning of provision by scaling up proven pilots, together with early intervention and prevention.

The Local Authority's Leadership and Influencing Role in School Governance

6.18 In light of the Education Act 2011 and changing policy landscape, governance arrangements were reviewed in order to strengthen the leadership and influencing role of the Council across an increasingly diverse education system. A new collaborative partnership, the Strategic Education Partnership (SEP), was established between the Council, partners and all schools. See paragraph 7. 10 for further information about the SEP.

6.19 The Council maintains an 'intelligence-led' approach to ensuring that governing bodies are effectively discharging their duties including their statutory responsibilities. It brings together data from school performance and inspections, school finance teams, Internal Audit and Human Resources/Organisational Development (HR/OD) to identify key issues and determine support and intervention. Overall this approach supports the development of community accountability.

6.20 A rolling programme is being developed to systematically review all current School Governor appointments. A role specification is being developed to clearly set out the competencies, roles and responsibilities of School Governors. Terms of Office in relation to both the school and the Council will also be specified. The Council will provide ongoing training and information to support School Governors in their role. A Local Authority Governance Unit will also be established to provide ongoing support.

One Education

6.21 One Education Limited promotes school improvement services which schools can commission. It began operating on 1 September 2011 following an extensive period of development including consideration of the governance arrangements for the new company. One Education is a wholly owned Council company with the facility for Council representation on the Board. There is currently one Council officer represented on the Board. One Education operates under a Service Level Agreements (SLA) with the Council and is subject to a formal performance review process.

6.22 Various SLAs are in place with One Education including one which focuses on the appointment and training of School Governors and management of the Governors database. In discussion with One Education, this SLA was reviewed and a decision was taken to end the SLA. These functions are now being managed internally within the Council. One Education, together with the Council, are undertaking a review of the current business model.

Third Sector

6.23 Following a collaborative design process between the Council and representatives from volunteering-focused third sector organisations, an interim volunteering service began delivery in January 2012, branded “Volunteer Centre Manchester”. The volunteering service provides volunteers with new ways to develop skills and gain experience of the workplace as well as providing capacity to the third sector to deliver services to local residents.

6.24 The new Volunteer Centre Manchester successfully gained accreditation with Volunteering England in late December 2012. The centre now runs sessions in the Customer Centre at First Street (and will continue to offer them from the newly refurbished town hall extension). A total of 2,500 volunteers have registered with the centre since it began operations in January 2012 and 308 organisations now use the volunteer centre to recruit volunteers to over 3,700 volunteer opportunities.

6.25 The Third Sector Assembly provides an important strategic link between the sector and the Council. With a clear mandate from its membership and a reporting structure through which to feed back, representatives of the Assembly can liaise between the member organisations and the Council on a range of issues, including future budget reductions. The Assembly has provided an excellent opportunity to involve the third sector in the planning and delivery of consultations.

6.26 Between March 2013 and August 2013 the infrastructure support service to the third sector will be retendered. The third sector assembly will form a key part of the revised specification alongside the volunteer centre and a bespoke support service to help third sector organisations access commissioning opportunities.

Managing Reductions in Resources

6.27 The funding reductions set out in the financial settlement in January 2013 led to further large scale transformation across the Council with a greater emphasis on Public Service Reform (PSR). Strong governance arrangements to support delivery of changes are necessary to continue to provide effective services with due regard to our legal obligations. New governance arrangements include the Targeted and Specialist Board which will assist in monitoring delivery of savings and performance improvements needed across Integrated Delivery and Commissioning.

6.28 The Council’s budget decisions are framed around our ability to achieve the strategic objectives outlined in the Greater Manchester Strategy and the recent refresh of the New Strategic Narrative. The strategic approach is supported by the detailed budget reports and business plans. Where necessary proposals are subject to consultation and consideration of Equality Impact Assessments (EIAs) before final decisions are taken. When considering service redesign or service reduction, a range of factors including costs, efficiencies, impact on equalities and local factors (such as resident need and access to services) are taken into account before decisions are taken.

6.29 In December 2012, Personnel Committee and the Executive agreed a time limit VSS Scheme (combined Voluntary Severance and Voluntary Early Retirement Scheme) to support the transformation of the workforce and assist with the anticipated workforce budget savings across 2013/14 and 2014/15. Potentially the staffing implications impact on all the spines in the Community Strategy. However, the ongoing review of services and skills will drive workforce reductions and be linked to corporate objectives. The practical application of the VSS Scheme has been developed to ensure that important skills necessary for the future needs of the Council are not lost and disruption to services is managed on a practical level.

Workforce Development

6.30 Organisational change and workforce development are governed through the ***m people*** principles and an agreed set of principles for organisational design. These organisational design and budget principles are aligned with our values, PEOPLE, PRIDE and PLACE. When workforce changes are being considered HR/OD Strategic Business Partners work within the Directorates to ensure these principles and values are considered as part of strategic decision making. From a skills perspective each Directorate operates a Workforce Development Group (WDG). The WDG is responsible for delivering the Directorate Workforce Development Plans agreed through the business planning process and underpinned by the People Strategy. The WDG also considers current and future skills needs and investment. These Groups are responsible, with their Heads of Service, for identifying and commissioning development for the next financial year.

6.31 ***M people*** is an effective framework for delivering the required workforce changes needed by the transformation programme. It has been successful in supporting over 5,000 staff through service redesigns and provided a flexible framework to move individuals to the point of greatest organisational need whilst supporting skills development and aspirations. ***m people*** will remain critical as the workforce transforms further over the coming year. The Support for Change Programme was externally evaluated and received nationally recognition in the 2012 National Training Awards.

6.32 Directorate Assistant Business Partners have an important role in coaching and developing managers in their understanding and subsequent compliance with the policy framework. Information is also available on the newly updated intranet pages, through the HR/OD helpline service and via manager briefings.

6.33 The ICT structure was reviewed and this has led to a mini service redesign. In addition to structural changes the ICT Management Team have developed a training plan which identifies the required skills and level of competence for all roles within the service, and links them to service outcomes. The training plan captures both the technical ICT development and non technical development required for all staff within the service. Successful implementation of the Plan will result in an improved ability to support the back-end functionality of some of the infrastructure and an improved understanding of the project governance process. The impact on service/customers would be expected to be felt through a streamlined project process and an ability to start to provide management information on some elements of infrastructure performance.

6.34 The Council's workforce must have the appropriate skills and capacity to support Public Service Reform (PSR), to support economic growth and achieve better outcomes for residents. Skills development needs to be focused around leadership and management as well as financial modelling, commercial acumen and research and evaluation.

Compliance with Internal Processes and Procedures

6.35 The Handbook for Leaders is an online resource which brings together and summarises the various codes, policies and protocols concerned with the Council's governance arrangements. It provides signposts to more detailed policies and procedures and who to contact for help. The Handbook was refreshed in June 2012. A communication campaign was developed to raise awareness of the Handbook. The Handbook had a constant presence on the staff intranet front page for the month of July. In addition, the Handbook was featured in the staff news, Love Manchester and ***m people*** broadcasts. Six different messages were developed for the campaign, each different and each adapted for the different types of staff communication channel. The communication campaign was successful with site usage improving from an average of 50 distinct users a month before the campaign, to an average of 560 distinct users a month by 6 August 2012.

6.36 A link to the Handbook for Leaders has been added to the ***m people*** offer letter. This will ensure that everyone who takes an ***m people*** placement has the opportunity to read the appropriate guidance within the Handbook.

7 Significant governance issues identified during 2012/13

7.1 The following issues were identified as ways to manage possible risks to the resilience of our governance arrangements and/or systems of control, after the publication of the last AGS , through a four stage process:

- Business Plan Self Assessments, which incorporated the Annual Governance Self Assessment Questionnaire;
- Analysis of key performance documents, such as the Budget Monitoring Reports and Risk Reports;
- Discussions with our external auditor, Grant Thornton, and an analysis of external audit recommendations reports;
- A meeting of key SMT Leads to identify and discuss any potential emerging governance issues.

Local Government Resources Review (LGRR)

7.2 The Local Government Resources Review (LGRR) has brought, and will continue to bring, major changes to how Councils are funded, including the partial relocalisation of business rates. Finance Scrutiny Committee on 6 September 2012 considered a paper on the possible implications for the Council's funding position and the proposed new Business Rates Retention Scheme. The new scheme will increase volatility to the Council's funding system as levels of funding will fluctuate depending on the change in business rates income from year to year. The Council has taken measures to adequately address any appeals to business rate changes and is looking into new ways of monitoring resources in this area.

7.3 Councils will continue to receive an element of Revenue Support Grants. This means government will retain the ability to reduce spending in line with Comprehensive Spending Reviews. The impact of the local government financial settlement 2013/15 has been included in the budget reports considered by The Executive. Finance Scrutiny Committee also received a paper in January 2013 which set out the financial consequences of the settlement.

7.4 The other significant change is the localisation of the Council Tax Support Scheme with a 10% grant reduction. A new scheme has been implemented. This is likely to impact collection rates as many of those residents now liable for Council Tax previously did not have to pay. The scheme was approved by the Executive Committee on 16 January 2013, having been reviewed in detail by the Finance Scrutiny Committee and will be carefully monitored.

7.5 New monitoring arrangements are in place for the localised Council Tax Support Scheme and new Business Rates Retention Scheme in order that the impact of their introduction can be assessed and inform preparation for the challenges of the 15/16 Comprehensive Spending Review.

Welfare Reform

7.6 Welfare Reform changes are expected to affect approximately 12,500 social tenants in Manchester, who under the new under-occupancy rules, could potentially lose up to 25% of their Housing Benefit. Universal Credit has capped benefit for around 600 residents and removed direct rent payments to social landlords. This could lead to an increase in rent arrears and household debt, and ultimately homelessness. In addition, there could be increased movement between landlords, or across Council boundaries as tenants may be driven toward the private rented sector, already under pressure from reductions in Local Housing Allowance. Work has been ongoing with housing providers to develop initiatives to support tenants likely to be impacted by the changes.

7.7 A corporate officer Welfare Reform Programme Board is in place to ensure all services take a co-ordinated approach to dealing with impacts. Directorate Business Plans recognise the risks and potential impacts and include measures to keep any increase in demand from the most vulnerable of families under close review. SRF Delivery Groups include representation from across the public sector, enabling agencies to coordinate and deliver effective integrated responses to the impacts relating to both welfare reform and cuts in services. Briefing sessions for Ward Members have also taken place. A Welfare Reform ‘dashboard’ is now in place to monitoring impacts of welfare reform as changes start to take effect.

7.8 The Council’s new Local Welfare Provision Scheme has replaced the Discretionary Social Fund (includes community care grants and crisis loans) from April 2013. The new scheme was approved by Executive on 16 January 2013. Access to the scheme will be online, at council buildings, or with support from other agencies, for example through a Housing Association. The new scheme will help our most vulnerable residents with basic furniture packages where people are being rehoused, additional furniture or equipment where residents require support to stay in their home, and small emergency loans for those in need of immediate financial assistance following a crisis. Our scheme has tight eligibility criteria, as we need to be able to manage the fixed budget for the whole year.

7.9 When considering applications for support, staff will consider individual circumstances and where necessary will link through to wider support packages and Council priorities, including safeguarding, Complex Families workstream, debt and money advice. The scheme has been developed so that it supports appropriate circumstances and need and does not reward negative or inappropriate behaviours or perpetuate dependency. On this basis future applications can be restricted and as a general rule any cash payments need repaying to the Council.

The Strategic Education Partnership and the Schools Alliance

7.10 A new collaborative partnership, the Strategic Education Partnership (SEP) was established between the Council, partners and all schools. A Strategic Education Partnership Board, chaired by the Leader, established the aspiration, direction and vision of education in Manchester by engaging and securing commitment from all partners. Board membership includes representation from the Council, schools, health partners, businesses, industry, higher and further education.

7.11 The Schools Alliance (SA) was created to ensure that the SEP could deliver the City's vision and aspiration. A Director of Education and Skills was appointed with responsibility for the Implementation Plan to establish the SEP and SA as fully operational from 1 April 2013. The SA is coordinated and managed through a Forum chaired by a Head Teacher, who is also be a member of the SEP Board. The Forum will also scrutinise the work of the SA to ensure it remains focused on school improvement. The SA will report to the SEP and to Manchester City Council. Members will have opportunities to scrutinise the work of the SA through the committee process.

Compliance Issues

Information Governance

7.12 The Council handles a significant volume of data and information relating to residents, customers and service users. The Council will adhere to the Code of Recommended Practice for Local Authorities on Data Transparency. Our governance and security arrangements help safeguard personal and sensitive data. These arrangements remain under continual review as there have been examples where security arrangements have been shown to be vulnerable in the year. Lessons learnt from our reviews have led to further improvements and refinement of our arrangements. The Council's Internal Audit Team has focused its review on controls over identity passes, email groupings and email access. Work to further strengthen arrangements in these and other areas of information security will continue with the oversight of the Corporate Information Assurance and Risk Group during 2013/14.

Social Care Casework

7.13 Following an internal audit of casework management arrangements in Children's Services, concerns were raised with management regarding issues of non-compliance with standards of recording in the electronic social care system (MiCare). The issues raised reflected risks in terms of the completeness and accuracy of records and the ability to readily access information that was held outside of the system. In response the Strategic Director of Children and Commissioning Services is responsible for the development and implementation of an Improvement Action Plan which included briefings to senior staff, the establishment of a Quality Assurance Framework and management audits of case files. These issues and the management response were the subject of a report and update to Audit Committee on 24 January 2013. The Action Plan has had an impact on the quality of recording and this will be subject to independent verification as part of a Peer Review and further Internal Audit work scheduled for 2013/14.

7.14 Delivering social support and health-related services involves handling perhaps the most sensitive and confidential information about citizens. Using, sharing and protecting this information effectively is fundamental to the transformation and integration of these services. In 2012/13, the Directorate for Adults, Health and Wellbeing achieved baseline compliance with the social care delivery version of the NHS Information Governance Toolkit – an annual self assessment framework for information-handling in health-related organisations. In 2013/14 work will continue to improve performance against the IG Toolkit standards and to develop our information governance arrangements in the light of the recently published second Caldicott review

Behavioural change across the workforce and within Manchester's communities

7.15 A key element of achieving our priorities will be creating the conditions that facilitate the sustainable behavioural change of our workforce and communities. Changing structures, processes and organisational arrangements alone will not create the scale and pace of change required. We must also develop resilient and aspirational communities with the skills and behaviours to access the opportunities created through growth.

7.16 It is essential that the behaviours that are most effective in reducing demand and creating independence are clearly identified and articulated. Appropriate rewards, disincentives and sanctions need to be built into the way services operate, in order to encourage behaviours for independence and discourage those behaviours that perpetuate demand. Approaches to achieving behavioural change for both staff and Manchester residents are currently being progressed.

7.17 A Members group has been established to oversee the approach to behavioural change and monitor progress and impact. Each Transformation Programme will incorporate behavioural change projects which will be governed through Transformation Boards. A co-ordination group of Senior Officers from across the Council will ensure consistency of approach, ensure that appropriate models of behavioural change are deployed, share learning and address issues as they arise.

8 Future actions for further improvements to our governance arrangements

8.1 The review of governance arrangements has identified four areas where the Council will need to focus its efforts during 2013/14.

Monitoring the impacts of organisational change

8.2 Following the introduction of new directorate structures along with workforce reductions and closer partnership working, transformation, public service reform and welfare reform, real-time performance information will become increasingly important for budget monitoring and forecasting. We will ensure that our performance management framework provides appropriate intelligence and data to support decision makers to strategically plan and deliver against our key objectives. Each of the PSR workstreams will need to be supported by a robust evaluation and reporting framework, this is currently under development.

8.3 During 2013/14 PSR work will be expanding. There is a need to ensure that roles, responsibilities and expectations of staff working in partnerships are clearly set out and communicated. In addition, there is a need to ensure that sound governance arrangements are in place for the management and operation of the Commissioning Hub.

<u>Information Governance</u>

8.4 Evidence based decision making is a key part of public service reform which in turn relies on quality data. The Council holds increasing volumes of personal and sensitive data and there are governance and security arrangements to help safeguard the control of this data. The Council will need to ensure that data security, information sharing protocols and data quality issues are appropriately addressed.

<u>The Integration of Health and Social Care</u>

8.5 The whole programme of public health spend will be subject to a review during 2013/14. This will include a review of all contracts to ensure that expenditure is evaluated to ensure that it is evidence based, aligned to delivering the public health outcomes, supports the integration of health and social care and achieves the best possible efficiency and value for money through integration and reducing duplication with other areas of Council and NHS spend. The transfer of public health to the Council has been a lengthy and complex task. A good understanding exists with the City's three Clinical Commissioning Groups to enable local resolutions of any issues whilst changes are being embedded. It is clear that the integration of public health into the Council brings with it many opportunities to do things differently and for the Council to strengthen its leadership role as a public health and prevention focused organisation. Further work is currently underway to identify options for achieving this.

<u>ICT</u>

8.6 There is a comprehensive governance structure in place led by the ICT Board. An ICT Continuity Change and Risk Group has been established to lead on ICT Projects such as the relocation to a new data centre. Risks around the migration and security of data need to be clearly identified and managed. There are funded improvements underway with the data centre, network and telephony which are designed to improve resilience. We will monitor and report progress on these and other key ICT projects throughout the year.

Signed: ....
Leader of the Council

Signed: ....
Chief Executive