MANCHESTER
CITY COUNCIL

Annual Report Incorporating Statement of Accounts 2015/16

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This document contains the 2015/16 Annual Report and the 2015/16 Annual Statement of Accounts. The Annual Report precedes the Annual Accounts and provides information about the Council and Greater Manchester. It includes information on reforming public services, the Council's aims, objectives and values plus details of how the Council works and how it performed in 2015/16 in relation to value for money and performance indicators. The Annual Report summarises what the Council spent money on in 2015/16 and how that money was raised. It also includes the simplified summary accounts.

MANCHESTER
CITY COUNCIL

Annual Report 2015/16

Incorporating the Summary of Accounts

Introduction

This Annual Report summarises what we spent in 2015/16, how we spent it and what we have achieved as we work towards our goals of happier, healthier and wealthier lives for Manchester people.

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

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

About Manchester

The Mancunian qualities of innovation, hard work and enterprise made Manchester the first modern city and placed it at the heart of the industrial world. But during the 20th century, the decline in industry led people to leave in search of work elsewhere. Nonetheless, the originality and creative heart and soul of Manchester have inspired a successful reinvention over the past 20 years.

We are entering a new phase of the city's evolution, building on our track record of regeneration and growth with the opportunity to create a distinctive and sustainable future. The city needs to continue to play its part in the economic growth of Greater Manchester.

Our current and future success is strongly linked to that of other northern cities like Leeds, Liverpool, Sheffield and Newcastle. Manchester is at the forefront of work with these cities to create the Northern Powerhouse and generate growth and opportunities across the north of England.

Manchester's economy is large and diverse and there are over 390,000 jobs in the city. Our broad economic base helped us weather the recession and it continues to diversify with new high value sectors emerging. In 2015, Manchester's economy grew at a faster rate than London.

Meanwhile, Manchester's population also continues to grow and change. Between 2001 and 2011 our population grew by 19%, making us the fastest growing city in the UK outside London. Manchester City Council's forecasting model (MCCFM) enhances ONS data by combining it with more frequent data releases (e.g. The Schools Census and Electoral Register). It is estimated that the City was home to 539,512 people as at June 2015 and it is forecast that the population will increase to 594,956 by 2020. The City is becoming younger and more diverse as people are attracted by jobs, the balance between income and housing costs, and the quality of life.

Despite having a resilient and thriving economy, a great challenge remains to ensure Manchester people can access the benefits of this. Manchester's physical health is amongst the worst in the country and poor mental health affects too many people. Low levels of physical health and mental well being are a serious concern for the city. Life expectancy, and healthy life expectancy, while improving, is still poor compared with national averages.

Whilst the number of people claiming out of work benefits is reducing with fewer people on benefits in the city than a decade ago, there remain significant areas of deprivation where outcomes for people are poor and life is a struggle. This needs sustained action by many different agencies and the communities themselves to help lift people out of poverty and improve the areas in which they live.

Over the past year, a number of exciting developments have highlighted the pace of change across the city and will bring continued economic growth and new opportunities for Manchester citizens:

Manchester International Festival 2015

This biennial festival continues to grow its reputation and is now firmly established on the international stage. Considerable national and international media coverage raised the reputation of Manchester as a leading cultural city. The festival engaged a wide cross section of local residents and attracted visitors from outside the northwest region.

Manchester Airport transformation programme

In June 2015 a 10-year investment programme in Manchester Airport was announced which will see over £1 billion spent on improving its facilities for the millions of passengers who visit the airport each year. This will be the single biggest construction programme in Greater Manchester's history.

Manchester to Beijing route and the "China Cluster"

During the state visit of the Chinese President Xi Jinping to Manchester in October 2015, a new direct flight route between Manchester Airport and Beijing was unveiled. This connection is the first direct link between the two cities and will allow 100,000 passengers to travel each year. Following this state visit, a £130million "China Cluster" at Airport City was announced. This will provide 500,000 sq ft of commercial space for Chinese businesses arriving in the UK, acting as a hub for Chinese businesses to invest in the north of England. The new flight route will bring over £250 million of economic benefits to the UK economy over the next decade with two-thirds being felt directly in the northern economy in terms of increased jobs, economic activity and tourism. Manchester Airport is the global gateway for the Northern Powerhouse and is now well connected to one of the UK's most important trading partners.

Arcadia Library and Leisure Centre

Arcadia Library and Leisure Centre opened its doors on Saturday 20 February 2016 with hundreds of local residents turning out to welcome the new facility. The library has attracted many new users, and benefits from its co-location with the Leisure Centre at the heart of Levenshulme.

Brookdale Park

Two ‘clean city grants’ funded the transformation of this beautiful Edwardian park in Newton Heath. The project focussed on the creation of flower meadows in a tree lined open space and the restoration of the Rhododendron Dell. This transformation has increased the aesthetic appeal of the park and had a positive impact on the local environment.

Case Study
Manchester International Festival

Manchester International Festival (MIF) is the world’s first festival of original new work and special events, spanning the spectrum of performing arts, visual arts and popular culture, created by a wide range of international artists. It takes place biennially at venues across Manchester city centre and is supported by Manchester City Council.

At the heart of MIF’s ambitions is to continue to grow its international reputation whilst engaging a wide cross-section of local residents.

In 2015, MIF15 was the fifth MIF Festival which is now firmly established on the international stage. By working with adventurous combinations of artists across many art forms and venues, the Festival has built a reputation for innovation and invention and in 2015 presented 22 original commissions and special events through 230 performances over 18 days.

MIF15 not only consolidated its position as the leading festival of original, new work but also brought together the best of the region’s talent with a roll call of names from around the world including Arvo Pärt, Björk, Jamie xx and Paris Opera Ballet.

MIF15 featured a variety of new commissions including:

- ‘FlexN Manchester‘, which brought dancers from Manchester and New York together to dance an unforgettable show.
- ‘Soundtrack 7’ saw FKA twigs and team create seven new pieces of live choreography.
- Ed Atkins’ ‘Performance Capture’ turned Manchester Art Gallery into a hive of digital production activity.

Relationships with regional cultural organisations grew in strength, including co-production partnerships with Manchester Art Gallery, Whitworth Art Gallery, Manchester Museum, the Royal Exchange Theatre and HOME. The Festival Square site at Albert Square offered a strong mix of live entertainment, street food, bars and corporate entertainment facilities, which acted as the vibrant hub of the Festival once again.

Attendance at the 2015 Festival grew by 5.2% compared to 2013, with a total of 259,648 attending. Almost 20% of people booking tickets came from outside of the Northwest region including international visitors. Locally the proportion of bookers from Greater Manchester increased to 65% reflecting the success of a targeted, reduced price ticketing campaign aimed at those on a lower wage.

MIF15 continued to deliver a high quality audience experience (with 92% rating the quality of events as either ‘excellent’ or ‘good’), alongside a diverse programme of cultural engagement, volunteering opportunities and the development of local talent through support for emerging artists and cultural leaders. Artists from across the world worked directly with communities in schools, colleges, universities, community centres and faith networks to engage Manchester’s residents in the Festival’s commissioning and performance processes.

MIF15 was larger and delivered a greater economic impact than ever before at £38.8 million compared to £38 million in 2013

Manchester International Festival goes a long way towards generating both economic and social impact in the city. This in turn, raises the reputation of Manchester as a leading cultural city able to deliver successful creative Festivals generating considerable national and international media coverage.

About Greater Manchester

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

The strategy for Greater Manchester, ‘Stronger Together’, was updated in 2013. It sets out a vision that by 2020 the Manchester city region will have pioneered a new model for sustainable economic growth based around a more connected, talented and greener city region, where all our residents are able to contribute to and benefit from sustained prosperity and a good quality of life. It fuses together strong plans for reforming public services with a continued drive for growth and prosperity. The key objective is to sustain progress while eliminating the gap between taxes raised and resources spent on public services. This is being done by delivering services differently, more efficiently, and by reducing the level of demand for those services by bringing more people into higher quality work.

Greater Manchester is leading the national devolution debate, having negotiated pioneering transfers of powers with government that mean more decisions that affect the people of Greater Manchester are taken here. Devolution is the transfer of certain powers and responsibilities from national government to a particular region. An idea at the heart of devolution is that decisions made locally can better meet the needs and aspirations of the people who live and work in the area. In November 2014 the Chancellor of the Exchequer and the leaders of GMCA signed a ground-breaking devolution agreement. The agreement gave the Greater Manchester region additional

powers, responsibilities and greater accountability through a mayor who will be elected in 2017. The interim Mayor, Tony Lloyd, currently chairs the GMCA and has responsibility, along with the 10 council leaders, for overseeing the GMCA's strategic aims and objectives. The deal in 2014 opened up new opportunities for increasing economic growth and improving the quality of life of Greater Manchester residents by replacing an over centralized national model with greater local control over certain budgets and powers.

The region built upon this innovative agreement with further devolution in the Summer Budget 2015 along with additional powers in the November 2015 Spending Review and Autumn Statement. A fourth devolution agreement was then agreed in the March 2016 Budget.

Following these announcements, Greater Manchester now controls long-term health and social care spending, with full devolution of a budget of around £6 billion in 2016/17. With a focus on preventing ill health and promoting healthy lifestyles, the region can now better respond to local people's needs by consulting with them to influence spending. As a result, the gap can close between those with the best health, and those with the worst, both within our region and between Greater Manchester and the rest of the UK. The ambition is that the people of Manchester will be able to enjoy some of the best health in the country, rather than having some of the worst. 'Taking Charge of our Health and Social Care in Greater Manchester' is a comprehensive plan for the sector which was co-produced by the thirty seven NHS organisations and local authorities in Greater Manchester as part of the devolution agreement. This collective ambition for Greater Manchester was endorsed by the Health and Social Care Strategic Partnership Board in December 2015.

In March 2016, the GMCA approved the Greater Manchester Transport Strategy 2040 for public consultation in the summer of 2016. The vision is for Greater Manchester to have world class connections that support long term sustainable economic growth and access to opportunity for all. Key priorities include transformational investment in High Speed Two (HS2), fast east-west rail connections and establishing Greater Manchester as a modern, pedestrian and cycle friendly City Region. The strategy will deliver a safer more reliable road network and build on the success of Metrolink by delivering new and enhanced rapid transport links and a transformed local bus network.

The Council's aims and objectives

In January 2016 the new Manchester Strategy was adopted as part of the council's formal policy framework. The Manchester Leaders' Forum brings together leaders from across the city with experience and expertise in many different fields. This forum led the development of the new strategy and will drive forward delivery of the city's priorities. The new strategy was subject to wide consultation with residents and partners and there was an unprecedented level of engagement with over 2,300 people and organisations contributing their views via online and offline methods.

The Manchester Strategy sets out the city's priorities for the next decade. It provides a shared vision for Manchester and a framework for action to deliver the city's goals. Implementation of the strategy will be overseen by the Leader's Forum with progress being monitored via annual State of the City reports.

Manchester has changed over the past ten years, economically and socially and there has been extensive changes to the resources and legal powers that its public services have available to them and the Manchester Strategy takes account of this. At its heart, the strategy is for the city to both invest in growth and reduce dependency through public services working together and supporting families to address problems early before they develop into crises.

The strategy has a vision of Manchester as a world class city. It proposes that Manchester in 2025 would be in the top flight of world class cities. It will be a well connected city with a competitive sustainable economy, with highly skilled, enterprising and industrious people, where individuals from all backgrounds can feel safe, aspire, succeed and live well, in neighbourhoods that are green, clean, attractive, and culturally rich.

There are five themes which are central to the strategy. These are,

- A thriving and sustainable city. The city needs to support a diverse and distinctive economy which creates jobs and opportunities.

- A highly skilled city. World class and home grown talent are needed to sustain the city's economic success. We need to ensure that all Mancunians are connected to the city's opportunities.

- A progressive and equitable city. We need to reduce the disparities between different areas of the city so that everyone has the same potential to lead safe, healthy, happy and fulfilled lives. To be a successful city we must unlock the potential of all of our communities.

- A liveable and low carbon city. We want Manchester to be a destination of choice to live, visit, and work. Focusing on creating a city with a high quality of life will attract greater numbers of talented people to be part of Manchester's future and in turn will attract more investment and jobs. All Manchester's residents will benefit from this and it will make us a truly sustainable city.

- A connected city. Manchester needs a world class transport system to drive its growth ambitions and support its growing population. People need to get into and around the city easily, cheaply and sustainably.

Our values

Our values will help us achieve the Council's aims and objectives and underpin everything we do, including how we work with partners and serve our local communities. Our values are People, Pride, Place.

People.

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

Pride.

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

Place.

Our employees celebrate all things Manchester and strive to make Manchester's streets and neighbourhoods even greater places in which to live, work and visit.

How the Council works

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

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

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

Decisions are taken in an open and transparent way, and 'key' decisions (those decisions involving expenditure or saving of £0.5million or more) and the reasons for them are recorded and made available to the public. The decisions of the Executive and the way in which our services or other public services are delivered are also subject to scrutiny. We have set up six scrutiny committees to do this, and in these meetings Councillors hold decision makers to account and consider how public services are meeting the needs of local residents.

We maintain a Constitution which sets out which officers or committees have responsibility for exercising the authority's different functions. Our Code of Corporate

Governance, included in the Constitution, sets out the standards of good governance we will meet.

The Council consists of three directorates:

Children and Families

The Children and Families directorate is responsible for social care services for children and families, public health, education, skills and youth services. The directorate helps people who have to rely on our services to make the changes which will enable them to become more independent. Connecting people to the economic growth of Manchester by helping them overcome barriers to training and jobs is key to this. Underpinning these priorities is our commitment to continue to robustly safeguard vulnerable children and adults.

Growth and Neighbourhoods

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

Corporate Core

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

Our standards and how we are governed

We are committed to ensuring good governance of our affairs. Our Code of Corporate Governance ("the Code") sets out the standards we will meet to ensure we are doing the right things in the right way for the right people in an inclusive, open, honest and accountable manner.

These commitments can be summarised as follows:

- Clearly set out our objectives and what we're trying to achieve.
- Measure how effective our services are and take action to improve them. It will publish information showing progression towards our objectives.
- Work with other public services, such as the Police and NHS, to improve services for Manchester residents.

- Ensure we make the best use of taxpayers' money by taking prudent financial decisions and measuring the level of value for money achieved.
- Set out in our Constitution who can take which decisions.
- Behave in ways that reflect our values and high standards of conduct.
- Ensure our decision makers have access to accurate information to help them take decisions in the best interests of Manchester people.
- Record and publish the decisions we take and the reasons for them. Wherever possible, the most important decisions will be taken in public.
- Carry out effective scrutiny of our services to make sure they meet Manchester residents' needs.
- Be sensitive about how information about Manchester citizens is collected and recorded, and safeguard it from misuse.

Every year we produce an Annual Governance Statement (AGS), which explains;

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

An example of how we have met our governance commitments was our major public consultation to inform the development of 'Our Manchester' - the new Manchester Strategy 2016-2025. There were unprecedented levels of engagement from residents and partners, contributing to making the strategy a shared vision for Manchester, which sets out what actions need to be taken to achieve the city's goals.

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

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

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

Risk Management – We have a robust process of identifying risks to the delivery of our objectives, so that they can then be managed and potential negative impacts can be avoided or kept to a minimum. Officers are supported with a broad range of advice and guidance, to ensure that a consistent and effective approach is taken across the organisation.

Register of Significant Partnerships –Partnership working continues to be an increasingly important way to enable us to adapt and innovate, ensuring that we continue to achieve our objectives and deliver effective services for residents with reduced resources. We have a Partnership Governance Framework, which standardises the approach to managing partnerships to strengthen accountability and financial security. A Register of Significant Partnerships is produced to assess the risk partnerships' governance arrangements pose to our reputation, objectives and financial position.

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

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

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

We have identified a number of challenges to be addressed in 2016/17. These include;

- Making sure there is effective governance of newly integrated health and social care teams, following the devolution of the budget for these services to the Greater Manchester region in April 2016.
- Continue work to improve Children's Services, and prepare for the next Ofsted inspection.
- Preparing for changes to the local government finance system, and continuing to meet our objectives while making further significant savings.

Reforming public services

During the year 2015/16, we began to make changes to achieve the £59 million of savings required by the 2015/16 financial settlement. Combined with the increased cost

of the levies for waste disposal and transport, the financial challenges faced by Manchester City Council have led to a 35% reduction in available resources for our services since the 2010/11 financial year. Our public and voluntary sector partners are also facing similar challenges through funding reductions that require collaboration and strong leadership to address while making progress towards the vision for the city.

Public service reform is a key element of how we and our partners in the city will address the challenges of continued financial reductions, demographic changes, the opportunities of economic growth, and the Greater Manchester Devolution Agreement with the Government. It involves key partners joining together services and jointly investing to improve outcomes, backed up by clear evidence that tracks the impact over time. Beyond that, in Manchester public service reform is underpinned by a different way of working with our residents within their communities and their neighbourhoods on the issues that are important to them.

Devolution has continued to evolve over the last twelve months, including an agreement for some services for children to be delivered across Greater Manchester authorities. This has continued to be an area where we have worked with the Government to overcome some of the barriers to joining together public services in the city.

Public service reform in Manchester is based on a set of seven principles. These have been adapted since last year to take an asset based focus to how we design our reform programmes. The principles are aligned to Our Manchester and the place-based approach being taken to reform at a Greater Manchester level. The ‘Our Manchester’ approach is a new relationship and way of working between stakeholders across the city (residents, businesses, voluntary and community sector, public sector) to deliver on the city's vision, which is reflected in these revised principles. The approach is built on gaining a deeper understanding of local communities: listening to people; understanding what matters to local communities; understanding what is going on in their lives; and not making assumptions about what people need or cannot do. This is about truly working together to improve outcomes, with a strong focus on enabling and empowering communities and staff to think and act differently, and be creative.

The revised principles for public service reform in Manchester are:

- A **new relationship** between public services, residents, communities and businesses that facilitates shared decision making, accountability and voice, genuine co-production and joint delivery of services. Do with, not to.
- An **asset based approach** that recognises and builds on the strengths of individuals, families and our communities rather than focussing on the deficits.
- **Behaviour change** in our communities that builds independence and enables residents to be in control.
- A **place based approach** which is **integrated and sequenced** that redefines services and places individuals, families, and communities at its heart.
- A stronger prioritisation of **well being, prevention and early intervention.**
- An **evidence led** understanding of risk and impact to ensure the right intervention at the right time, with a commitment to evaluation, tracking and monitoring of the impact on outcomes and spend.

- An approach that supports the development of **new investment and resourcing models**, enables collaboration with a wide range of organisations and support new contract arrangements which drive providers to help reduce demand.

Confident and Achieving Manchester

Confident and Achieving Manchester is the programme which provides oversight for the co-ordination and integration of areas of public service reform. It will join together areas of public service reform relating to complex needs that public services in the city strive to meet. The focus of the programme has expanded from Manchester's response to the national Troubled Families programme and the Early Help strategy to encompass a much broader suite of programmes of reform across themes of both people and place. The main driver of the programme continues to be an organised, whole-family approach to support families with complex needs towards independence, working with the whole family and the full range of issues they face in a co-ordinated way.

We aim to significantly reduce demand on public services, supporting more residents to become independent and helping them obtain the job opportunities resulting from economic growth. This includes reducing levels of unemployment, particularly long-term unemployment, tackling low skills, improving health outcomes, educational attainment and attendance, addressing offending, drug and alcohol misuse, domestic abuse, and reducing the need for social care. At the same time, we need to work with communities to help them become more active participants in providing support to these residents, focusing on the strengths which already exist within communities and neighbourhoods as a key asset and a driver for change.

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

Early Help, which includes Manchester's Troubled Families programme, involves identifying needs within families early, and providing preventative support and intervention before problems become complex and deep-rooted. It involves offering support to very young children early in life, and to children and families early after the emergence of particular need. Early Help allows for support to be put in place at the right time to meet a family's needs prior to issues reaching crisis point. Three Early Help Hubs were established in North, Central and South Manchester in September 2015, which are now providing easy access to support and advice for families, bringing together a wide range of frontline professionals from a number of organisations to provide preventative support at the earliest stage, and helping to reduce the number of cases that require social care support. Over the next year, work will begin to develop the Early Help approach for complex adults as well as children and families, as well as making sure that the Early Help Hubs and services within our neighbourhoods work together effectively.

Working Well builds on the experience of Troubled Families and provides intensive and holistic support to claimants. The programme involves organisations working together based on the needs of the individual. The Working Well Pilot supported Employment and Support Allowance (ESA) claimants who had left the Work Programme without moving into sustained employment. The pilot programme has now stopped taking new referrals, with clients remaining on programme for up to two years before moving into work. The Working Well Expansion began in April 2016 and supports a wider range of benefit claimants including some pre-Work Programme clients, and also benefits from a dedicated Talking Therapies service for clients who have mental health support needs. In addition Manchester is one of four Local Authorities to pilot a GP referral route where specific GP surgeries can refer patients into Working Well who have mental health issues and would benefit from support into employment.

The Transforming Justice and Rehabilitation programme is led at a Greater Manchester level and overseen by the Interim Mayor of Greater Manchester to deliver more co-ordinated support for offenders at the points of the criminal justice system when they are arrested, sentenced and released. It focuses on prolific young offenders, as intelligence shows the peak age of offending is 19. The programme also focuses on women offenders, as there are often significant impacts and costs to families and society when women are given custodial sentences when an alternative community sentence may be appropriate. Over the last year, the National Probation Service and Community Rehabilitation company have become an integral part of the Multi Agency Safeguarding Hub, crime and safety has become integrated as part of the Early Help Assessment, and the Community Safety Partnership have been involved in the development of Early Help Hubs.

Our Delivering Differently Programme focuses on domestic violence and abuse (DV and A). The programme aims to improve the lives of those affected by DV and A through better working across different organisations so that the service provided is sensitive and efficient. It focuses on the early identification of the signs of DV and A, and reaches out to communities who have infrequent contact with public services by finding new ways to address this important issue. The programme has involved an extensive study of data, research, and consultations with service users. This journey of analysis and remodelling has been undertaken jointly with many partners including voluntary organisations, public sector partners, academic institutions and victims / survivors groups. We have worked closely with a broad range of service users to understand their views, and with specialist service providers to design a new campaign and strategy, encourage partnership bids, and simplify our commissioning processes.

Delivery of the Early Years new delivery model began in April 2015, which will ensure that children aged 0–4 across Manchester have regular interactions with health visitors and that they are able to access the support they and their parents need. Children can be referred to services such as speech and language therapy, or referred for immunisations, while parents can access parenting classes or support to develop skills and access work. Stronger links with the Early Help strategy have been developed over the last twelve months, and the numbers of health visitors have increased, providing more support to families across the city. Work continues at a Greater Manchester level to improve school readiness outcomes through the Start Well strategy.

Integrated health and social care

Despite Greater Manchester's thriving economy, Manchester still faces a number of difficult challenges. Life expectancy in Manchester is lower than it is in many other parts of England. Many people are treated in hospital when their needs could be better met elsewhere. Care could be better integrated between different agencies and its quality could be more consistent. Manchester has higher than average levels of some of the key factors which contribute to poor health such as poverty, loneliness, stress, debt, smoking, drinking, air quality, unhealthy eating and physical inactivity.

As people are living longer with complex health conditions, an anticipated deficit of approximately £134m by 2020/21 is projected across Manchester's health and social care system, so there is a need for significant investment in the transformation of this sector.

The Devolution Agreement for Health and Social Care has given Greater Manchester control over the £6billion health and social care resources for the region as of 1 April 2016, and gives us the opportunity to fundamentally transform how health and social care is delivered in the region. To do this, we have developed a Locality Plan, which is the foremost strategy on the transformation of the health and care system in the city. The plan outlines three mutually interdependent pillars which underpin the transformational change that is required. These are:

- A **single commissioning system** ensuring the efficient commissioning of health and care services on a city wide basis with a single line of accountability for the delivery of services.
- A **single hospital service** delivering cost efficiencies and strengthened clinical services, with consistent and complementary arrangements for the delivery of acute services
- **One team** delivering integrated and accessible out of hospital services through community based health, primary and social care services within neighbourhoods

The Manchester approach, outlined in the Locality Plan will ensure a clear focus on place and the needs of residents, and that a stronger service offer addresses health and social care needs earlier while supporting residents to take responsibility for their own wellbeing. It will ensure that the City continues to be at the fore of clinical excellence and continue to attract world leading clinicians, and that these front line staff are professionally fulfilled in the demanding roles that they undertake.

Importantly the commissioners and providers of health and social care will come together to ensure duplication and fragmentation of service provision is removed, that money is spent more efficiently, and that our clinical leaders shape delivery model most suited to meet the needs of residents in Manchester. This model will ensure that Manchester people get the right care, at the right time, in the right place.

Tacking Health Barriers to Work

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

Healthy Manchester is another initiative that is delivered in Manchester by Pathways, and adopts a similar approach to unemployed residents who have a significant health barrier to work.

Both programmes have shown positive outcomes, in terms of both keeping and moving people into or closer to work, demonstrating a health and wellbeing dividend, a positive impact on primary care capacity for patients accessing the service, and created ongoing dialogue with GPs with regard to work as a health outcome. These services have always relied predominately on GP referrals. The services have yielded significant learning with regard to how to engage GPs with regard to social determinants as health outcomes, with work being one of these.

The Early Help Strategy

A new plan to improve outcomes by providing help and support to children and families sooner has been launched by Manchester City Council. The Council recognises that effective early help is essential to improve the life chances of children and Manchester's new Early Help Strategy provides a consistent multi-agency approach to early intervention. It sets out how all partners will work together to reform, strategically plan, jointly commission, and deliver a range of provision to support children, young people and their families at the earliest opportunity.

The plan adopts a whole family approach to support children, young people and their families. It seeks to connect families to their communities so that they can build networks of friendship and support to increase their emotional resilience and mental health and wellbeing, whether this is their local children's centre, their school, their GP, or other community groups. These connections and the networks make it easier to identify those families who need extra help and support at an early stage. Through effective partnership working it is then easier to ensure effective local support is put in place to meet this need. Children, young people and their families can then receive the right intervention as early as possible to tackle problems and prevent issues escalating.

A new Early Help Assessment has been devised as part of the new plan to help with early identification of need. To ensure a consistent approach it will be used by all professionals working with or coming into contact with children such as school staff, health workers, social workers, the police, the fire service, and others. The new assessment is based around five levels of need from the lowest level where a child or family has needs but they're being met, to the highest where a child or young person is at risk of or is suffering significant harm, or whose needs require acute services or care

away from their home. Crucially, building on the successful approach taken so far in working with troubled families, the assessment also looks at the strengths of the young person or family and their capacity to make their own changes to help themselves. The Early Help Assessment (A 'Signs of Strength' record) is a holistic, strengths based approach which draws upon the families own skills and promotes self reliance. It is about having a good quality conversation with a child, young person or family about different aspects of life such as home, work, school or college, community or social life, and health and well being, where the focus is on what's working well and what can be done if things need to improve.

Central to the Early Help Strategy are three Early Help Hubs which are located in the north, south and central parts of the city and opened in September 2015. These community based hubs are the focal point for the delivery of local services and as well as being the access point for more intensive interventions.

Since the launch, the Early Help offer to children and their families has continued to be strengthened as more partners have joined the hubs. There are a range of partners from a variety of services linked with each of the hubs. Whether co-located in the hubs or virtually linked, each plays a vital role in delivering the Early Help offer across the city. An increasing number of partners include; Housing Providers, ASB Officers, Probation, Targeted Youth Support Service, Work and Skills Team, Education Welfare Officers, Specialist Resource Team, and Education Caseworkers.

Triage meetings are held daily in each Hub where cases are discussed in detail and information is shared as appropriate by Greater Manchester Police (GMP) and MCC Housing Connect. Specialist Safeguarding Nurses and Attendance Officers also support the triage process. Cases are explored holistically and decisions are made about the most appropriate offer required to support the family. Weekly allocation meetings chaired by the hub are attended by a wider range of partners who agree the most appropriate service which should offer targeted and specialist support for a family. The robust triage process and the allocations meeting ensure that families receive the right response at the right time.

The Hubs continue to support partners in embedding the use of the Early Help Assessment (A 'Signs of Strength' record) in their work with families.

Our Neighbourhoods

We want people who live in our neighbourhoods to be able to benefit from everything the city has to offer, from its employment opportunities to its green spaces and its diverse cultural attractions. During 2015/16 we have focused on good quality residential development for sale and rent, refurbishing the city's leisure centres, delivering new library facilities and working with residents and community groups to make our neighbourhoods clean and attractive places.

Adopted in March 2016, Manchester's Residential Growth Strategy (2016-2025) sets out the city's plans to deliver a minimum of 25,000 new homes over the next decade and provide the right housing mix for a growing population. To achieve this Manchester will continue to prioritise high density development on exceptionally well-connected sites

in the conurbation core, alongside providing a range of homes for owner occupation across the rest of the city.

During the past year the city has seen real progress in delivering the quantity and variety of residential development required to drive the City's continuing economic growth, with in excess of 1,500 new homes completed across the city's existing residential growth sites (13% increase on 2014/15) and a further 24 new schemes starting on site which are set to deliver an additional 2,800 units.

The Residential Growth Strategy sets out six priorities to support the city's sustained growth and ensure there is affordably priced housing for sale and rent to underpin this. These are:

- Increase housing building on existing and new sites
- Improve the quality and sustainability of the city’s housing
- Increase opportunities for home ownership
- Expand the family housing offer
- Professionalise the private rented sector
- Provide appropriate housing options for retirement living

In order to ensure effective delivery of the Residential Growth Strategy an Action Plan (2016/17) has been developed setting out the key actions which need to be addressed over the next 12 months. The Action Plan will be reviewed and updated on an annual cycle to both monitor and refresh the actions necessary to secure the outcome of a minimum of 25,000 homes over the next ten years in the city.

Delivery will be enhanced and supported by new investment mechanisms including our allocation of a £300m Housing Investment fund working with the Combined Authority, the Manchester Place Partnership between the City Council and the Homes and Communities Agency, Registered Providers and a variety of public and private partnerships.

In 2013 the city’s investment in Manchester Airport provided a one-off cash boost of £14 million we decided to use to make our neighbourhoods cleaner and greener. We launched the ‘Clean City’ programme which has included 45 projects across the city that continue to be delivered, led by people who want to make a sustained improvement to their local area. Through the project we have seen 635 new recycling bins installed, treating weeds, including Japanese knotweed, over more than 100,000m2, over 17,000 volunteers contributing to the programme and much more besides. The programme has included the transformation of an area the size of six football pitches in Brookdale Park into flower meadows and expanding the community orchard. £600,000 from the programme was allocated to improving children's play areas in several parks across the city, ranging from deep cleaning and painting to installation of new climbing frames and play graphics.

In our budget consultation last year we asked if Manchester people agreed we should improve our road and pavement repairs, street cleaning and fly-tipping even if it meant an increase in Council Tax of 1.99% and 62% of respondents said they did. This year we will put this money towards making further improvements to the look of our neighbourhoods and make our roads and pavements safer.

We have just announced a £16 million upgrade to the Moss Side and Abraham Moss Leisure Centres, which will complete a comprehensive leisure centre refurbishment across the city. This builds on the improvements at Hough End Leisure Centre, including extended opening hours, a 25m six lane swimming pool and learner pool, a well equipped gym, squash courts and a community dance studio. A quarter of a million visits have been made to Hough End since it opened just over 9 months ago. We also opened Arcadia Library and Leisure centre, which has proved hugely successful since opening in February, with an average weekly footfall of over 5,000.

In 2015/16, volunteers contributed 14,625 hours in the City's parks. Manchester City Council has worked closely with these volunteers and park users to support the development and activation of the City's parks. Council staff work with Friends of Parks groups across the City, providing help, support and organising activities. Activities include clean-up days, community planting activities, heritage and cultural activities, community fun days and learning and social opportunities to bring communities together. The help and support on offer ranges from developing skills and knowledge with our horticultural experts to helping to access funding pots for equipment and resources. Parsonage Gardens in Didsbury is just one example where volunteers have been supported over a number of years to the point where they are able to take on council assets and open them up to the local community.

We have worked with committed volunteers in Fallowfield who have made their community partnership library a great success: just over 1,800 service users are registered at the library. A range of volunteers help run clubs or manage the extended meeting rooms and help individuals to use the service, while working together with Manchester Libraries who continue to support the library service in the building, with staff time, stock, IT and self service units. Volunteers also play a crucial role serving as trustees on the board of the Community Interest Company which manages the building, and was formed with the help of the local housing provider, One Manchester, a key partner in the success. We now also have free wi-fi available in all libraries across the city, and in 2015/16 we recorded 290,000 sessions showing the popularity of the service.

A citywide learning and outreach programme has helped people learn about and enjoy Central Library's archives and special collections. 53 events were delivered at neighbourhood libraries and venues such as parks, schools and community centres in 2015/16 – attended by over 3,100 adults and children. This included treasure roads where rare books are taken out to local communities and schools.

Manchester's neighbourhood libraries are valuable local cultural venues and library staff are increasing access to creative experiences through partnering and hosting participatory projects with arts and cultural organisations, supporting creative training and volunteering opportunities and programming performances, exhibitions and events. For example, during a fortnight in April a lively programme of drop in arts activities for local children and families took place in Beswick Library. The programme introduced over 250 people to some of the city's major cultural organisations, including Company Chameleon (dance), Z-Arts (multi arts) and Brighter Sound (music). Company Chameleon held dance taster sessions at East Manchester Leisure Centre, accompanied by a staffed, pop-up library information stand.

Case Studies

Arcadia Library and Leisure Centre

Arcadia Library and Leisure Centre opened its doors on Saturday 20 February 2016. The centre is prominently located on Stockport Road, and is the third joint library and leisure development in Manchester. Since opening, the centre has been a great success with local residents. Although the opening day was grey and wet, Levenshulme residents braved the elements in their hundreds to be welcomed into their new facility. A six week public consultation in summer 2016 will ensure the programme of activity at the centre meets the needs of local community.

The library provides access to a wide range of library services including a suite of PCs, free Wi-Fi, an attractive children's library, comfortable seating areas and study spaces with a wide range of books for all ages. As part of its continued engagement with the local community and schools, Arcadia Library held sixteen events and activities in the opening weeks. The opening activities were a success, and were well attended by 2,345 service users. As part of the opening activities, residents had the opportunity to handle some of Central Library’s most precious stock including Codex Justinianus (13th Century), Shakespeare 2nd Folio (1632) and Nuremberg Chronicle (1493). Residents commented "it's fantastic to see such rarities in Levenshulme".

Given the great demand of the community there has been a regular need to bring in more books, especially for children. Many service users have commented how much they love the look and feel of the new space, and have highlighted quality of the books on offer. The library is currently attracting around 500 service users a day who borrow books, use computers and access unlimited free Wi-Fi, socialise or study. Families with young children are coming in to meet other families, letting their young ones crawl around the specially designed children’s space and nurturing their growing love of books.

The library is open 90 hours per week with seven day opening supported through the use of self service technology, with core hours supported by library staff. Outside of core hours, the library is supervised by Leisure staff, and the extended opening times enable many service users to use the facilities at times that previously they would not have been able. The library has attracted many new service users, and benefits from it’s co-location with the Leisure Centre and it’s partnership with the leisure provider Greenwich Leisure Limited (GLL). Compared to 2014/15, figures for 2015/16 have shown a 146% increase in new library members, an 80% increase in visits and a 29% increase in book lending (with a significant increase in the lending of children’s books).

The Leisure Centre has two swimming pools, a stylish 60 station gym, a flexible community studio, a sauna, and a steam room. In the opening week there were over 1000 members of the Leisure centre and there were over 27,000 visits within the two months since opening.

Many service users are using both the library and the leisure centre, so it is enabling both active minds and active lives. The centre’s location at the heart of Levenshulme has allowed greater access for the local community.

"Amazing centre. Much better location. Will be easy for my children to access two key services in one building". Comment from a service user on opening day.

Improving the City's green spaces – Brookdale Park

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

The successful transformation of this Edwardian park in Newton Heath, which opened to the public in 1904, highlights our commitment to this priority.

The project was to improve the condition of two areas of Brookdale Park not meeting the expectations of the park's users; an area of tree lined open space and one of the park Dells.

The users of the Park supported the application for two Clean City Grants, the creation of flower meadows £75,000 and the restoration of the Rhododendron Dell £235,500.

- These projects have received support from Brookdale Park User Group and local members not only from their inception but also whilst on site. The schemes have been undertaken in partnership with and assistance from Brookdale Park Users Group (BUG), the National Trust and the National Wildflower Centre.
- Local schools, Manchester University and the commercial property company Bruntwood have also assisted with planting, seeding and maintenance events. These schemes will not only assist in the reduction of on going maintenance but will increase biodiversity and aesthetic appeal and restore a historic element to the park.
- The flower meadows received a Level 4 Britain in Bloom Award, from the Royal Horticultural Society presented to Brookdale Park User Group at the RHS Award Ceremony in Southport.
- A large expanse of grass was given over to wild flower meadows. The space is now a haven for bees, butterflies and other wildlife having a positive impact on the local environment.
- The network of winding paths through The Dell has been reinstated and lined with new flowerbeds and shrubs, providing a place of beauty and variety that appeals to local people and visitors alike.

Manchester Art Gallery

Located in the heart of the city centre is one of Manchester's most iconic buildings: the Grade I-listed Manchester Art Gallery. Originally established to showcase the best art and ideas from across the world, today the gallery is renowned for an outstanding, 45,000-strong collection of art, design, craft, photography and fashion that spans six centuries. Over half a million people visited the gallery last year, attracted by both its

collection and a diverse programme that ranged from displays of Pre-Raphaelite paintings to English language workshops for some of the city's newest residents.

The gallery brings people to Manchester, and it raises the city's cultural profile. Tourists regularly cite it as a key reason for their visit (with a 95% satisfaction rating on Trip Advisor), while exhibitions in 2015/16 continued to put the city on the international cultural map. Highlights from last year – all created and delivered by Manchester Art Gallery - included Performance Capture, a digital commission by British artist Ed Atkins and the gallery's biennial collaboration with Manchester International Festival; the international group exhibition The Imitation Game, part of Manchester's City of Science, and Modern Japanese Design, which showcased the gallery's collection of 1970s Japanese fashion, crafts and furniture. Other shows included Cotton Couture, a series of 1950s designer dresses from the gallery's costume collection (originally commissioned by the Manchester Cotton Board), and a solo show by the Manchester-based artist, Pat Flynn. This international programme helped the gallery generate over £12 million in Gross Value Added income - representing a return on the City's investment of over six times.

Yet for all its global ambition, Manchester Art Gallery remains rooted in Manchester. Over two-thirds of visitors in 2015/16 were Mancunian. Half of these were repeat visitors, the local families, young people, workers, retirees and residents who came to the gallery time and again to enjoy free access to art and events. In 2015/16, for example, 26,000 people in took part in free family workshops, clubs and drop-in activities. The gallery also worked with a diverse set of volunteers, providing support to those who were otherwise excluded from city life. Its Open Doors project saw it open early to deliver activities for autistic children and their families from all over Manchester – a project that was a UK first.

Elsewhere, working with Refugee Action, English Corner enabled people from across Manchester to practice English, while it worked with almost 20,000 primary and secondary school pupils across Greater Manchester, helping one school gain an Artsmark gold award and 137 pupils gain an Arts Award Discover award. Free daily talks, tours and events reached a further 16,000 residents, while wellbeing sessions were delivered at the gallery and in residential care homes, thus supporting the city's Age Friendly agenda.

Although Manchester Art Gallery has particularly strong historic collections, of 19th-century paintings, for example, and work by modern British artists, it also has an eye on the future. Last year, the gallery was a partner in events such the city's feminist festival, Wonder Women, and it continues to take an active environmental stance, staging debates on green issues, reducing its own energy use (by 42% over the last five years), and installing beehives on the roof and a garden on Mosley Street, the latter in partnership with the National Trust. All of which means that, in 2015/16, Manchester Art Gallery continued to sit at the heart of cultural and political life in the city – just as it has done since it first opened in 1835.

Promoting equality and diversity and tackling inequality

Our Equality Objectives 2016 – 2020

We think setting equality objectives is an important way for us to show our commitment to equality and diversity. Our equality objectives help us describe the things we will do to support Manchester's vision to be progressive and equitable and enables Manchester people to hold us to account for delivering them.

We've set 3 equality objectives for 2016 – 2020, each with a set of aims that describe the areas and activities that we'll focus on for the coming year. We'll be working closely with our partner organisations to deliver these aims over the coming year and refresh them as and when activities are delivered.

Objective 1 – Knowing Manchester Better
We will work together with Manchester's citizens and our partners in the public and voluntary sectors to increase the quality of the information, knowledge and understanding we have about Manchester's diverse communities and the value that we gain from this. This will allow us to work with each other to support 'community cohesion' – people from different backgrounds getting on well together in the local area and treating each other with respect and consideration – and make sure we develop policies, and provide and commission services that meet everyone's needs.

Objective 2 – Improving Life Chances
We want everyone living in Manchester to have a good quality of life and equal chances. We know that for some groups in Manchester this is not the case. We will work with our partners to take a positive approach to removing inequalities.

Objective 3 – Celebrating Our Diversity
Manchester's great strength is its diversity; we've achieved a lot for our different communities. We will maintain and build on with what we've achieved so far, going even further to celebrate Manchester's diversity, telling people how this makes the City better for everyone.

For more information about our equality objectives and underpinning aims, visit our website:

Equality in the Business and Budget Planning Process

In 2015 we committed to strengthening how equality considerations form part of our budget and business planning process. Our revised approach ensures that each of the Council's Directorates considers how their actions and proposals support our equality objectives as well as setting out where proposed changes may have an impact on equality and the approach they plan to undertake to assess this impact. These considerations are all captured in an Equality Delivery Plan which is reviewed by a cross organisational group of Equality Champions who represent each part of the Council as well as elected Members through the Communities.

How we performed in 2015/16

Economic growth

Manchester continues to show growth, in terms of jobs and gross value added (GVA). The total number of jobs recorded in Manchester has continued to grow In the five year period between 2009 and 2014 income based gross value added has increased at a higher rate than was experienced in Greater Manchester and the North West.

This growth is being driven by core and emerging sectors, increasing numbers of international visitors, an expanding business base, retention of highly skilled residents and a buoyant city-centre commercial market.

Manchester is recognised as a major international centre for cultural, creative and digital industries, as evidenced by the success of the refurbished Whitworth Art Gallery as Art Fund Museum of the Year 2015 and the new HOME cultural hub sited at First Street. The city continues to attract a growing number of domestic and international visitors who boost the economy and come to take advantage of the city's multiple cultural, sporting and retail assets. Over the past two years Manchester has shown consistently higher rates of office space take up and office space availability than the other Core Cities in England.

Manchester's economy has shown great resilience throughout the recession and subsequent recovery, which has demonstrated that the economic foundations of the city are much stronger than in the past, with no overreliance on any single employment sector. Investor confidence has been high and this has been evidenced by a second successive excellent year for office take-up and a return of speculative commercial development. 1,318,285 square feet of office space was acquired for occupation in 2015. This was 74% higher than the five year average and 31% higher than the ten year average.

In 2014, Manchester's economy, combined with that of the four other Greater Manchester South districts (Salford, Stockport, Tameside and Trafford), generated an economic output of £38.6billion – over a quarter of the north west region's output. Manchester itself contributed 28% of the economic output for Greater Manchester. In 2014, Gross value added for Manchester has performed well, increasing by 3.18% from the level reported in 2013. In contrast the level for the North West increased by 3.15% over the same period.

Manchester continues to outperform national and regional comparators. Manchester outperforms the national average in terms of GVA per head of the resident population. The GVA for Manchester was £30,963 in 2014, compared to £24,958 nationally. Manchester is the region's major employment centre, and there continues to be significant growth in the number of people in employment, which in 2014 was 336,500 – an increase of 1.7% since the previous year. In the five years between 2009 and 2014 there was an 8.76% increase in the number of full and part time jobs in Manchester.

The Manchester Employer Suite is one of a number of initiatives which ensures that residents benefit from employment growth across the city. It is a partnership between the council and Jobcentre Plus that provides Manchester businesses with a central

point of interviewing facilities, matching pre-screened, job-ready candidates to vacancies. It has enabled us to support employers, whatever their size, sector and needs to find local people to meet their recruitment needs through a single, quality driven service. The Suite is now based within the Town Hall Extension which has allowed for better integration with business support services, including the business library and the opportunity to promote the service to residents and employers visiting the Town Hall Extension. Prestigious employers such as Marks and Spencer, TNT post and Tesco have all used the suite and praised the location and facilities. The latest statistics indicate that 4,500 individuals use the employer suite per year, and that approximately 60% of all service users to date have secured employment. 70% of those who secured employment were Manchester residents.

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

Manchester's economy, in keeping with many other cities, has developed an hourglass shape which is characterised by a larger number of higher-paid and lower paid jobs, with a reduction or hollowing out of the intermediate paid roles in between.
This structure is unlikely to change in the short-term, meaning that there are always likely to be lower-paid entry-level, part-time or temporary vacancies to be filled. The gap between Manchester's workplace wages (the wages of those who work in the city but may live elsewhere) and resident wages (those who live in the city but may work elsewhere) is narrowing and is the second highest of England's Core Cities, at £49 per week. Manchester's median workplace wage of £533 is the second highest of all the Core Cities and is higher than that for Greater Manchester and England, but Manchester's resident wage of £484 is the third lowest of the Core Cities below Sheffield, Newcastle-upon-Tyne, Bristol, Birmingham and Leeds.

The causes of this gap are complex and long term. The recent recession and subsequent economic recovery has led to an imbalance between inflation and wage increases. As the cost of living has increased, many workers have seen their real take-home pay reduce, although there is some indication in the past two years that this trend is reversing as the rate of increase median weekly pay starts to exceed the rate of inflation. As from 2015 this trend now applies to both full and part time workers suggesting an improvement across the range of workplace sectors.

The rise in flexible working practices such as part-time work and zero-hours contracts, has led to an increase in the number of people finding themselves in in-work poverty and an increase in the amount of Working Tax Credit and Housing Benefit being paid to working households.

Measures to address it include improving the skill levels of Manchester residents and ensuring that Manchester comprises attractive neighbourhoods where higher earners working in the city want to live. Raising the wages of the lowest-paid workers also remains a local priority for the council. We have now increased the Manchester Minimum Wage to £7.85 an hour, which remains above the new national minimum / living wage of £7.20 per hour for those over 25. Rates for those of younger age bandings are lower.

The city is strategically placed at the centre of the Northern Powerhouse, a counterweight to the dominance of London and the south east.
The agreement of substantial devolution of central power and budgets offers Manchester, as part of the Greater Manchester Combined Authority (GMCA), the opportunity to realise its full economic potential.

People

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

Improving outcomes for Troubled Families

Manchester continues to make good progress in the delivery of the national Troubled Families Programme having engaged with or currently working with 2,566 of its allocation of 8,000 families over the five years of the programme (contributing towards working with 27,000 families across Greater Manchester). Through services that are predominantly focused on providing Early Help to families with a range of complex issues it has already helped many to make real changes to their lives.

Supporting people into employment

In November 2011, a total of 63,620 Manchester residents were claiming an out-of-work benefit, representing 17.8% of the working age population. By November 2015, this had fallen to 45,650 (including Universal Credit ‘not in employment’ claimants) which represented 13.4% of the working age population.

The Greater Manchester Working Well Pilot Programme has helped claimants of Employment and Support Allowance (ESA) who have struggled to find work. 1,227 individuals were referred into the programme in total, and 53 job starts have been achieved as at the end of March 2016. Whilst there will be no further referrals, individuals may remain on the programme for a further 2 years before moving into work. The pilot aims to deliver a job start for one in every five individuals who joins the programme. The success of the pilot led to the Working Well Expansion in April 2016 which will support a wider range of benefit claimants.

Helping young people gain the right skills

Supporting young people into apprenticeships is a key part of addressing youth unemployment in the city. In 2014/15, 4,805 Manchester residents started apprenticeships, which was 512 more than the number of starts in 2013/14 (4,293)

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

Achieving a good level of development in the Early Years Foundation Stage (EYFS) is vital for children so they are ready for school, and they are also more likely to be independent and less reliant on public services in the future. In 2015, 60.9% of Manchester children achieved a good level of development, which was a substantial improvement on the figure for 2014 (52.8%), and is over 14 percentage points higher that the level in 2013. The gap between Manchester's result and the average for England was 5.4% in 2015, falling by 2.2 percentage points from 7.6% in 2014. It is a key strategic ambition for the city to improve this score to ensure that children get off to a good start in life.

Reducing absence from school

Schools are the custodians of the next generation of Manchester's workforce such as its scientists, nurses, teachers and engineers. Schools also play a wider role in instilling confidence, aspiration, social literacy and a culture of respect. There is a strong link between good school attendance and achieving good results for children. Good school attendance also shows future employers that a young person is reliable, more likely to achieve well and play a positive role in their community. Young people who frequently miss school may fall behind in their work which may affect their future prospects. They are also more likely to become involved in, or be a victim of crime and anti-social behaviour. The council wants to enable each and every child to reach their full potential and to achieve this it is important that all children have the best possible attendance at school.

Absence of pupils from primary school has generally been in line with the national average over the last few years. In 2014/15 4% of 'sessions' (a half day period) were missed Manchester schools, with the same level of absence being seen across England.

Absence of pupils from secondary schools in Manchester has improved substantially from 9.3% of sessions in 2009/10 to 5.2% in 2014/15. After drawing level with the England's average level of absence in 2013/14, the absence rate in Manchester is now 0.1% lower that the national average.

Improving attainment at school

Good school results are an essential part of ensuring residents will have the right skills to access the opportunities offered by the city's economy.

The main measure of attainment at the end of Key Stage 2 is the percentage of pupils achieving Level 4 or above in all of the core subjects of Reading, Writing and Maths. The results of Manchester pupils have improved over the last three years and have been the same as the national average each year. In 2015 80% of pupils attained Level 4, up from 79% in 2014.

The main measure of attainment at the end of Key Stage 4 is the percentage of pupils achieving five or more A*-C GCSEs including English and Maths. In 2015 47.5% of

Manchester pupils reached this level of attainment which was lower than 2014 levels (51.4%), and the 2015 national average (53.8%)

Manchester has committed to a number of high level aims in the Manchester Strategy against which success will be measured over the next ten years. One of these aims is to improve school results so that they are significantly better than the UK average.

Reducing reoffending

Reducing reoffending is an important part of achieving the city's ambitions of improving resilience, supporting independence, and reducing spending on high-cost services.

The latest Ministry of Justice figures show that 26.1% of adults, and 38.6% of juveniles who committed offences in the 12 months from July 2013 to June 2014, were recorded as committing a proven re-offence within a year after their first offence. This is an improvement of 1.1 and 4.4 percentage points respectively, on the re-offending rate for individuals who offended in the 12 months from July 2012 to June 2013 (27.2% and 43% respectively).

The overall re-offending rate (including both adults and juveniles) has decreased by 1.4 percentage points from that of individuals who committed offences from July 2012 to June 2013 (28.7%) to that of individuals who committed offences from July 2013 to June 2014 (27.3%). This latest re-offending rate (27.3%) is 1.3% higher than the overall average rate for England and Wales (25.96%) over the same period. This 1.3% gap between the national average and Manchester's rate has reduced from the 2.45% gap seen for individuals who offended in the previous year (from July 2012 to June 2013).

Supporting people to improve their health

We have a role in educating, informing and involving the community in the improvement of their health and wellbeing. Preventable deaths are those that could potentially be avoided by public health interventions in the broadest sense.

In the three years from 2012 to 2014, there were a total of 2,820 preventable deaths recorded for people living in Manchester (an average of 940 deaths each year). This gave a mortality rate of 317.5 preventable deaths per 100,000 of the population. Whilst this remained higher than rate for England as a whole over the same period (182.7), it did represent a reduction from Manchester's rate over the three year period from 2011 to 2013 (322.1).

In line with the national picture, the latest preventable death rate for Manchester was higher for men (401.4 per 100,000) than for women (238.6 per 100,000).

Both Manchester and England have been experiencing a downward trend over the past ten years. The preventable death rate for Manchester (for the period 2012 to 2014) represents a percentage decrease of 20.35% from the rate for the period 2001 to 2003, and this compares to a 26.93% percentage decrease at a national level over the same time frame.

A key aim of the Health and Wellbeing Strategy for Manchester is to address the range of factors that underpin the wide gap in health outcomes that continues to exist between Manchester and the rest of England as a whole.

Improving Children's Social Care

Manchester currently has high levels of demand for children's social care and is reforming services to reduce the number of children who require significant care and support. These reforms have a strong focus on early evidenced based intervention and prevention.

944 Manchester children per 10,000 of the child population were referred to safeguarding services throughout 2015/16. Whilst this is higher than the national average for 2014/15 (548), it is a reduction from the rate for Manchester in 2014/15 (1,148).

There is no higher priority for the Council than protecting vulnerable children and ensuring that children and their families receive good help and, when required, good care. The Children's Services Improvement Plan aims to improve the consistency and quality of social work practice and significantly reduce the number of Looked After Children (LAC).

In March 2016, 108 Manchester children per 10,000 of the child population were recorded as LAC, which is a reduction from last year's figure (113). It is however, higher than the national average for March 15 (60). 73.8 Manchester children per 10,000 of the child population were on a Child Protection Plan as at March 2016, which is lower than in March 2015 (78.7) and is higher than the national average for March 2015 (43).

In addition to improving the consistency and quality of social work practice, an efficient adoption service that promptly finds Manchester children safe homes with the right families is required and this will also help drive down LAC numbers.

Over the period April 2013 to March 2016, the council took an average of 569 days to house a child with an adoptive family (from when a child became looked after), which is above the Department for Education's target (426 days). However, 569 days is significantly quicker than the average of the previous three year period (643 days) and is better than the national average of 593 days over this period (April 2012 to March 2015).

*All the latest figures for Manchester detailed above are provisional pending submission to and publication by the Department for Education.

Improving Adult Social Care

Manchester continues to have high demand for adult social care support. To manage this demand we are reforming how care and support in Manchester is provided. Through a more integrated approach with a focus on early intervention and prevention, the council aims to reduce the number of adults who require long term services by supporting our residents to remain healthier and independent for longer. We are

working more closely with our partners in health and the community to ensure that the right care is provided earlier in the right place – closer to home in our communities.

In 2015/16 we received more than 23,000 new requests for support from residents aged 18 and over. Of these requests 35% were signposted to support available to them within their communities, 23.5% were supported with items of equipment, and 5.2% received a short period of reablement (the council's approach to supporting adults back to independence after a period of illness or the onset of a disability). 8.35% of the requests needed support on a long-term basis (such as residential care, nursing care home care, and supported accommodation).

During 2015/16, 1,904 reablement packages were delivered (with 54.7% of recipients not requiring further care following this), 25,317 items of equipment were installed in homes to help people live independently (with 99.4% being installed within seven days), and 3,388 carers received support from Manchester's Carers' Services to care for 3,510 people in their own communities.

The continuing development of services to better meet people's needs in the community has resulted in a falling number of adults and older people choosing to go into residential or nursing care. As at March 2016 there were 6,589 adults receiving long term support, 4,838 of whom had been receiving support for more than 12 months. This is a significant reduction from the numbers as at March 2015 (8,290 and 6,269 respectively). Overall, the provisional admission rate for older people (aged 65 and over) entering residential or nursing care throughout 2015/16 was 405.2 per 100,000, which is a reduction from the 2014/15 rate (455.1 per 100,000).

Safeguarding vulnerable adults in homes, communities, residential and nursing care, and hospitals remains the highest priority for Adult services in Manchester. This involves the protection of adults who are at risk of emotional or financial abuse, neglect, or the withholding of proper care. Throughout 2015/16, the council commenced safeguarding enquiries relating to 1,344 adults (a rate of 331 per 100,000 of Manchester's adult population in 2014) which was a decrease from 1,519 adults in 2014/15 (375 per 100,000 of Manchester's adult population in 2014). An enquiry means that the council has undertaken an investigation, and it can range from a conversation with the person concerned to a more formal multi-agency plan or course of action. The council brought 1,350 enquiries to a conclusion in 2015/16 (meaning all necessary information was collected and actions agreed), which was a decrease from 1,673 in 2014/15 (one person may be the subject of multiple enquiries).

Place

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

Over recent years the respondents to Manchester's residents' surveys have expressed increased satisfaction with their local area as a place to live, and overall there has been a significant improvement in respondents' satisfaction since 2000/01. In this year's

survey, 81% of respondents were satisfied with their local area as a place to live – a slight increase on the previous year's result (79%).

We are committed to increasing the amount of waste recycled by providing services that meet the needs of residents. Following the successful implementation of prioritised recycling collections in June and July 2011, the percentage of household waste recycled, composted or reused increased significantly from 2011/12 (34%) to 2012/13 (36.79%). However, this recycling rate fell in 2013/14 (34.93%) and the provisional figure for 2014/15 is 33.26%. These decreases in the recycling rate were due to changes in processing of street cleansing waste in 2013/14 and an upturn in the economy in 2014/15. In 2015/16 kerbside refuse increased 2.7%, dry recycling tonnages increased 3% but contamination also increased. Organic recycling collected decreased by 1.1% and contamination decreased but the overall organic tonnage recycled fell by 0.4%. The provisional recycling figure for 2015/16 is 32%. It is anticipated that the new contract with Biffa will lead to improvements in recycling rates. Additionally a new waste, recycling and street cleansing team has been established within the Council which will lead to more street cleansing inspections and the contract being monitored more closely.

A total of 54,735 victim-based crimes were reported across Manchester between April 2015 and March 2016. Victim-based crime is a broad category that includes offences of violence against the person (including homicide, violence with injury, and violence without injury), sexual offences (including rape and other sexual offences), robbery, theft (including theft from a person, domestic burglary and vehicle crime) and criminal damage. There was a 10.9% increase compared to the same period last year and most crime types saw an increase over this time. Reductions were seen in robbery (down by 4%), bicycle theft (down by16%), burglary (down by 1%) and homicide (down by 33%).

Over the past ten years victim-based crime recorded by Greater Manchester Police (GMP) has reduced by almost 15%, from 64,236 in 2006/07. The overall decreases in crime over the long term have happened at a time when the population of Manchester increased more rapidly than the rest of Greater Manchester. Between mid 2006 and mid 2014, Manchester's population rose by 12%, compared with a 4% increase in the rest of Greater Manchester.

As a rate per 1,000 head of population, victim-based crime reduced by 32% in Manchester from 2006/07 to 2014/15, while across the rest of Greater Manchester it fell by 30%.

Over these past ten years, some types of crime saw much higher reductions, including robbery (down by 58%), criminal damage and arson (down by 58%), burglary (down by 31%) and vehicle crime (down by 30%).

Many experts have linked the reductions in vehicle crime to improvements in security features, while reductions in burglary may be linked to the fact that home electronic equipment has become relatively less expensive.

Other offences, including sexual offences, less serious violence and thefts from the person, were at significantly higher levels in 2015/16 than they had been in 2006/07.

Increases in sexual offences and violence without injury are relatively recent, and have been influenced by improvements in GMP's crime recording processes. In the case of sexual offences, revelations about crimes committed by high-profile public figures have also encouraged more victims to contact the police.

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

The Manchester Strategy 2016-2025 published in March 2016 sets out an ambitious plan for Manchester's low carbon agenda and contains the commitment that " Manchester will play its full part in limiting the impacts of climate change ...and by 2025 will be on the path to being a zero carbon city by 2050". Manchester has 38 Sites of Biological Importance with 58% in positive management, an improvement upon the year before. There are now 2,688 citizens in the city who have attained certification in the Carbon Literacy Programme, a 60% increase in numbers from last year. There are now 161 state schools on the Eco Schools Programme, equating to 92% of state schools, an increase of 8 schools from the year before meaning more schools are joining in the programme and progressing through the scheme. The City's progress against its Climate Change Action Plan target to reduce its carbon emissions by 41% by 2020 is measured using data from the Department of Energy and Climate Change (DECC), which is released. The latest local-authority-level data available from 2014 showed that Manchester had reduced its Co2 emissions from 3.3 million tonnes in 2005 to 2.4 million tonnes in 2014, which is a reduction of 27%.

Value for Money

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

The Council has an established track record of achieving savings by developing and adopting more efficient ways of providing services whilst maintaining prudent levels of reserves.

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

Delivering public service reform in Manchester is based on a set of principles which were updated throughout 2015/16. Well being, prevention and early intervention are more strongly prioritised in these principles. Also, an evidence led understanding of risk and impact must be used to ensure that the right interventions are used at the right times and that outcomes and spend are tracked so value or money can be monitored.

A co-ordinated, whole-family approach to support families with multiple complex needs, involving multiple services and partners is at the heart of the Confident and Achieving Manchester Programme which is driving public service reform. This approach delivers more value for money than the alternative of different services dealing with each need in isolation.

The Early Help hubs aim to deliver preventative support and intervention before problems become complex, deep-rooted, and more costly and difficult to solve.

Early Years new delivery model which began in 2015 focuses on early intervention and ensures that children aged 0–4 across Manchester have regular interactions with health visitors and that they are able to access the support they and their parents need.

Manchester's Locality Plan will transform and integrate the delivery of health and social care. A single city wide commissioning system, a single hospital service delivering acute services, and one team delivering out of hospital services in the community will all deliver efficiencies and better outcomes for Manchester people.

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

- Analysed benchmarking data in detail, showing how the Council's spend differs from other similar local authorities to inform work to target the development of savings proposals and innovative service redesigns.
- Reduced the operational estate from 398,000m2 at June 2012 to 303,000 m2 by March 2016, reducing costs and emissions. Sharing premises and capital with partners has been an important factor in achieving this, supporting effective partnership working as well as reducing overheads.
- Carried out more of our transactions online, enabling people to report issues, request services and make payments when most convenient to them at the same time as saving money by reducing the number of more expensive interactions, such as face-to-face or on the telephone.. The value of online financial transactions increased by 11% to almost £24million.
- A new waste, recycling and street cleansing service contract started with Biffa on the 4 July 2015 and this has led to an annual saving of £1.6m. Services are now more joined up than they were previously which has allowed saving to be achieved.
- 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.

Putting our service users first

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

The CSC handles enquiries from those residents who require face-to-face support and assistance. It is situated on the ground floor of the Town Hall Extension and interconnects with the Central Library. Key partner organisations, including Jobcentre Plus, Citizens Advice Bureau, Greater Manchester Police, Connexions and Avanta (a leading employment support and training services company) work alongside the Customer Service Centre, providing a one-stop shop for key support services for our residents.

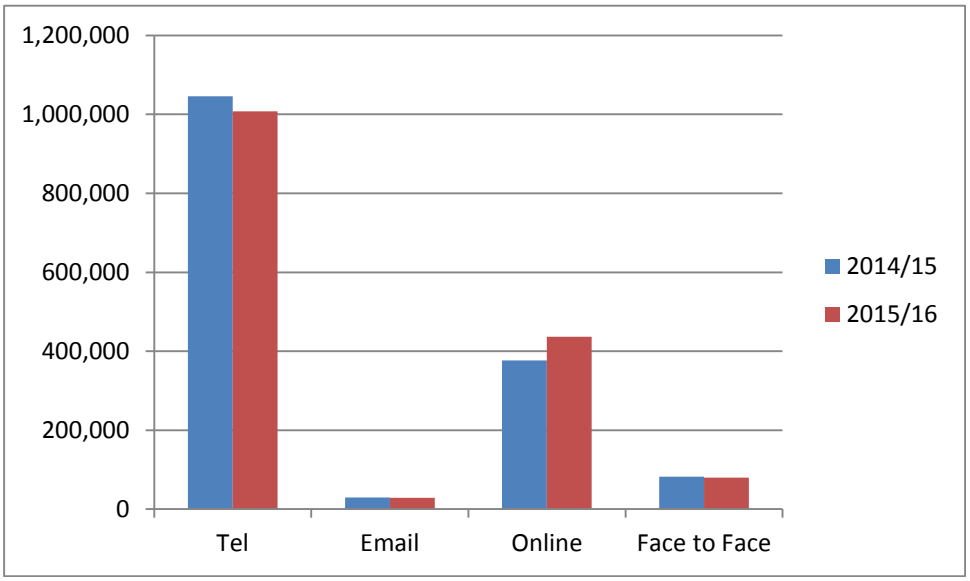
Contact Manchester provides support for residents, businesses and partners wishing to access services by telephone. Services delivered through Contact Manchester include our main Switchboard, Council Tax and Benefits, Neighbourhood Services, Social Care, School Admissions, Elections, and a dedicated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

During 2015/16, 93% of those surveyed stated they were either satisfied or very satisfied with the level of service provided by the CSO.

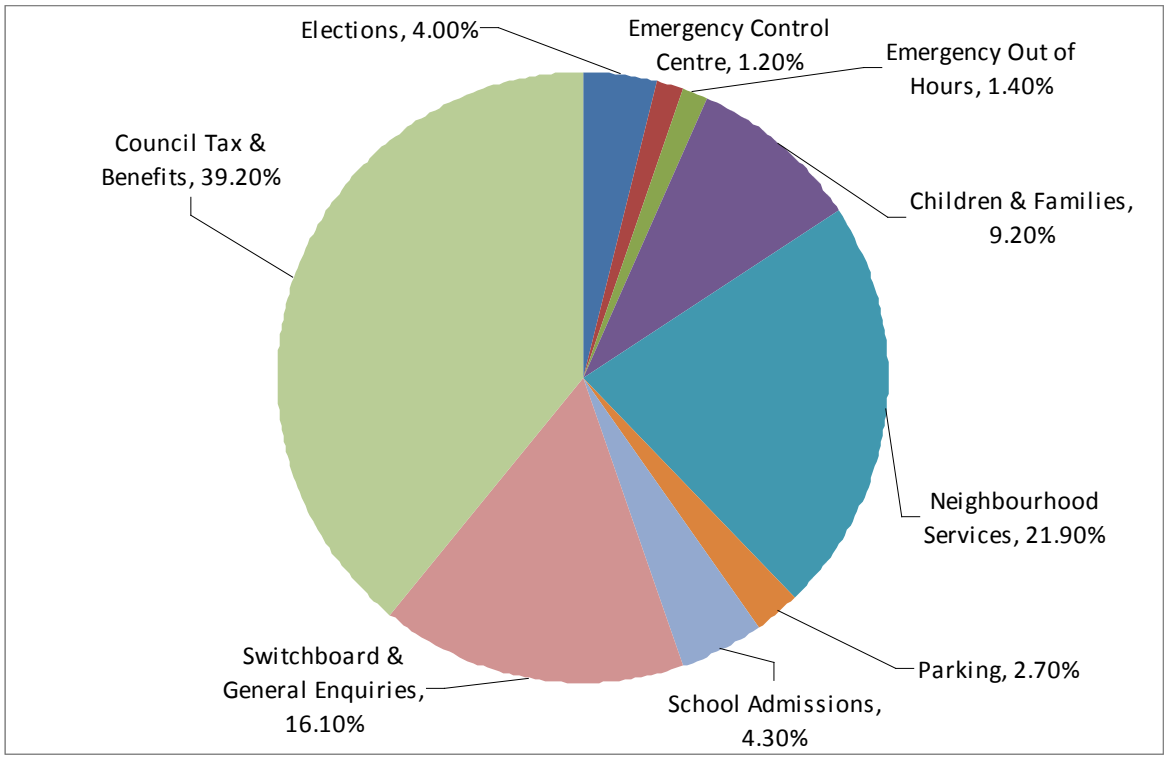
As a result of work being undertaken to implement our Digital and Channel Shift Strategy, there has been a continued increase in the number of service users transacting online through 2015/16. During 2015/16, 436,245 online transactions were made, an increase of 16% when compared to 2014/15 and a 36% increase when compared to 2013/14. Visits to our website also rose to 7.09million during 2015/16, an increase of 6% when compared to 2014/15. Consequently, this switch in behaviour and increase in self-service has resulted in a 4% reduction in calls made (38,434) to Contact Manchester during 2015/16 in comparison to the previous year.

This table and chart below shows the impact of our Digital and Channel Shift Strategy with demand reducing consistently across all channels except online services, where uptake continues to increase, with a 16% rise in transactions since last year.

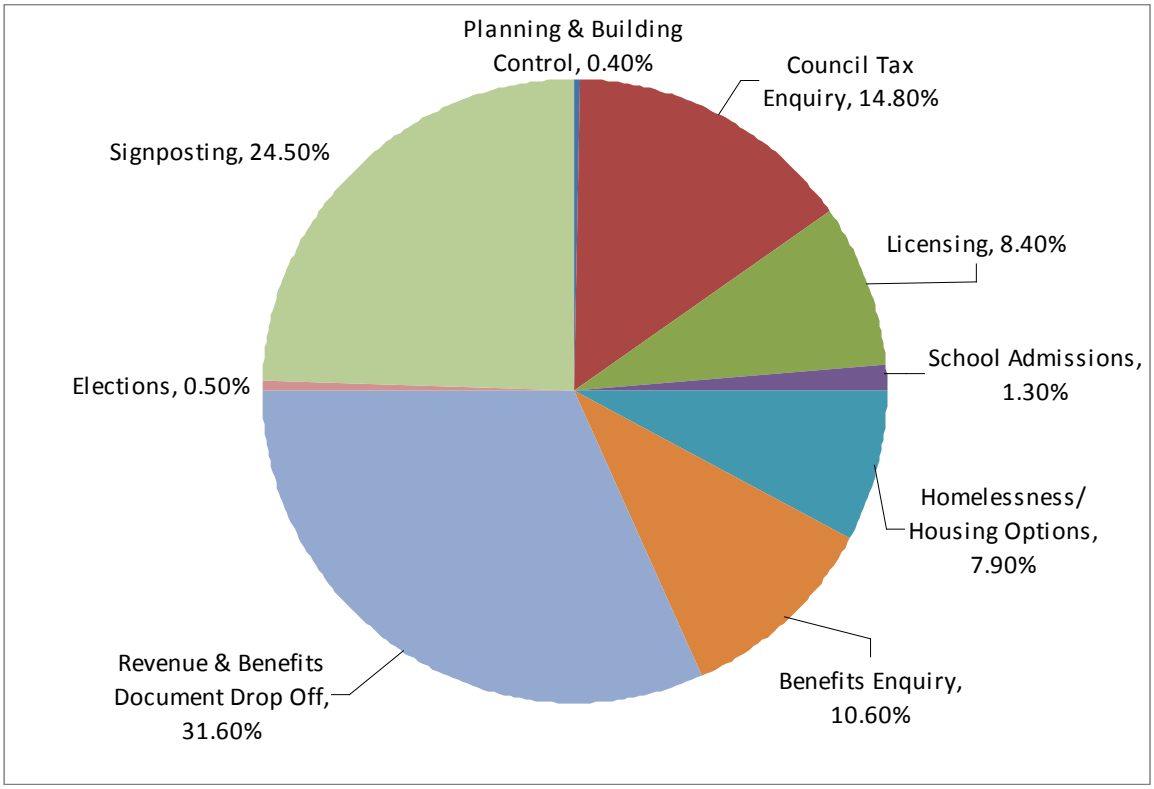
	2014/15	**2015/16**
Telephone	1,045,517	1,007,083
Email	29,985	29,163
Online	376,227	436,245
Face to Face	82,007	79,469



The pie chart below shows that 39% of calls received by Contact Manchester related to Council Tax and Benefits, whilst calls related to Neighbourhood Services represented 22%. Within Neighbourhood Services, enquiries relating to Waste and Recycling are consistently the highest volume.



The pie chart below shows that 58% of all enquiries handled in the CSC relate to Revenue and Benefits, with 32% relating to the drop-off and validation of documentation relating to council tax or a benefit claim. 26% of enquiries relate to more in-depth Revenue and Benefits enquiries (benefits enquiry, 11%; council tax enquiry, 15%).



Complaints to the Council

The Council handled 1,926 complaints in 2015/16, which was slightly less than the number handled in 2014/15 (1,958). We responded to 85% of those cases within 10 working days.

When we receive a complaint, we investigate to find out what has happened. If we find that something has gone wrong, we let the complainant know their complaint has been upheld. In 2015/16, we upheld 677 complaints, which represented 37% of all the decisions made. In 2014/15, the percentage of decisions that were upheld was lower, at 34% (626 complaints upheld).

In addition, we handled 220 social care complaints, 70% were responded to within a 20 working days statutory time limit. In 2014/15, we handled 314 social care complaints, 55% within time limit.

Learning from complaints

The Council is keen to learn lessons from complaints, to improve our service delivery and to prevent a reoccurrence of things we have got wrong. In 2015/16, we recorded 616 learning actions as a result of complaints made to us, which led to a number of remedial actions. This is a. decrease on 2014/15 where 659 learning actions were recorded

Summary of the Annual Accounts 2015/16

Introduction

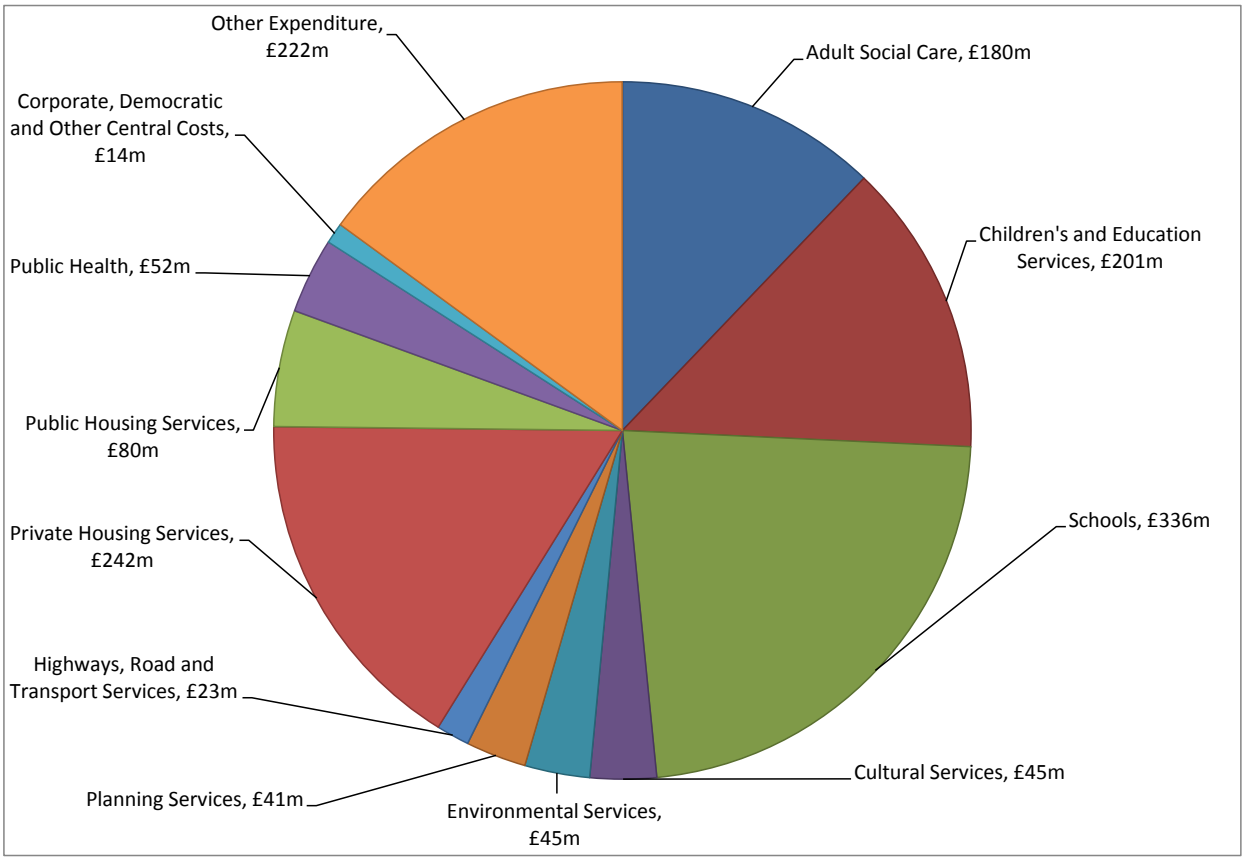
In line with the Council's commitment to transparency and accountability to its stakeholders, we have produced a summary of the Council's Annual Statement of Accounts for 2015/16. This has been produced in a simpler format than the full Annual Statement of Accounts which is required to comply with accounting practice. The Summary Accounts are designed to provide more meaningful information and highlight key financial information relating to the Council. They therefore exclude technical accounting adjustments such as depreciation.

Where the money was spent in 2015/16

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

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

Overall revenue spend was £1,481 million (gross). The chart on the following page shows where our revenue money was spent in 2015/16 analysed across standard service divisions, which are used by all local authorities.



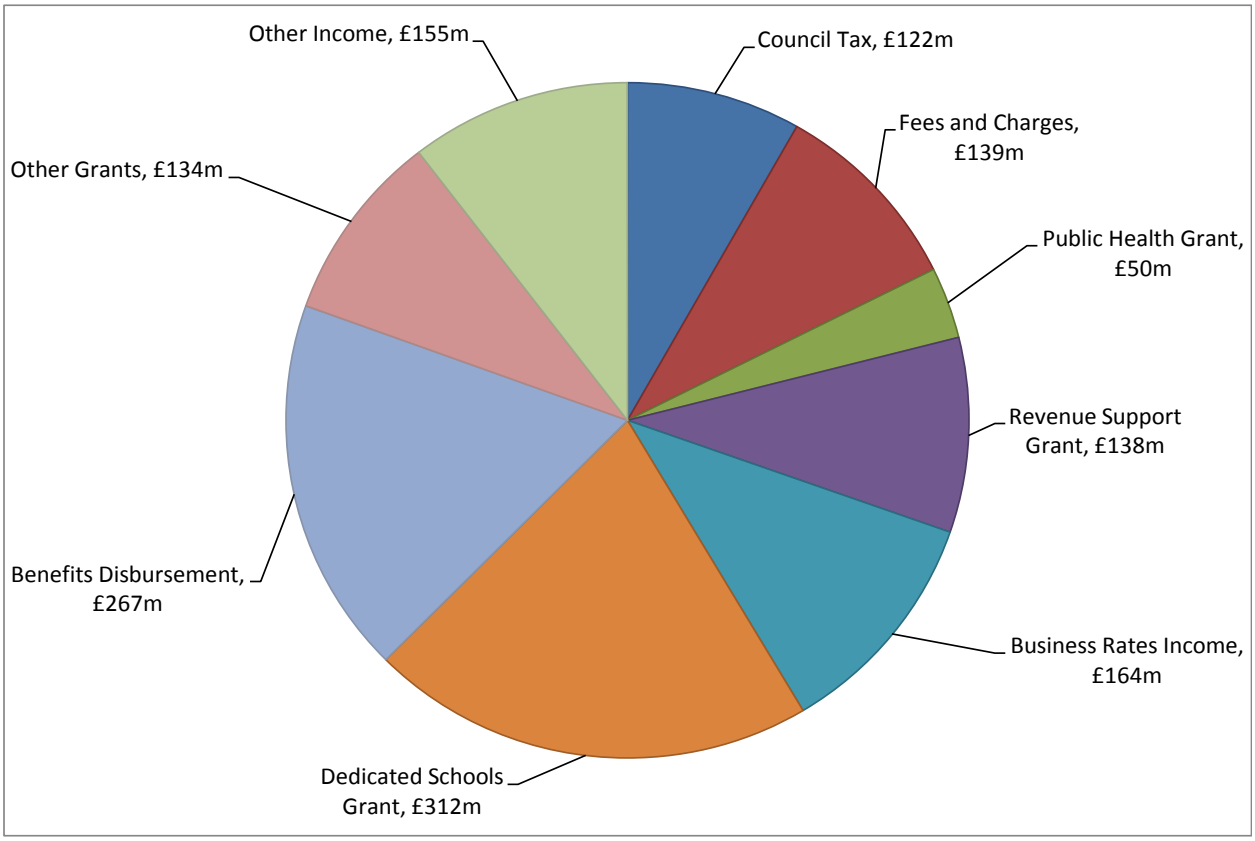
Service Division	
Adult Social Care	Adult social care services such as care for older people in their own homes or care homes, support for people with physical or learning disabilities or with mental health issues and adult education services provided to adults living in Manchester.
Education and Children's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

Private and Public Housing Services (including the Housing Revenue Account)	Council and private housing services including housing benefit payments.
Public Health	The provision of public health services which were transferred to local government on 1 April 2013.
Corporate Costs (Central Services to the Public)	Activities that enable the Council to function as a whole. This also includes expenditure relating to the Coroners Office, Registrars and Council Members' activities.
Other Expenditure	This relates to items of expenditure not included in the service divisions such as levy payments for services provided at a Greater Manchester level and charged to districts, revenue funding of capital, loan repayments and interest payments made by the Council plus money set aside by the Council for future use (transfers to reserves).

Where the money came from in 2015/16

In 2015/16 the majority of our income (52%) came from government. The remainder of our funding came from business rates, council tax, fees and charges and other income such as dividends and interest.

The chart below shows how we funded our spending of £1,481 million in 2015/16 analysed across the different types of income received during the year.



Funding	
Council Tax	The total amount of council tax due to the Council in 2015/16.
Fees and Charges	The total of the fees and charges generated by the Council. For example residential and nursing home care, licences and planning application fees.
Public Health Grant	Grant for the provision of public health services which were transferred to local government on 1 April 2013.
Revenue Support Grant	Government grant received by the Council each year which the Council uses to support its revenue expenditure.
Business Rates	The Council's share of business rates income due to the Council in 2015/16.
Dedicated Schools Grant	A ring fenced government grant which the Council uses to fund the Schools budget.
Benefits Disbursement	Government grant to fund the Council's payment of housing benefits.
Other Grants	The total of all the other revenue grants received by the Council.
Other Income	Items of income such as interest and investment income, trading service income, dividends received and use of monies previously set aside (transfers from reserves).

Cost of Council Services

The Income and Expenditure Account below shows the gross cost, income and net cost of running Council services between 1 April 2015 and 31 March 2016 and how this has been funded.

General Fund Services	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
	£000s	£000s	£000s
Adult Social Care	179,871	(55,616)	124,255
Central Services to the Public (cost of elections, registration of births, deaths and marriages and council tax collection)	14,151	(12,029)	2,122
Children’s and Education Services	537,100	(403,087)	134,013
Cultural Services	45,436	(11,595)	33,841
Environmental Services	44,600	(12,664)	31,936
Planning Services	41,446	(23,548)	17,898
Highways, Road and Transport Services	22,879	(21,212)	1,667
Housing Services including Benefits	321,556	(299,005)	22,551

Public Health	51,797	(50,685)	1,112
Net Cost of Services	**1,258,836**	**(889,441)**	**369,395**
Other Operating Expenditure Including Levies	85,865	(397)	85,468
Financing and Investment Income and Expenditure	84,943	(73,204)	11,739
Contributions to / (from) Reserves	51,845	(79,457)	(27,612)
Amount to be met from Government Grants and Local Taxation	**1,481,489**	**(1,042,499)**	**438,990**
Financed By:			
Council Tax			122,338
Council Share of Business Rates			163,907
General Government Grants and Other Income			152,745
Total General Income			**438,990**

Contributions to reserves include grants and contributions to be used over more than one year.

Financial Position

The Balance Sheet below shows the Council's financial position at the 31 March 2016, 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	418,055	Borrowing	534,019
Other Land and Buildings	1,668,482	Provisions for Future Liabilities	224,674
Heritage Assets	521,154	Liability for Pension Scheme	783,824
Investment Properties	387,118	Capital Grants Received in Advance	6,785
Other Assets	104,668	Money owed by the Council	193,992
Investments	135,552		
Money owed to the Council	284,499		
Total	**3,519,528**	**Total**	**1,743,294**
		Net Worth of the Council	**1,776,234**

Cost of Council Housing Services

The Housing Revenue Account (HRA) below shows the income and expenditure relating to the council houses owned by the Council between 1 April 2015 and 31 March 2016. 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	60,766
Charges for Services and Facilities	1,755
Contributions towards expenditure on services provided by the Council	607
Other income	23,603
	86,731
Expenditure	
Repairs and Maintenance	42,428
Supervision and Management	16,217
Net Interest Paid	8,894
Other Expenditure	19,868
	87,407
Total Deficit for the Year	(676)
Housing Revenue Account Surplus at 31 March 2015	86,686
Housing Revenue Account Surplus at 31 March 2016	86,010

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

The Council owned the following properties at 31 March 2016:

Property type	
Houses and Bungalows	9,327
Flats	6,904
Others	77
Total	**16,308**

Capital Expenditure

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

Capital Expenditure by Asset Type	**£000s**
Council Dwellings	25,004
Other Land and Buildings	49,401
Vehicles, Plant and Equipment	10,369
Infrastructure (e.g. Roads, Street Furniture)	22,933
Community Assets	693
Assets Under Construction	6,122
Surplus Assets	20,015
Capital Expenditure not Relating to Council Assets	68,476
Investment Properties	7,603
Assets Held for Sale	10,048
Long-Term Loans	25,897
Total	**246,561**

This has been spent on the following capital programmes:

Capital Expenditure by Capital Programme	**£000s**
Hough End Leisure Centre	1,573
Levenshulme Leisure Centre	6,632
National Taekwondo Centre	2,539
Asset Management Programme Work - Libraries	1,659
Other Leisure and Libraries Programmes	2,759
The Factory	1,762
Other Cultural Capital Programmes	1,026
Highways Planned Maintenance Programme	4,251
Velocity Cycling Scheme	6,589
Bus Priority Measures	9,113
Highways Capital Programme	7,659
Environmental Capital Programme	3,990

Adult Services Capital Programme	348
Building Schools for the Future	1,028
Schools Basic Needs Programme	60,193
Schools Capital Maintenance	1,940
Schools Capital Programme	370
Strategic Acquisitions	19,482
Asset Management Programme	4,129
New Smithfield Market	3,378
Corporate Services Capital Programme	448
Private Sector Housing Capital Programme	19,363
Public Sector Housing Capital Programme	25,382
Beswick Community Hub	13,211
ICT Capital Programme	9,074
Belle Vue Sports Village	10,299
NOMA Group Estate	6,610
Other Development Works	1,611
Housing Investment Programme	18,343
Greater Manchester Loans Fund	1,800
Total	**246,561**

The preceding pages provide a simplified summary of the information contained in the accounting statements that follow.

Annual Statement of Accounts 2015/16

Narrative Report to the Annual Accounts

The Narrative Report is the first section of the Annual Accounts and provides a financial summary and introduction to the annual accounts for 2015/16.

Financial Summary 2015/16

The Council had a net revenue budget of £527.011m in 2015/16. This budget was net of savings of £59m required in 2015/16 on top of £250m of savings from 2011/12 to 2014/15 following the reduced financial settlements.

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

Spend against this budget is reported in the global monitoring reports to Executive. In year changes to the budget position, either due to the reallocation of spend between budgets or a change in the level of budgeted resources, are also reported as part of the global monitoring reports. The final financial position against the revenue budget was reported to Executive on 1 June 2016. This information is consolidated into the accounts within the Comprehensive Income and Expenditure Statement. This statement also includes items that do not form part of the Council's revenue budget such as depreciation. The Movement in Reserves Statement shows the removal of these items as they are an accounting entry and not a true cost to the Council. It also shows the change in the general fund reserve which is an increase of £368k. A reconciliation showing the outturn position and the change in general reserves is shown later in the narrative report.

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

Revenue Expenditure

The table below shows the outturn position compared to the latest revenue budget taking into account all the budget adjustments made during the financial year. At the end of the year the budget was underspent across all budgets by £1.991m (before approved carry forward of underspends of £1.929m) and after the establishment of an Adult Social Care Reserve.

There had been a planned transfer from general reserves of £1.623m. The outturn is a transfer to general reserves of £368k.

The General Fund Reserve is now at £27.477m after the transfer to the Social Care Reserve.

The table below sets out the year end position.

	Revised Budget	Outturn	Over/(under) spend	Carry Forward requests	Over/(under) spend after Carry forwards
	£,000	£,000	£,000	£,000	£,000
Total Available Resources	**(526,928)**	**(527,629)**	**(701)**	**0**	**(701)**
Planned Use of Resources					
Total Corporate Budgets	**108,934**	**105,745**	**(3,189)**	**139**	**(3,050)**
Directorate Budgets					
Children and Families	261,118	266,012	4,894	104	4,998
Corporate Core	48,916	44,093	(4,823)	121	(4,702)
Growth and Neighbourhood	109,583	109,411	(172)	1,565	1,393
Total Directorate Budgets	**419,617**	**419,516**	**(101)**	**1,790**	**1,689**
Total Use of Resources	**528,551**	**525,261**	**(3,290)**	**1,929**	**(1,361)**
Transfer from/(to) General Fund Reserve	**1,623**	**(2,368)**	**(3,991)**	**1,929**	**(2,062)**
Establish Social Care Reserve	0	2,000	2,000	0	2,000
Transfer from/ (to) General Fund Reserve	**1,623**	**(368)**	**(1,991)**	**1,929**	**(62)**

This table has been reported to the Executive as part of the Revenue Outturn Report in June.

This information is provided in line with how the Council is structured rather than by standard Service Division.

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

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

The Growth and Neighbourhoods Directorate includes Community and Cultural Services, Neighbourhood Delivery, Regeneration, City Policy, Planning and Building Control, Strategic Housing, Capital Projects and Technical Services, Corporate Property and Facilities Management.

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

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

The above table shows that available resources are £0.701m higher than budgeted mainly due to increased corporate grants and dividend income partly offset by reduced Public Health Grant income following an in year reduction by Central Government.

The underspend on the Corporate Items budgets totals £3.189m. This partly relates to the release of unallocated contingency held until year end in case of any unforeseen pressures. There have also been underspends on a number of other corporately held budgets including for inflation and historic pension liabilities

The net position on controllable budgets for services is an underspend of £101k. The main reasons are as follows:-

- The overall position for Children's and Families is an overspend of £4.894m. This relates to the costs of looked after children's placements, additional social work costs, and costs of care and support for people with learning difficulties. These are partly offset by underspends in commissioning services and the use of Better Care Fund monies to support social care.

- The Corporate Core has an underspend of £4.823m. The underspend is predominantly due to staff savings, increased government grant relating to benefit payments and an improved trading position in Business Units relating to school meals, contracts, bereavements, building cleaning, parking and bus lanes. There were some small overspends including increased Coroners costs and higher than forecast electoral staffing costs.

- The overall position for Growth and Neighbourhoods is an underspend of £172k. Spend on waste disposal was higher than budget which was offset by underspends in the other service areas such as planning, building control and licensing. The higher than budgeted income from planning fees reflects the increase in activity in the City.

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

The Housing Revenue Account (HRA) contains the costs of owning and maintaining properties which are let to tenants and income from renting Council houses to tenants. This is shown separately from the general fund revenue budget position. The final

outturn position for the HRA is an overall surplus of £1.466m compared to budget in 2015/16.

Capital Expenditure

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

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

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

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

The Capital Strategy embraces processes that:

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

The challenge for the future is to drive transformation, to define Manchester as an attractive place to live and further improve the quality of life for all residents; to increase their overall social and economic prospects, and enable them to participate fully in the life of the City. Important to the delivery of the aspirations of the City will be:

- to support, promote and drive the role and continuing growth of the city centre as a major regional, national and international economic driver; as the main focus for employment growth through a strengthening and diversification of its economic base and through the efficient use of land. This will be complemented by driving growth through for example, Corridor Manchester; the Airport City Enterprise Zone; the Siemens Princess Road Campus; Central Park in North Manchester; and at the Etihad Campus in East Manchester;
- to support investment in transport infrastructure. The City Centre will now see more than £1 billion of investment in projects between now and 2017 which will lay the foundations for continuing success by ‘future proofing’ the city’s

transport infrastructure including; the Second City Crossing, The Northern Hub, Cross City, Bus Corridor and the redevelopment of Victoria Station;

- to provide an expanded, diverse, high quality housing offer that is attractive to and helps retain economically active residents in the city, ensuring that the growth is in sustainable locations supported by local services and the public transport infrastructure. This will include maximising the opportunities through Manchester Place, Manchester Life and the Housing Investment Fund and to be able to react flexibly to deliver an attractive housing offer for the City;
- the delivery of a Schools Capital Programme to support new and expanded high quality primary and secondary school facilities for a growing population;
- support businesses and residents to create thriving district centres with appropriate retail, amenities and public service offer; and
- continuing to promote investment to secure an internationally competitive cultural and sporting offer and sustaining core lifestyle assets such as parks, leisure facilities and libraries within the City.

The Council continues to invest in a varied capital programme including:

Highways
- Highways Planned Maintenance Programme
- Cycling Schemes
- Bus Priority Programme

Growth and Neighbourhoods
- Waste and Recycling Programme
- Street Lighting
- Co-Op Regeneration Project
- Cultural Facilities
- Beswick Community Hub
- Leisure and Sports Facilities
- Asset Management Programme
- Strategic Acquisitions

Public Sector Housing Programme
Private Housing Assistance Programme
Children's Services
- Basic Need (schools additional places) programme
- Schools Maintenance Programme
- Building Schools for the Future

ICT Investment Programme
Housing Investment Fund (on behalf of Greater Manchester)

The Council spent £246.6m on capital projects in 2015/16, which is summarised in the following table.

This was against a budget of £263.2m equating to 94% delivery of planned capital schemes.

More details can be found in Note 28 to the Core Financial Statements.

For the purposes of the accounts capital expenditure is broken down between spend on council assets, spend on non council properties and long term debtors as shown in the table below.

	2014/15	**2015/16**
	£m	**£m**
Non-current Assets (Property, Plant and Equipment, investment Properties, Assets Held for Sale and Intangible Assets)	146.8	152.2
Revenue Expenditure funded from Capital under Statute (capital expenditure on non-Council properties e.g. academies and grants to organisations for capital expenditure on their properties)	44.0	68.5
Long-term Debtors (loans given to external organisations related to the Council) including £20.2m granted to organisations on behalf of Greater Manchester.	1.7	25.9
Total	**192.5**	**246.6**

A summary of capital spend against budget is shown in the following table. Further details are contained in the outturn report to Executive on 1 June 2016.

	Outturn	Budget	Variation
	£m	£m	£m
Manchester City Council Programme			
Highways	27.7	27.4	0.3
Growth and Neighbour-hoods	81.0	94.0	(13.0)
Housing – General Fund	19.3	16.6	2.7
Housing – HRA	25.4	27.0	(1.6)
Children's Services	63.5	71.1	(7.6)
ICT	9.1	15.6	(6.5)
Corporate Services	0.4	0.6	(0.2)
MCC Total	**226.4**	**252.3**	**(25.9)**
Projects carried out on behalf of Greater Manchester	20.2	10.9	9.3
Total Capital Outturn	**246.6**	**263.2**	**(16.6)**

The financing of this expenditure was by the following methods:

	2014/15	2015/16
	£m	£m
Borrowing	22.0	55.3
Government Grants	62.3	80.4
External Contributions	18.4	26.2
Capital Receipts	24.7	33.6
HRA Major Repairs Reserve	24.2	25.2
Revenue Contributions	40.9	25.9
Total	**192.5**	**246.6**

The preceding pages provide a summary of the Council's revenue and capital spend compared to the budget together with details of how the capital expenditure was funded.

Introduction to Manchester City Council's Annual Accounts

The annual statement of accounts has been prepared in accordance with the 2015/16 Code of Practice on Local Authority Accounting (The Code) and International Financial Reporting Standards (IFRS). Changes in accounting requirements over the past few years have led to an increase in complexity of the accounts and the level of detail they contain.

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

These accounts contain a glossary of financial terms that are intended to assist the reader to understand the specialist accounting terms that 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 main items within the statements.

These are followed by three further sections:

- The Housing Revenue Account (HRA) costs and income of owning and maintaining council properties which are let to tenants. The costs and income are also shown within the main statements.
- The Collection Fund Account the collection of local taxes (council tax and national non domestic rates) and their distribution to the Council, Central Government, the Greater Manchester Police and Crime Commissioner and Greater Manchester Fire and Rescue Authority.
- The Group Accounts show the full extent of the Council's economic activities by reflecting the full extent of the Council's involvement with its group companies and organisations.

These are also followed by notes explaining these statements.

Accounting Changes

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

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

The accounting changes in 2015/16 relate to the adoption of IFRS 13 Fair Value Measurement, requiring local authorities to measure their assets and liabilities and provide disclosures in accordance with IFRS 13.

The Code confirms that the measurement bases used for operational property, plant and equipment should focus on valuing their service potential and thus operating capacity used to deliver local authority goods and services.

This enables the Council to use International Accounting Standard (IAS) 16 which enables the use of current value for the measurement of property, plant and equipment. The measurement requirements for operational property, plant and equipment are therefore unchanged from previous years.

The only change is that from 1 April 2015 surplus assets are valued at fair value based on the highest or best use of the asset from a market participant's perspective and investment properties are measured at fair value - highest and best use. The fair value reflects market conditions at the balance sheet date. Previously surplus assets were valued based on existing use.

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

Policy Changes

The accounts reflect three significant policy changes which were implemented from 1 April 2015.

Better Care Fund

The Manchester Better Care Fund (BCF) commenced on 1 April 2015. It has been established by the Government to provide funds to local areas to support the integration of health and social care. It is a requirement of the BCF that the three Manchester Clinical Commissioning Groups (CCG) and the Council establish a pooled fund for this purpose. The Council and CCGs have agreed that the Council should be the host for the fund which totals £43.861m.

The CCGs and Council have agreed that the BCF should be accounted for as a joint operation and as a result each accounts for its share of the funds assets, liabilities, expenditure and income.

Further details are shown in note 10 to the financial statements.

Greater Manchester and Cheshire East Business Rates Pool

The first year of the Greater Manchester and Cheshire East Business Rates Pool was 2015/16. The purpose of pooling rates across the individual authorities is not intended

to alter individual authorities income levels but to retain any levy that might be payable by some authorities to Central Government.

All members of the Pool retain the business rates income that they would have received had no pool existed.

For those authorities generating a levy payment to be retained by the pool Cheshire East retains 50%, Trafford retains 33.3% and Stockport retains 33.3%.

Where pooling generates a net gain an agreed element yet to be determined will be allocated to a contingency fund to enable the Pool to offer a protection mechanism to authorities who may otherwise receive a safety net payment from Central Government. The remainder will be on a basis to be agreed to the Greater Manchester Combined Authority and Cheshire East Council to benefit the Region.

The summary of the pool position is shown below –

Local Authority	**Levy Saving £000**	**Retained by Local Authority £000**	**Retained by Pool £000**
Cheshire East	26	13	13
Stockport	34	11	23
Trafford	2,249	750	1,499
	2,309	774	1,535
less administration costs			(19)
Retained by Pool			**1,516**

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

Business Rates Growth Retention Pilot

Separately from the Business Rates Pool in the 2015 Budget the Chancellor of the Exchequer announced a pilot to retain 100% of additional business rate growth in Greater Manchester and Cheshire East. The scheme set a growth baseline above which named authorities, including Manchester, would retain 100% of growth.

The additional growth is allocated 49% to the metropolitan authority and 1% to the fire and rescue authority. The formula that calculates the growth is still under discussion and no decision has yet been taken as to how the growth will be allocated within Greater Manchester. No income relating to this growth has been recognised in the financial statements as the relevant Parliamentary Order has not yet been laid.

The Financial Statements

The Council's Movement in Reserves Statement

This shows the movement in the Council's reserves from 1 April 2014 to 31 March 2016. The reserves are split between usable (those that can be used to finance expenditure) and unusable (those that contain technical accounting adjustments and cannot be used to finance expenditure). Of the usable reserves only the general reserve has not been allocated for specific purposes. The usable reserves are cash backed. The unusable reserves are mostly non cash backed.

The Council's Comprehensive Income and Expenditure Statement

This shows the accounting cost of Council activities including the notional accounting entries that have to be made as well as 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 Net Cost of Services is the cost of providing the Council's services. This is different to that reported in the revenue monitoring reports as it includes accounting adjustments for items such as depreciation and impairment. These would be a significant cost in a commercial organisation but legislation is in place that ensures these costs do not have to be funded by council tax or housing rent payers. These items are therefore transferred to unusable reserves in the Movement in Reserves Statement.

The Net Cost of Services (including the technical accounting adjustments) totals £484.791m. Details of the main accounting adjustments are shown in the notes to the financial statements. Impairment of property, plant and equipment and investment properties of £87.051m are shown within Note 5 to the financial statements. Note 6 shows the notional depreciation of £37.793m.

The second section contains corporate items. These include real expenditure such as levies paid and payments made in relation to the pooling of HRA capital receipts and technical adjustments such as the loss on the disposal of non-current assets (including schools transferred to academies). This is called Other Operating Expenditure and totals £81.797m.

The third section contains Council wide items such as interest paid and received, investment property rentals received and the change in values of investment properties (net income totalling £7.048m) plus general income due to the Council from Council taxpayers, National Non Domestic ratepayers (NNDR) and general government grants including grants to fund capital expenditure (£36.744m). These items total £523.457m.

These three sections are totalled to produce an overall deficit on the provision of services (£36.083m). This is a notional deficit as it includes the technical accounting adjustments. The table below sets out the impact of these adjustments.

The Total Other Comprehensive Income and Expenditure section of the CIES reconciles to the movement in the balance sheet by adding the deficit on the provision

of services to the revaluation of non current assets and available for sale investments plus re-measurements of the defined benefit pension scheme.

The Movement in Reserves Statement adjusts the deficit on the provision of services to remove any accounting entries that do not impact on the level of council tax or housing rents. After these items are removed the change in the level of reserves is shown.

The table below shows the reconciliation of the deficit in the Consolidated Income and Expenditure Statement to the contribution to reserves.

	General Fund £000	**HRA £000**	**Total £000**
(Surplus) / deficit in year in the Comprehensive Income and Expenditure Statement	53,891	(17,808)	36,083
Items that do not affect Council tax or housing rents	(54,259)	18,484	(35,775)
Contribution (to) / from reserves	**(368)**	**676**	**308**

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

The Council's Balance Sheet

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

The net worth (total reserves) of the Council is £1,776.234m. This is split between usable reserves of £383.624m and unusable reserves of £1,392.610m.

Usable Reserves

The usable reserves are held for the following purposes:-

	31 March 2015	31 March 2016
Type of Reserve	**£000**	**£000**
Reserves held for capital purposes including capital receipts and capital grants unapplied	99,566	65,540
Schools reserves (this belongs to schools and is for their use only)	31,606	28,782
Statutory reserves that have to be set aside	8,947	9,529
Reserves held for PFIs to meet contracted future costs	3,215	1,970
Reserves held to smooth risk or for assurance	48,716	59,410

including the insurance reserve of £17.481m		
Business Rates Reserves including safety net reserve in 2014/15	32,851	8,717
Revenue reserves held to support capital including the Capital Fund	51,809	60,012
Reserves held to encourage economic growth or for public sector reform	29,555	17,866
Small specific reserves	2,162	1,965
Grants and contributions held to meet expenditure commitments over more than one year	23,196	16,346
Housing Revenue Account reserve (£34.845m earmarked for future PFI payments and other potential liabilities)	86,686	86,010
General Fund reserve (after transfer to social care reserve in 2015/16)	27,109	27,477
	445,418	**383,624**

Details of changes in these reserves are shown in Note 38 to the financial statements.

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

Unusable Reserves

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

The unusable reserves are shown in the table below:-

Unusable Reserve	**31 March 2015 £000s**	**31 March 2016 £000s**
Revaluation Reserve	857,007	864,440
Available for Sale Financial Instruments Reserve	1,811	3,852
Pensions Reserve	(1,012,249)	(783,824)
Capital Adjustment Account	1,271,969	1,295,891
Deferred Capital Receipts Reserve	2,014	2,232
Financial Instruments Adjustment Account	(1,446)	1,469
Collection Fund Adjustment Account	(30,008)	14,938
Short-term Accumulated Absences Account	(5,867)	(6,388)
	1,083,230	**1,392,610**

The negative pensions reserve of £783.824m has decreased by £228.425m from the previous year. This matches the pension liability in the balance sheet as measured under International Accounting Standard (IAS) 19. This is as a result of an increase in the net discount rate over this period; the positive impact of this has outweighed the likely lower than expected asset returns.

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

Overall the net worth of the Council has increased by £247.586m during 2015/16.

The decrease in usable reserves of £61.794m mainly due to

- Use of major repairs reserve and capital grants unapplied reserve to fund the capital programme £34.026m
- Use of business rates safety net reserve to fund the brought forward business rates deficit £27.247m

The increase in unusable reserves of £309.380m is mainly due to:

- £228.425m decrease in the minus pension reserve following the IAS19 actuarial valuation of the pension liability as outlined above
- £7.433m increase in revaluation reserve due to revaluations of non current assets, including heritage assets, during 2015/16
- £44.946m increase in the collection fund adjustment account mainly due to the Council's share of business rates and
- £23.922m increase in the capital adjustment account.

The increase in the net worth is matched by an increase in value of net assets of the Council of £247.586m.

Borrowing Limit

In 2015/16 the Council had an authorised limit for borrowing of £1,261.8m (£1,045.8m for external debt and £216m for other long term liabilities such as PFIs and finance leases). The actual level of external debt at 31 March 2016 is £534.019m. The reason for the variance is that the limit is designed to allow flexibility.

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

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

	2014/15 £000s	**2015/16 £000s**
Long-term Borrowing	509,638	501,785
Short-term Borrowing	21,942	32,234
Total	**531,580**	**534,019**

Whilst the 2015/16 Capital Programme was funded by borrowing of £55.263m, the debt outstanding at 31 March 2016 has only increased by £2.439m as the Council's Treasury Management Strategy is to use cash backed reserves i.e. internal borrowing in lieu of external borrowing.

This is due to historic low investment rates not providing the Council with value on its investments when compared to using cash instead of borrowing, as borrowing rates are substantially higher than investment returns.

The Council's Cash Flow Statement

This shows the reasons for the change in cash, cash equivalents (investments made for a period of less than three months) and the bank balance during the year. The cash balance at 31 March 2016 had reduced by £27.722m from 31 March 2015. This is mainly due to the use of cash balances to fund capital spend (internal borrowing) rather than undertaking external borrowing.

Major Acquisitions and Disposals

The Council's significant acquisitions of Plant, Property and Equipment during 2015/16 included:

The former Manchester University recreation fields at Lytham Road £4.6m, Platt Lane Football Complex £3.1m, land at Central Park £4.3m and land at New Elm Road £8.5m.

Significant disposals in 2015/16 included schools which transferred to academy status. Their value upon disposal was £7.2m. Other significant disposals were Ewing School £4.3m, Platt Lane Football Complex £3.1m, Hardman Boulevard £3.3m, land near Manchester Airport £2.5m and land at Miller Street £0.8m

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 2016, the Housing Energy Services, Miles Platting Housing, Plymouth Grove Housing, Temple School, Wright Robinson Sports College, Street Lighting and Brunswick Housing schemes were ongoing.

The Housing schemes are funded by both PFI grant and the housing revenue account. The schools schemes are funded by both PFI grant and the Dedicated Schools Grant (DSG). The street lighting scheme is funded by both PFI grant and Council resources. Further details on these schemes are shown in Note 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 renovation, maintenance and management of some indoor leisure facilities has been undertaken via a trust for more than ten years. A contract was awarded to Greenwich Leisure Ltd for the period 1 September 2014 to 31 March 2018 with an option to extend for a further two years. The contract includes the management of leisure centres, some Activity Lifestyle service delivery and school swimming instruction.

- Wythenshawe Forum PPP – the Council has established a trust, which has responsibility for the renovation, maintenance and facilities management of Wythenshawe Forum.

- Car Parks Partnership – the Council has entered into a partnership with National Car Parks Limited to manage its car parks.

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

Events after the Balance Sheet Date

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

Business Rates

On 1 April 2016 Cheshire West and Chester Council joined the Greater Manchester and Cheshire East Councils in the Greater Manchester and Cheshire Business Rates Pool.

Further details of this post balance sheet event are shown in Note 53 to the financial statements.

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

The Council's Group Accounts

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

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

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

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

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

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

Manchester Airport Holdings Limited (MAHL) accounts are prepared using deemed cost for land and buildings. Deemed cost is the cost or valuation of assets as at 1 April 2005. Consequently property, plant and equipment is included in MAHL's accounts at cost or deemed cost less accumulated depreciation. A valuation of MAHL's land and building

assets has been undertaken in order to align the accounting policy with that of the Council. This valuation has been used for the Council's group accounts.

The land and building assets of Destination Manchester Limited (DML), which is a subsidiary within the Council group, are included in DML's accounts at cost less accumulated depreciation and impairment. A valuation of DML's land and building assets has been undertaken in order to align the accounting policy with that of the Council. This valuation has been used for the Council's group accounts.

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

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

Further Information

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

Financial Accountancy

Corporate Services Department

Town Hall

Manchester

M60 2LA

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

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

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

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

Local electors and taxpayers have a statutory right to inspect the Council's Annual Statement of Accounts and all related books, deeds, contracts, bills, vouchers and receipts before the annual accounts audit has been completed, giving an opportunity to question the auditor. The availability of the Annual Statement of Accounts for inspection was advertised on the Council's website on 30 June. The Council also publishes its future spending plans in its Capital and Revenue Budget Reports, which are available on the Council's website.

The Statement of Responsibilities for the Annual Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The City Treasurer's Responsibilities

The City Treasurer is responsible for the preparation of the Council's and Group's statement of accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

The City Treasurer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The statement of accounts gives a true and fair view of the financial position of the Council and Group as at 31 March 2016 and their income and expenditure for the year ended 31 March 2016.

Carol Culley
City Treasurer
07 September 2016

Movement In Reserves Statement

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

	Note	Restated General Fund Balance £000s	Earmarked GF Reserves £000s	Housing Revenue Account £000s	Earmarked HRA Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Major Repairs Reserve £000s	Restated Total Usable Reserves £000s	Restated Revaluation Reserve £000s	Available for sale Financial Instruments £000s	Pensions Reserve £000s	Restated Capital Adjustment Account £000s	Deferred Capital Receipts £000s	Financial Instruments Adjustment Account £000s	Collection Fund Adjustment Account £000s	Short term Compensated Absences £000s	Restated Total Unusable Reserves £000s	Restated Total Council Reserves £000s
Balance at 1 April 2014		(40,942)	(219,964)	(44,139)	(34,374)	(43,388)	(47,269)	(7,310)	(437,386)	(717,405)	(1,798)	735,975	(1,273,579)	(1,645)	3,415	36,300	5,347	(1,213,390)	(1,650,776)
Movement in reserves during 2014/15																			
(Surplus) / deficit on provision of services		60,299	0	(25,714)	0	0	0	0	**34,585**	0			0	0				**0**	**34,585**
Other comprehensive income and expenditure																			
(Surplus) on revaluation of non-current assets	39a	0	0	0	0	0	0	0	**0**	(165,216)	0	0	0	0	0	0	0	**(165,216)**	**(165,216)**
Impairment losses on non-current assets charged to the revaluation reserve	39a	0	0	0	0	0	0	0	**0**	8,357	0	0	0	0	0	0	0	**8,357**	**8,357**
(Surplus) on revaluation of available for sale financial assets	39b, 39f	0	0	0	0	0	0	0	**0**	0	(13)	0	0	0	(63)	0	0	**(76)**	**(76)**
Re-measurements of the net defined benefit liability	41	0	0	0	0	0	0	0	**0**	0	0	244,478	0	0	0	0	0	**244,478**	**244,478**
Total comprehensive income and expenditure		**60,299**	**0**	**(25,714)**	**0**	**0**	**0**	**0**	**34,585**	**(156,859)**	**(13)**	**244,478**	**0**	**0**	**(63)**	**0**	**0**	**87,543**	**122,128**
Reversal of items debited or credited to the comprehensive income and expenditure statement	6	(173,123)	0	11,924	0	(50)	(7,607)	563	**(168,293)**	0	0	83,937	92,230	0	(1,582)	(6,292)	0	**168,293**	**0**
Insertion of items not debited or credited to the comprehensive income and expenditure statement	6	106,688	8,172	5,617	0	2,235	0	0	**122,712**	0	0	(52,141)	(70,247)	0	(324)	0	0	**(122,712)**	**0**
Other adjustments	6	53	171	0	0	3,260	0	0	**3,484**	17,257	0	0	(20,372)	(369)	0	0	0	**(3,484)**	**0**
Total adjustments between accounting basis and funding basis under regulations		**(66,382)**	**8,343**	**17,541**	**0**	**5,445**	**(7,607)**	**563**	**(42,097)**	**17,257**	**0**	**31,796**	**1,611**	**(369)**	**(1,906)**	**(6,292)**	**0**	**42,097**	**0**
Net (increase) / decrease before transfers to earmarked reserves		**(6,083)**	**8,343**	**(8,173)**	**0**	**5,445**	**(7,607)**	**563**	**(7,512)**	**(139,602)**	**(13)**	**276,274**	**1,611**	**(369)**	**(1,969)**	**(6,292)**	**0**	**129,640**	**122,128**
Transfers (to) / from earmarked reserves		19,916	(20,436)	253	(253)	0	0	0	**(520)**	0	0	0	0	0	0	0	520	**520**	**0**
(Increase) / decrease in year		**13,833**	**(12,093)**	**(7,920)**	**(253)**	**5,445**	**(7,607)**	**563**	**(8,032)**	**(139,602)**	**(13)**	**276,274**	**1,611**	**(369)**	**(1,969)**	**(6,292)**	**520**	**130,160**	**122,128**
Balance at 31 March 2015		**(27,109)**	**(232,057)**	**(52,059)**	**(34,627)**	**(37,943)**	**(54,876)**	**(6,747)**	**(445,418)**	**(857,007)**	**(1,811)**	**1,012,249**	**(1,271,968)**	**(2,014)**	**1,446**	**30,008**	**5,867**	**(1,083,230)**	**(1,528,648)**
Movement in reserves during 2015/16																			
(Surplus) / deficit on provision of services		53,891	0	(17,808)	0	0	0	0	**36,083**	0	0	0	0	0	0	0	0	**0**	**36,083**
Other comprehensive income and expenditure																			
(Surplus) on revaluation of non-current assets	39a	0	0	0	0	0	0	0	**0**	(39,936)	0	0	0	0	0	0	0	**(39,936)**	**(39,936)**
Impairment losses on non-current assets charged to the revaluation reserve	39a	0	0	0	0	0	0	0	**0**	14,488	0	0	0	0	0	0	0	**14,488**	**14,488**
(Surplus) on revaluation of available for sale financial assets	39b, 39f	0	0	0	0	0	0	0	**0**	0	(2,041)	0	0	0	(18)	0	0	**(2,059)**	**(2,059)**
Re-measurements of the net defined benefit liability	41	0	0	0	0	0	0	0	**0**	0	0	(256,162)	0	0	0	0	0	**(256,162)**	**(256,162)**
Total comprehensive income and expenditure		**53,891**	**0**	**(17,808)**	**0**	**0**	**0**	**0**	**36,083**	**(25,448)**	**(2,041)**	**(256,162)**	**0**	**0**	**(18)**	**0**	**0**	**(283,669)**	**(247,586)**
Reversal of items debited or credited to the comprehensive income and expenditure statement	6	(130,493)	(676)	18,028	0	0	29,194	4,838	**(79,109)**	0	0	80,671	46,170	(218)	(2,568)	(44,946)	0	**79,109**	**0**
Insertion of items not debited or credited to the comprehensive income and expenditure statement	6	104,915	0	456	0	2,275	0	0	**107,646**	0	0	(52,934)	(54,383)	0	(329)	0	0	**(107,646)**	**0**
Other adjustments	6	(24)	0	0	0	(2,281)	0	0	**(2,305)**	18,015	0	0	(15,710)	0	0	0	0	**2,305**	**0**
Total adjustments between accounting basis and funding basis under regulations		**(25,602)**	**(676)**	**18,484**	**0**	**(6)**	**29,194**	**4,838**	**26,232**	**18,015**	**0**	**27,737**	**(23,923)**	**(218)**	**(2,897)**	**(44,946)**	**0**	**(26,232)**	**0**
Net (increase) / decrease before transfers to earmarked reserves		**28,289**	**(676)**	**676**	**0**	**(6)**	**29,194**	**4,838**	**62,315**	**(7,433)**	**(2,041)**	**(228,425)**	**(23,923)**	**(218)**	**(2,915)**	**(44,946)**	**0**	**(309,901)**	**(247,586)**
Transfers (to) / from earmarked reserves	38	(28,657)	28,136	218	(218)	0	0	0	**(521)**	0	0	0	0	0	0	0	521	**521**	**0**
(Increase) / decrease in year		**(368)**	**27,460**	**894**	**(218)**	**(6)**	**29,194**	**4,838**	**61,794**	**(7,433)**	**(2,041)**	**(228,425)**	**(23,923)**	**(218)**	**(2,915)**	**(44,946)**	**521**	**(309,380)**	**(247,586)**
Balance at 31 March 2016		**(27,477)**	**(204,597)**	**(51,165)**	**(34,845)**	**(37,949)**	**(25,682)**	**(1,909)**	**(383,624)**	**(864,440)**	**(3,852)**	**783,824**	**(1,295,891)**	**(2,232)**	**(1,469)**	**(14,938)**	**6,388**	**(1,392,610)**	**(1,776,234)**

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.

2014/15 Gross Expenditure £000s	Restated 2014/15 Gross Income £000s	Restated 2014/15 Net Expenditure £000s		Notes	2015/16 Gross Expenditure £000s	2015/16 Gross Income £000s	2015/16 Net Expenditure £000s
			Continuing operations				
185,835	29,766	156,069	Adult social care (a)		180,770	49,836	130,934
13,635	10,623	3,012	Central services to the public		14,172	11,187	2,985
605,783	406,389	199,394	Education and children's services		608,238	412,602	195,636
60,295	11,108	49,187	Cultural and related services		58,514	9,187	49,327
40,004	11,417	28,587	Environmental and regulatory services		50,650	11,030	39,620
69,587	30,567	39,020	Planning services		67,125	43,612	23,513
40,117	23,922	16,195	Highways and transport services		36,435	20,329	16,106
330,164	307,439	22,725	Housing services		322,661	300,528	22,133
68,104	97,818	(29,714)	Housing Revenue Account		63,359	86,731	(23,372)
47,878	50,278	(2,400)	Public Health		51,797	50,418	1,379
8,946	89	8,857	Corporate and democratic core		8,163	85	8,078
13,204	0	13,204	Non-distributed costs (b)		18,452	0	18,452
1,483,552	**979,416**	**504,136**	**Net cost of services**		**1,480,336**	**995,545**	**484,791**
			Other operating expenditure				
73,465	5,432	68,033	Loss on disposal of non-current assets	19	10,409	3,455	6,954
72,193	0	72,193	Levies not included in net cost of services		72,568	0	72,568
2,235	0	2,235	Payments to government housing capital receipts pool	38a(1)	2,275	0	2,275
147,893	**5,432**	**142,461**	**Total other operating expenditure**		**85,252**	**3,455**	**81,797**
186,226	207,915	(21,689)	Financing and investment income and expenditure	11	161,912	168,960	(7,048)
0	590,323	(590,323)	Taxation and non-specific grant income	12	0	523,457	(523,457)
1,817,671	**1,783,086**	**34,585**	**Deficit on provision of services**		**1,727,500**	**1,691,417**	**36,083**
			Items that will not be subsequently classified in Deficit of Provision of Services				
		(165,216)	(Surplus) on revaluation of non-current assets	39a			(39,936)
		8,357	Impairment losses on non-current assets charged to the revaluation reserve	39a			14,488
		244,478	Re-measurements of the net defined benefit liability	41			(256,162)
			Items that will be subsequently classified in Deficit of Provision of Services				
		(76)	(Surplus) on revaluation of available for sale financial assets -	39b			(2,059)
		87,543	**Total other comprehensive income and expenditure**				**(283,669)**
		122,128	**Total comprehensive income and expenditure**				**(247,586)**

[a] Income from the CCG of £12.219m was shown within taxation and other non-specific grant income in 2014/15. For 2015/16 it is received from the Better Care Fund and is shown

[b] 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.

The CIES for 2014/15 has been restated to reflect the reclassification of Bridgewater Hall as Property, plant and equipment from 1 April 2014. As a result financing and investment income has reduced by £6.173m resulting in an increased deficit on the provision of services. The surplus on revaluation of non-current assets has increased by £6.173m.

These financial statements replace the unaudited financial statements presented at the Manchester City Council Audit Committee on 14 July 2016.

Carol Culley

City Treasurer
07 September 2016

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.

Restated 1 April 2014 £000s	Restated 31 March 2015 £000s		Note	31 March 2016 £000s	
		Non-current assets			
2,056,950	2,064,393	Property, plant and equipment	18	2,086,537	
431,191	510,240	Heritage assets	21	521,154	
344,508	386,981	Investment properties	27	387,118	
1,121	629	Intangible non-current assets		485	
131,024	131,088	Long-term investment in subsidiaries, associates and joint ventures	30	131,311	
2,579	2,608	Other long-term investments	30	4,241	
137,449	149,644	Long-term debtors	31	173,593	
3,104,822	**3,245,583**	**Total non-current assets**			**3,304,439**
		Current assets			
738	616	Inventories and long-term contracts		912	
148,001	120,695	Short-term debtors	31	110,906	
34,585	124,272	Cash and cash equivalents	47	96,550	
12,928	10,018	Short-term assets held for sale	23	6,152	
0	555	Intangible current assets	32	569	
196,252	**256,156**	**Total current assets**			**215,089**
3,301,074	**3,501,739**	**Total assets**			**3,519,528**
		Current liabilities			
(9,217)	(21,942)	Short-term borrowing	37	(32,234)	
(139,684)	(167,305)	Short-term creditors	33	(191,801)	
(21,279)	(21,296)	Short-term provisions	36	(21,490)	
(8,561)	(11,353)	Short-term deferred liabilities	35	(17,469)	
(178,741)	**(221,896)**	**Total current liabilities**			**(262,994)**
3,122,333	**3,279,843**	**Total assets less current liabilities**			**3,256,534**
		Long-term liabilities			
(2,482)	(2,831)	Long-term creditors	33	(2,191)	
(50,478)	(61,012)	Long-term provisions	36	(44,530)	
(512,182)	(509,638)	Long-term borrowing	34 & 37	(501,785)	
(162,816)	(158,940)	Long-term deferred liabilities	35	(141,185)	
(7,624)	(6,525)	Capital grants receipts in advance		(6,785)	
(735,975)	(1,012,249)	Pensions liability	41	(783,824)	
(1,471,557)	**(1,751,195)**	**Total long-term liabilities**			**(1,480,300)**
1,650,776	**1,528,648**	**Net assets**			**1,776,234**
		Financed by:			
437,386	445,418	Usable reserves	38		383,624
1,213,390	1,083,230	Unusable reserves	39		1,392,610
1,650,776	**1,528,648**	**Total reserves**			**1,776,234**

The Balance Sheet as at 1 April 2014 and 31 March 2015 has been restated to reflect the transfer of Bridgewater Hall from Investment Properties to Plant, Property and Equipment. Its value at 1 April 2014 was £54.536m and at 31 March 2015 was £60.709m.

In the financial statements presented to Audit Committee in July this reclassification had been made during 2015/16.

These financial statements replace the unaudited financial statements presented at the Manchester City Council Audit Committee on 14 July 2016.

Carol Culley
City Treasurer

07 September 2016

Cash Flow Statement

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

Restated 2014/15 £000s		Note	2015/16 £000s
34,585	Net deficit on the provision of services		36,083
(265,282)	Adjustments to net deficit on the provision of services for non-cash movements	48	(161,014)
95,367	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	49	73,662
(135,330)	**Net cash flows from operating activities**		**(51,269)**
58,165	Investing activities	51	89,519
(12,522)	Financing Activities	52	(10,528)
(89,687)	**Net (increase) / decrease in cash and cash equivalents**		**27,722**
34,585	Cash and cash equivalents at the beginning of the reporting period		124,272
124,272	**Cash and cash equivalents at the end of the reporting period**	47	**96,550**

Notes to the Core Financial Statements

Note 1. Accounting Concepts and Policies

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end 31 March 2016. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (The Code) and the Service Reporting Code of Practice 2015/16 (SERCOP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003.

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

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

1.1. Underlying Assumptions

1.1.1 Going Concern

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

1.1.2 Primacy of Legislation Requirements

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

- Capital receipts from the disposal of property, plant and equipment are treated in accordance with the provisions of the Local Government Act 2003.
- The Local Government Act 2003 requires the Council to set aside a minimum revenue provision.
- The Housing Revenue Account is compiled following proper practice as defined by the Local Government and Housing Act 1989 and section 21 of the 2003 Act.

1.2. Accounting Policies

1.2.1 Property, Plant and Equipment (PPE)

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

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

Capital expenditure is initially added to the value of an asset but if this expenditure is not considered to increase the value of the asset it is classed as impairment. Fees, expenditure below £10,000 and 65% of the value of expenditure on council dwellings have been classed as impairment. This percentage is the amount by which the open market value of council dwellings is reduced to give a balance sheet value of 35% (the social housing discount). In addition all property, plant and equipment, where expenditure in excess of £500,000 has been incurred during 2015/16, have been considered by the Council's Valuers who have quantified the amount of impairment.

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

Land and buildings and other operational assets are valued at current value, determined as the value that would be paid for the asset in its existing use. Where sufficient market evidence is not available, for example schools and leisure centres, current value is estimated at depreciated replacement cost, using the modern equivalent asset method.

Short life assets, such as vehicles, are held at depreciated historical cost as a proxy for current value on the grounds of materiality.

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

Community assets and infrastructure are measured at depreciated historical cost.

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

Surplus assets are valued at fair value based on the highest or best use of the asset from a market participant's perspective. These are assets that are not in use by the Council but do not meet the definition of investment property or assets held for sale. Surplus assets mainly relate to land that is being held for regeneration purposes and future sale.

Council dwellings are revalued annually. Other assets included in the Balance Sheet at current or fair value are valued sufficiently regularly to ensure that their carrying amount is not materially different from their value at year end, but as a minimum every five years.

Valuations have a valuation date of 29 February 2015. Any material change that occurs after the valuation date is taken account of in the balance sheet value.

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

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

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

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

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

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

1.2.2 Depreciation on Property, Plant and Equipment

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

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

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

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

1.2.3 Derecognition of Property, Plant and Equipment

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

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

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

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

Income from 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.

1.2.4 Private Finance Initiatives (PFIs) and Similar Contracts

PFI and similar contracts (service concessions) are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under the contract and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council holds the Property, Plant and Equipment used under the contracts on its Balance Sheet.

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

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

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

- Value of the service received (including facilities management) during the year - debited to the relevant service line in the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Contingent rents (the increase in the amount payable to the operator due to an indexation factor in the contract) - debited to the relevant service line in the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Interest cost based on the outstanding deferred liability - debited to the Financing and Investment Income and Expenditure line in the Deficit on the Provision of Services.
- Payment towards liability - debited to the deferred liability on the Balance Sheet thus reducing the liability. For non-HRA contracts this reduction in the charge in

the Deficit on the Provision of Services is replaced by an equivalent amount of Minimum Revenue Provision (MRP) in the Movement in Reserves Statement. For HRA contracts this reduction in unitary charge is reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

- Lifecycle replacement costs –these are posted to the Balance Sheet as a prepayment and then included as additions to Property, Plant and Equipment when the works are carried out. Where lifecycle costs can be identified as capital in nature they have been recognised as capital expenditure. This expenditure relates to enhancements or replacement of assets.

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

1.2.5 Heritage Assets

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

Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the Council for other activities or to provide other services) are accounted for as operational assets rather than heritage assets and valued in the same way as other assets of that general type (e.g. buildings such as 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. Where a valuation is not available and cannot be obtained at a cost which is commensurate with the benefits to the users of the financial statements the assets are not recognised on the balance sheet.

Depreciation is not provided for as these assets are considered to have infinite lives. Any impairment is recognised and measured in accordance with the Council’s general policies on impairment (policy 1.2.9). The proceeds of any disposals are accounted for in accordance with the Council’s general provisions relating to the derecognition of property, plant and equipment (policy 1.2.3).

1.2.6 Investment Properties

Investment Properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to provide services by the Council or is held for sale.
Investment Properties are initially measured at cost. After initial recognition they are measured at fair value - highest and best use. The fair value reflects market conditions at the balance sheet date. A gain or loss arising from a change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

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

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

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

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

1.2.7 Schools

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

Any schools held on the balance sheet, which are transferred to academy status form part of the loss on disposal of non-current assets.

Capital expenditure on schools shown on the Council’s balance sheet is added to the value of those schools. Capital expenditure on schools not on the Council’s balance sheet is treated as REFCUS (Revenue Expenditure Funded from Capital under Statute) expenditure and written off each year to the Comprehensive Income and Expenditure Statement as part of the Education and Children's services line.

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

Individual schools' balances at 31 March 2016 are included in the balance sheet of the Council as any unspent delegated schools budget remains the property of the Council although these can only be spent by the school.

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

1.2.8 Intangible Assets

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

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

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

1.2.9 Impairment

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

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

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

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

1.2.10 Provision for Redemption of Debt

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

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

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

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

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

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

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

There is no MRP charge to the HRA.

1.2.11 Revenue Expenditure Funded From Capital under Statute

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. These are generally grants and expenditure on property not owned by the Council. Expenditure is charged to the Deficit 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 1.2.16c.

1.2.12 Non-Current Assets held for Sale

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

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

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

1.2.13 Accruals of Income and Expenditure

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

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

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

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

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

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

1.2.14 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of no more than twenty four hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.2.15 Provisions

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

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

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

1.2.16 Government Grants and Contributions

Government grants and contributions are not recognised until there is reasonable assurance that the Council will comply with the conditions attached to them and the grant or contribution will be received. Grants and contributions are credited to the

Comprehensive Income and Expenditure Statement except where the grant or contribution has a condition that has not been met. Conditions are stipulations that must be satisfied or the grant or contribution must be returned. Monies advanced as grants and contributions for which conditions are not yet met are carried in the Balance Sheet as receipts in advance.

a. Revenue Grants and Contributions

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

b. Capital Grants and Contributions

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

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

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

1.2.17 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is

charged to the appropriate service in that year. The reserve is then appropriated back into the Movement in Reserves Statement so that there is no net charge for the expenditure on the General Fund balance.

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

1.2.18 Revenue Recognition

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

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

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

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

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

1.2.19 Overheads and Support Services

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

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

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

1.2.20 VAT

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

1.2.21 Leases

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

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

Finance Leases

Lessee

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

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

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

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

Operating Leases

Lessee

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

Lessor

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

1.2.22 Benefits Payable during Employment

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

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

1.2.23 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary severance and are shown on an accruals basis in the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer or when it recognises the costs for a restructuring that involves termination benefits.
Where the employee makes the decision the liability is recognised at the earlier of when the employee accepts the offer or when a restriction on the Council's ability to withdraw the offer takes effect.

1.2.24 Post Employment Benefits

a. Teachers' Pension Scheme

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

b. National Health Service (NHS) Pension Scheme

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

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

c. Local Government Pension Scheme

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

The liabilities of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a basket of high quality corporate bonds, government gilts and other factors.

The assets of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pension liability is analysed into the following components:

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

- Past services costs (the increase in the liability arising from current year decisions whose effect relate to years of service earned in earlier years) are shown as non-distributed costs (costs that are not attributable to a particular service) within the net cost of services. An example of when past service costs would occur is where there was a change in the basis of up-rating annual pensions.

- Gains and losses on settlements and curtailments (the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees) are also shown as non-distributed costs.

- The net interest on the net defined benefit liability, i.e. net interest expenses for the period that arises from the passage of time, is shown within the Financing and Investment Income and Expenditure line.

Re-measurements comprising:

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

are shown within Other Comprehensive Income and Expenditure.

In relation to retirement benefits, statutory provisions require the General Fund and HRA balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and HRA of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Financial Instruments

1.2.25 Financial Assets

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

- **Loans and Receivables**

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

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

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

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

- **Available for Sale Assets**

Available for sale assets are recognised on the trade date, i.e. the date the Council becomes committed to the purchase and would not be able to avoid acquiring it without

breaking the contract, rather than the date the settlement takes place (if this is a later date).

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

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

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

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

If there is no quoted market price for the asset, then a reliable valuation technique should be applied. This could be a discounted cash flow analysis of dividends received or a valuation of the Council's share of the company. The inputs to the measurement techniques are categorised into three levels –

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

If the application of all relevant valuation techniques produces a significant range of reasonable fair value estimates such that no valuation would be reliable, the instrument is exempted from fair value measurement and is carried at cost less impairment.

1.2.26 Embedded Derivatives

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

written onto the balance sheet. At the end of each financial year the long-term debtors and deferred capital receipt are adjusted in line with the change in property values.

1.2.27 Financial Liabilities

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

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

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

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

Where the Council is in receipt of loans that are interest free or at less than prevailing market interest rates if material, the effective interest rate is calculated so that the value of the financial assistance to the Council by the lender is separated from the financial cost of the transaction. This gain is calculated by working out the net present value of all future cash payments using the interest rate for a similar loan taken by the Council. This results in a lower figure for the fair value of the loan with the difference from the loan received treated as a government grant. This gain is reversed out in the Movement in Reserves Statement to the Financial Instruments Adjustment Account.
Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However if the repurchase takes place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is deducted from or added to the amortised cost of the new or modified loan. In this scenario the write down to the Comprehensive Income and Expenditure

Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts (amounts paid or received on the rescheduling of a loan) have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact of premiums on the General Fund balance to be spread over the longer of the outstanding period of the replaced loan or the period of the replacement loan or any other shorter period that the Council wishes to choose. Discounts are required to be credited to revenue over a maximum period equal to the outstanding term of the replaced loan or ten years (if shorter). The difference between the amount charged to the Comprehensive Income and Expenditure Statement and the net charge against the General Fund balance is transferred to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement.

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

1.2.28 Carbon Reduction Commitment (CRC) Allowances

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

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

1.2.29 Contingent Assets and Liabilities

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

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

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

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

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

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

1.2.31 Material Items of Income and Expenditure

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

1.2.32 Events after the Balance Sheet Date

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

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

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

1.2.33 Interests in Companies and Other Entities

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

1.2.34 Joint Operations

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

1.2.35 Local Taxation

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

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

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

1.2.36 Fair Value Measurement

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

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

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

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

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

Note 2. Critical Accounting Judgements

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

2.1 Schools Non-Current Assets

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

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

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

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

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

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

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

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

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

Details of the value of schools land and building assets are shown in Note 20 to the accounts.

2.2 PFI and Similar Arrangements

The Council is deemed to control the services provided via its PFI arrangements and also to control the residual value of the assets at the end of the contract. The accounting policy for PFIs and similar contracts has been applied to these arrangements and the assets valued at £193.815m (£182.36m in 2014/15) 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.

2.3 Classification of Leases

The Council has undertaken an analysis to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and assets valued at £0.648m (£0.896m in 2014/15) are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

2.4 Arrangements Containing a Lease

The Council is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific underlying assets and which therefore are considered to contain a lease. The accounting treatment for leases has been applied to these arrangements to determine whether the lease contained within them is a finance or an operating lease and as a result assets valued at nil (£0.848m in 2014/15) are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

2.5 Investment Properties

The Council has reviewed all assets in accordance with the accounting policy for investment properties and as a result assets valued on that basic total £387.118m in 2015/16 (£447.69m in 2014/15) are classified as Investment Properties.

2.6 Valuation of Property Plant and Equipment

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

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

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

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

- community assets and infrastructure have been valued at depreciated historical cost.

- properties classified as non-operational have been valued on the basis of market value for the highest or best use.

Council dwellings are revalued annually. All other non-current assets, with the exception of those valued at depreciated historical cost are valued sufficiently regularly to ensure that their carrying amount is not materially different from their value at year end, but as a minimum every five years. Valuations are undertaken during the year by internal council valuers Roger Hannah and Co and Jacobs, external valuers commissioned by the Council with a valuation date of 29 February 2016. Jacobs provided indexation factors for the percentage increase in value from the date of the last valuation to 31 March 2016 for each category of operational assets not valued in 2015/16. This did not result in any amendment to the valuations in the accounts.

2.7 Valuation of Heritage Assets

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

The Code states that valuation of heritage assets may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers. The Council has therefore chosen to use market valuation, where this is available. Where a market valuation is not available insurance valuation has been used. Where this information is not available, and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets are not recognised in the Balance Sheet. Items with a value of less than £100,000 are excluded from the balance sheet.

As a result assets valued at £521.154m in 2015/16 (£510.24m in 2014/15) have been classed as Heritage Assets.

2.8 Better Care Fund (BCF)

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

2.9 Composition of the Council's Group

The Council undertakes its activities through a variety of undertakings, either under ultimate control or in partnership with other organisations. Those considered to be

material are included in the group accounts. Profit and loss, net worth and value of non-current assets for each organisation are considered as a percentage of the Council's single entity accounts to determine those that are material.

2.10 Association of Greater Manchester Authorities (AGMA)

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

Note 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 2016 for which there is a risk of adjustment in the following financial year are:

3.1 Revaluation of Property, Plant and Equipment (PPE)

Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and small value items of vehicles, plant and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. This includes examination of capital expenditure incurred in the financial year to ascertain whether or not it has resulted in an increase in value of an asset. Advice has been provided by valuers employed by the Council. If the actual results differ from the assumptions the value of PPE will be over or understated. This would be adjusted when the assets were next revalued. It is estimated that the carrying value of property, plant and equipment would increase by £16.007m for every 1% increase in valuation.

3.2 Depreciation of Property, Plant and Equipment.

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

annual depreciation charge would increase by £3.143m for every year the useful lives are reduced.

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

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

3.3 Valuation of Investments in Non-Group Entities

The Council has various investments in entities, which due to materiality of the entity or the share of the investment in the entity, are not included in its Group Accounts. Where there is a quoted market price for these investments they are classified as available for sale investments and included in the balance sheet at fair value. Where there is no market value available they are included at cost less impairment. The investments in Manchester Mortgage Corporation, Manchester Working, National Car Parks (Manchester) and One Education are shown as the value of the Council's share of their reserves based on its percentage shareholding. The remainder of the shares totalling £1.376m are shown at cost as the relevant valuation techniques produce a significant range of reasonable fair value estimates such that no valuation would be reliable. This does not have a material effect on the Council's balance sheet.

3.4 Compensation Provisions

The Council has made various provisions in relation to compensation claims submitted to the Council. These provisions are based on the number of claims outstanding at the end of the financial year, the average settlement amount for each type of claim and the likelihood of each type of claim being settled. It is not certain that the precedents set in previous years will be applicable to the current outstanding claims. An increase of 1% in the estimate average settlement would have the effect of adding £0.112m to the provision required. An increase of 1% in the likelihood of each claim being settled would have the effect of adding £0.081m to the provision.

3.5 Provision for Business Rate Appeals

The Council has made a provision for a reduction in business rate income due to appeals made against rateable values set by the Valuation Office Agency (VOA). This is based on percentage reductions in rateable values for hereditaments where there was an outstanding appeal at 31 March 2016. The percentages used are based on information from the VAO on the percentage reductions, per category of property and type of appeal, to the valuation list following previously settled appeals. Appeals against

hereditaments with a rateable value of over £2.5m have been considered separately using any information available from VOA relating to these. This provision includes the estimated impact on 2015/16 income of appeals anticipated to be lodged in future years. An increase of 1% in the percentage reduction would have the effect of adding £13.018m to the total provision required (Council's share £6.379m).

3.6 Arrears

At 31 March 2016 the Council had a balance of short term debtors of £209.869m. This included sundry debtors of £139.164m (including housing benefit overpayments), housing rent debtors of £7.433m, council tax debtors of £50.47m and business rates debtors of £12.802m. A review of these outstanding balances suggests that an impairment of doubtful debts of £98.966m (£44.413m sundry debtors, £5.065m housing rents, £42.650m council tax and £6.838m business rates) was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate by 1% this would require an additional £1.666m (£1.046m sundry debtors, £0.025m housing rents, £0.475m council tax and £0.120m business rates) to be set aside.

3.7 Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions. A firm of actuaries are engaged by the Pension Fund to provide expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £312m, a one year increase in member life expectancy would result in a £95m increase in the pension liability, a 0.5% increase in the salary increase rate would result in a £82m increase in the pension liability and a 0.5% increase in the assumed pension rate increase would result in a £227m increase in the pension liability.

Note 4. 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 2015/16 Code.

The Code has introduced several changes in accounting policies which will be required from 1 April 2016 and will therefore be valid for the 2016/17 accounts. The standards introduced by the 2016/17 Code are:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Pension Fund Account and the Net Assets Statement

IAS 19 Employee Benefits, Defined Benefit Plans: Employee Contributions – the amendments introduced by this standard are in line with the accounting policies already used by local authorities for employee contributions.

Annual Improvements to IFRSs 2010 – 2012 Cycle – the impact on local authority accounting and the changes proposed to the Code are listed below:

- IFRS2 Share Based Payments – not applicable to local authorities
- IFR3 Business Combinations – accounting for contingent consideration in a business combination – unlikely to be applicable to Manchester
- IFRS 8 Operating Segments – this requires the disclosure of assets by reportable segments (directorates) if they are reported as part of the authorities management report. This is not the case for the Council.
- IFRS13 Fair Value Measurement of short-term receivables and payables – unlikely to result in a significant change in value
- IAS16 Property, plant and equipment – this clarifies the treatment of accumulated depreciation and impairment. The Code removes the option not to eliminate this on revaluation. The Council has not previously taken this option.
- IAS24 Related Party Disclosures – this clarifies that an entity that provides key management services to an authority is a related party. This could potentially result in additional related party disclosures.
- IAS38 Intangible Assets – this clarifies the treatment of accumulated depreciation and impairment. The Code removes the option not to

eliminate this on revaluation. The Council has not previously taken this option.

The amendment to *IFRS11 Joint Arrangements* relates to when an authority acquires an interest in a joint operation in which the activity of the joint operation constitutes a business. In this case the Council shall account for this using the principles on business combinations accounting in IFRS 3, and other IFRSs. This applies to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business.

Annual Improvements to IFRSs 2012 – 2014 Cycle the impact on local authority accounting and the changes proposed to the Code are listed below:

- IFRS5 Non- current Assets Held for Sale and Discontinued Operations – this relates to when an entity reclassifies an asset from held for sale to held for distribution. This does not apply to local authorities.
- IFRS7 Financial Instruments Disclosures – this clarifies that service contracts constitute continuing involvement in transferred assets. This is not considered to be a frequently occurring transaction in local authorities.
- IFRS7 Financial Instruments Disclosures – this relates to condensed interim financial statements and does not apply to local authorities.
- IAS19 Employee Benefits – this amendment clarifies the requirement to determine the discount rate in a regional market sharing the same currency. This does not apply to local authorities.
- IAS34 Interim Reporting – this relates to disclosure of information in the interim financial report and does not apply to local authorities.

Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative) relates to materiality which must not reduce *u*nderstandability by: obscuring key messages with immaterial information, or by aggregating material items that have different natures or functions. Materiality should be applied even when a standard says “at a minimum”.

This amendment also contains guidance on disaggregation and subtotals and the order of notes to the accounts as well as presentation of items in Other Comprehensive Income and Expenditure in the Consolidated Income and Expenditure Statement.

The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement change for 2016/17 together with the introduction of the new Expenditure and Funding Analysis. In summary this –

- Removes the link between the Comprehensive Income and Expenditure Statement (CIES) and the Service Reporting Code of Practice (SeRCOP) service expenditure analysis. The Consolidated Income and Expenditure Statement will therefore be completed on a directorate basis.

- Simplified Movement in Reserves Statement (MiRS)
- Removed need for segmental analysis note
- Introduces an Expenditure and Funding Analysis. This brings together both the items that effect council tax and housing rents with the technical accounting items by service and reconciles it to the CIES

Changes to the *Pension Fund Accounts* relate to the fair value disclosure of pension fund investments and transaction costs disclosures.

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

This will represent a change in accounting policy from 1 April 2016 and will be accounted for retrospectively in accordance with *the* requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The 2016/17 Code will include an adaptation to IAS 1 for the transition for the move to measuring the Highways Network Asset at Depreciated Replacement Cost so that there is no requirement to restate the preceding year information. The change shall therefore be accounted for as an adjustment to opening balances as at 1 April 2016.

This change to the Code will require the establishment of a separate asset, the Highways Network Asset which will consist of roads, footways, cycleways, street lighting and other assets that are directly associated with them.

It is currently estimated that the value of tangible non current assets on the Council's balance sheet will increase by approximately £5billion with a corresponding increase in unusable reserves. Depreciation, relating to these assets, charged to the Comprehensive Income and Expenditure Statement will increase significantly resulting in a larger deficit on the provision of services. This depreciation will be reversed via the Movement in Reserves Statement to the Capital Adjustment Account.

Note 5. Significant items warranting additional disclosure

The following items of material expenditure occurred during the year:

Impairment including downward revaluation and reversal of past impairment
a) Impairment of property plant and equipment and investment properties of £87,051,000 (£102,262,000 in 2014/15) has been included within net cost of services:

	2014/15 £000s	2015/16 £000s
Adult social care	562	589
Central services to the public	251	80
Education and children's services	43,315	26,851
Cultural and related services	5,781	4,256
Environmental and regulatory services	131	89
Planning services	668	389
Housing Services	46	26
Housing Revenue Account	19,022	9,349
Highways and transport services	1	0
Investment properties	20,408	12,971
Non-distributed costs	12,077	32,451
Total	**102,262**	**87,051**

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

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

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

	Usable Reserves					Unusable Reserves	
	Restated General Fund Balance (Including Earmarked Reserves) £000s	Housing Revenue Account (Including Earmarked Reserves) £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Major Repairs Reserve £000s	Restated Capital Adjustment Account (CAA) £000s	Other Unusable Reserves £000s
Reversal of items debited or credited to the comprehensive income and expenditure statement:							
Depreciation	(34,642)	0	0	0	(11,033)	45,675	0
Amortisation of intangible assets	(491)	0	0	0	0	491	0
Transfer from HRA to major repairs reserve	0	2,000	0	0	(2,000)	0	0
Decent Homes Backlog Funding transferred to the Major Repairs Reserve	0	10,645	0	0	(10,645)	0	0
Impairment / revaluation losses charged to the comprehensive income and expenditure statement	(83,240)	(19,022)	0	0	0	102,262	0
Movement in market value of investment property	50,564	0	0	0	0	(50,564)	0
Financing of capital expenditure on council dwellings	0	0	0	0	24,241	(24,241)	0
Non Property Related Capital Receipts Transferred to the Usable Capital Receipts Reserve	0	50	(50)	0	0	0	0
Capital grants and contributions	74,295	636	0	5,725	0	(80,656)	0
Revenue expenditure funded from capital under statute	(30,645)	(18)	0	(13,332)	0	43,995	0
Gain / (loss) on disposal of non-current assets	(73,465)	5,432	0	0	0	68,033	0
Retirement benefits per IAS19	(83,458)	(479)	0	0	0	0	83,937
Reversal of private finance initiative charges to the HRA	0	12,681	0	0	0	(12,681)	0
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	1,667	0	0	0	0	(85)	(1,582)
Amount by which council tax and business rates income adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulation	6,291	0	0	0	0	0	(6,291)
Total reversed items	**(173,124)**	**11,925**	**(50)**	**(7,607)**	**563**	**92,229**	**76,064**
Insertion of items not debited or credited to the comprehensive income and expenditure statement:							
Statutory provision for the repayment of debt - minimum revenue provision	23,877	0	0	0	0	(23,877)	0
Statutory provision for the repayment of debt - finance lease liabilities	1,192	0	0	0	0	(1,192)	0
Statutory provision for the repayment of debt - private finance initiatives	2,485	0	0	0	0	(2,485)	0
HRA capital receipts to housing central pool	(2,235)	0	2,235	0	0	0	0
Employers contributions to pension schemes	51,828	313	0	0	0	0	(52,141)
Revenue contribution to finance capital	35,578	5,304	0	0	0	(40,882)	0
Premiums and discounts charged to revenue	324	0	0	0	0	0	(324)
Principal repayment of ex-GMC debt	1,811	0	0	0	0	(1,811)	0
Total inserted items	**114,860**	**5,617**	**2,235**	**0**	**0**	**(70,247)**	**(52,465)**
Other adjustments:							
Capital receipts received	0	0	(21,511)	0	0	21,511	0
Use of capital receipts reserve to finance capital expenditure	0	0	24,722	0	0	(24,722)	0
Transfer of revaluation reserve balance on assets disposed of to CAA	0	0	0	0	0	(9,936)	9,936
Adjustment between capital adjustment account and revaluation reserve for depreciation that is related to the revaluation balance rather than historic cost	0	0	0	0	0	(7,321)	7,321
Write down of long term debtor	117	0	50	0	0	95	(262)
Transfer to Deferred Capital Receipts Reserve	106	0	0	0	0	0	(106)
Total other adjustments	**223**	**0**	**3,261**	**0**	**0**	**(20,373)**	**16,889**
Total adjustments	**(58,041)**	**17,542**	**5,446**	**(7,607)**	**563**	**1,609**	**40,488**

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

	Usable Reserves					Unusable Reserves	
	General Fund Balance (Including Earmarked Reserves) £000s	Housing Revenue Account (Including Earmarked Reserves) £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Major Repairs Reserve £000s	Capital Adjustment Account (CAA) £000s	Other Unusable Reserves £000s
Reversal of items debited or credited to the comprehensive income and expenditure statement:							
Depreciation	(37,793)	0	0	0	(11,989)	49,782	0
Amortisation of intangible assets	(144)	0	0	0	0	144	0
Transfer from HRA to major repairs reserve	0	8,404	0	0	(8,404)	0	0
Impairment / revaluation losses charged to the comprehensive income and expenditure statement	(77,702)	(9,349)	0	0	0	87,051	0
Movement in fair value of investment property	18,614	0	0	0	0	(18,614)	0
Financing of capital expenditure on council dwellings	0	0	0	0	25,231	(25,231)	0
Capital grants and contributions	36,664	80	0	69,766	0	(106,510)	0
Revenue expenditure funded from capital under statute	(27,856)	(46)	0	(40,572)	0	68,474	0
Gain / (loss) on disposal of non-current assets	(10,409)	3,455	0	0	0	6,954	0
Retirement benefits per IAS19	(80,121)	(550)	0	0	0	0	80,671
Reversal of private finance initiative charges to the HRA	0	16,034	0	0	0	(16,034)	0
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	2,932	0	0	0	0	(146)	(2,786)
Reversal of contribution to Capital bad debt provision	(300)	0	0	0	0	300	0
Amount by which council tax and business rates income adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulation	44,946	0	0	0	0	0	(44,946)
Total reversed items	**(131,169)**	**18,028**	**0**	**29,194**	**4,838**	**46,170**	**32,939**
Insertion of items not debited or credited to the comprehensive income and expenditure statement:							
Statutory provision for the repayment of debt - minimum revenue provision	23,539	0	0	0	0	(23,539)	0
Statutory provision for the repayment of debt - finance lease liabilities	295	0	0	0	0	(295)	0
Statutory provision for the repayment of debt - private finance initiatives	2,676	0	0	0	0	(2,676)	0
HRA capital receipts to housing central pool	(2,275)	0	2,275	0	0	0	0
Employers contributions to pension schemes	52,504	430	0	0	0	0	(52,934)
Revenue contribution to finance capital	25,906	26	0	0	0	(25,932)	0
Premiums and discounts charged to revenue	329	0	0	0	0	0	(329)
Principal repayment of ex-GMC debt	1,941	0	0	0	0	(1,941)	0
Total inserted items	**104,915**	**456**	**2,275**	**0**	**0**	**(54,383)**	**(53,263)**
Other adjustments:							
Capital receipts received	0	0	(30,585)	0	0	30,585	0
Use of capital receipts reserve to finance capital expenditure	0	0	33,624	0	0	(33,624)	0
Transfer of revaluation reserve balance on assets disposed of to CAA	0	0	0	0	0	(10,344)	10,344
Transfer of revaluation reserve balance relating to investment properties to CAA	0	0	0	0	0	0	0
Adjustment between capital adjustment account and revaluation reserve for depreciation that is related to the revaluation balance rather than historic cost	0	0	0	0	0	(7,670)	7,670
Write down of long term debtor	(24)	0	0	0	0	24	0
Capital receipts for long term debtors	0	0	(5,320)	0	0	5,320	0
Transfer to Deferred Capital Receipts Reserve	0	0	0	0	0	0	0
Total other adjustments	**(24)**	**0**	**(2,281)**	**0**	**0**	**(15,709)**	**18,014**
Total adjustments	**(26,278)**	**18,484**	**(6)**	**29,194**	**4,838**	**(23,922)**	**(2,310)**

Note 7. Segmental Reporting Analysis

The table below is a reconciliation of the 2014/15 internal management reports (monitoring and outturn) used by the Council's Executive to make decisions and the 2014/15 Comprehensive Income and Expenditure Statement.

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

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

	Restated £000s
Cost of services in service analysis	445,565
Add amounts not reported to management*	126,653
Remove amounts reported to management not included in net cost of services in CIES	(68,082)
Net cost of services in comprehensive income and expenditure statement	**504,136**

Reconciliation to subjective analysis	Service Analysis £000s	Restated Not Reported to Management* £000s	Restated Not Included in CIES Net Cost of Services £000s	Allocation of Recharges £000s	Restated Net Cost of Services £000s	Restated Corporate Amounts £000s	Restated Total £000s
Fees, charges and other service income	(311,259)	11,491	62,895	0	(236,873)	(171,164)	(408,037)
Interest and investment income	0	(1,155)	147	0	(1,008)	(42,183)	(43,191)
Income from council tax	0	0	0	0	0	(120,583)	(120,583)
Business rates income	0	0	0	0	0	(150,359)	(150,359)
Government grants and contributions	(689,129)	(13,302)	(39,104)	0	(741,535)	(319,381)	(1,060,916)
Total Income	**(1,000,388)**	**(2,966)**	**23,938**	**0**	**(979,416)**	**(803,670)**	**(1,783,086)**
Employee expenses	456,196	2,296	524	(423)	458,593	0	458,593
Other service expenses	1,018,563	(2,304)	(61,274)	(28,383)	926,602	22,584	949,186
Support services recharges	(28,806)	0	0	28,806	0	0	0
Depreciation and impairment	0	129,627	5,032	0	134,659	0	134,659
Interest payments	0	0	(1,895)	0	(1,895)	36,892	34,997
Pension interest costs	0	0	0	0	0	126,750	126,750
Precepts and levies	0	0	(34,407)	0	(34,407)	72,193	37,786
Payments to housing capital receipts pool	0	0	0	0	0	2,235	2,235
Loss on disposal of non-current assets	0	0	0	0	0	73,465	73,465
Total operating expenses	**1,445,953**	**129,619**	**(92,020)**	**0**	**1,483,552**	**334,119**	**1,817,671**
(Surplus) / deficit on the provision of services	**445,565**	**126,653**	**(68,082)**	**0**	**504,136**	**(469,551)**	**34,585**

*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 2015/16 internal management reports (monitoring and outturn) used by the Council's Executive to make decisions and the 2015/16 Comprehensive Income and Expenditure Statement. The segments identified in the subjective analysis are the same segments that are reported to Executive during the year.

Subjective Analysis	Children and Families £000s	Corporate Core £000s	Growth and Neighbourhoods £000s	Housing Revenue Account £000s	Total £000s
Fees, charges and other service income	(107,874)	(81,229)	(74,532)	(63,883)	**(327,518)**
Government grants	(388,084)	(268,905)	(5,037)	(23,598)	**(685,624)**
Total Income	**(495,958)**	**(350,134)**	**(79,569)**	**(87,481)**	**(1,013,142)**
Employee expenses	318,789	77,043	44,913	1,933	**442,678**
Other operating expenses	442,260	352,006	151,005	84,678	**1,029,949**
Support services recharges	923	(34,823)	(6,939)	1,546	**(39,293)**
Total Operating Expenses	**761,972**	**394,226**	**188,979**	**88,157**	**1,433,334**
Cost of Services	**266,014**	**44,092**	**109,410**	**676**	**420,192**

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

	£000s
Cost of services in service analysis	420,192
Add amounts not reported to management*	105,325
Remove amounts reported to management not included in net cost of services in CIES	(40,726)
Net cost of services in comprehensive income and expenditure statement	**484,791**

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	(327,518)	21,603	83,804	0	(222,111)	(112,426)	(334,537)
Interest and investment income	0	(1,700)	139	0	(1,561)	(52,711)	(54,272)
Income from council tax	0	0	0	0	0	(125,506)	(125,506)
Business Rates income	0	0	0	0	0	(170,927)	(170,927)
Government grants and contributions	(685,624)	(40,572)	(45,677)	0	(771,873)	(234,302)	(1,006,175)
Total Income	**(1,013,142)**	**(20,669)**	**38,266**	**0**	**(995,545)**	**(695,872)**	**(1,691,417)**
Employee expenses	442,678	(14,114)	480	6,882	435,926	0	435,926
Other service expenses	1,029,949	1,698	(70,480)	(46,175)	914,992	15,946	930,938
Support services recharges	(39,293)	0	0	39,293	0	0	0
Depreciation and impairment	0	138,410	26,549	0	164,959	200	165,159
Interest payments	0	0	(104)	0	(104)	36,245	36,141
Pension interest costs	0	0	0	0	0	109,521	109,521
Precepts and levies	0	0	(35,437)	0	(35,437)	72,568	37,131
Payments to housing capital receipts pool	0	0	0	0	0	2,275	2,275
Loss on disposal of non-current assets	0	0	0	0	0	10,409	10,409
Total operating expenses	**1,433,334**	**125,994**	**(78,992)**	**0**	**1,480,336**	**247,164**	**1,727,500**
(Surplus) / deficit on the provision of services	**420,192**	**105,325**	**(40,726)**	**0**	**484,791**	**(448,708)**	**36,083**

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

Note 8. Long-term Contracts

Undischarged obligations arising from PFI and similar transactions as at 31 March 2016 were as follows:

Scheme	Payments: Liability Repayment £000s	Payments: Lifecycle Costs £000s	Payments: Interest Charges £000s	Payments: Service Charges* £000s	Total £000s	Indexation	Contract Expiry	Scheme Details
Housing Energy Services Contract						GDP Deflator	2020	Energy Services Contract - provision and maintenance of energy services for a number of blocks of flats – service commenced in 1999/00. Total obligation as at start of contract of £10,196,000 will be met from PFI grant and the Housing Revenue Account.
Payments within 1 year	236	93	111	102	542			
Payments within 2 to 5 years	791	256	163	311	1,521			
	1,027	349	274	413	2,063			
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	3,842	3,476	3,392	4,476	15,186			
Payments within 2 to 5 years	9,626	13,902	11,746	27,790	63,064			
Payments within 6 to 10 years	10,399	17,378	11,690	45,053	84,520			
Payments within 11 to 15 years	12,665	17,378	8,273	53,297	91,613			
Payments within 16 to 20 years	14,607	17,378	4,199	63,456	99,640			
Payments within 21 to 25 years	4,999	3,476	302	11,628	20,405			
	56,138	72,988	39,602	205,700	374,428			
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	496	730	1,779	2,187	5,192			
Payments within 2 to 5 years	2,444	2,918	6,549	9,512	21,423			
Payments within 6 to 10 years	4,069	3,648	6,560	14,105	28,382			
Payments within 11 to 15 years	6,242	3,648	4,002	16,491	30,383			
Payments within 16 to 20 years	3,660	1,459	604	7,082	12,805			
	16,911	12,403	19,494	49,377	98,185			
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	144	0	275	266	685			
Payments within 2 to 5 years	825	0	935	1,132	2,892			
Payments within 6 to 10 years	1,824	0	581	1,582	3,987			
	2,793	0	1,791	2,980	7,564			
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	895	461	1,550	1,515	4,421			
Payments within 2 to 5 years	4,198	1,844	5,583	6,568	18,193			
Payments within 6 to 10 years	6,964	2,305	5,262	9,449	23,980			
Payments within 11 to 15 years	9,522	2,305	2,704	10,995	25,526			
Payments within 16 to 20 years	2,427	488	166	2,552	5,633			
	24,006	7,403	15,265	31,079	77,753			
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	1,633	620	1,749	2,814	6,816			
Payments within 2 to 5 years	7,645	2,479	6,050	11,917	28,091			
Payments within 6 to 10 years	12,406	3,098	4,960	16,586	37,050			
Payments within 11 to 15 years	10,588	2,014	1,253	12,107	25,962			
	32,272	8,211	14,012	43,424	97,919			
Brunswick Housing						RPIX	2038	Brunswick – housing refurbishment, maintenance and estate management - services commenced in 2013/14. Total obligation as at start of contract of £258,236,000 to be met from PFI Grant and the Housing Revenue Account.
Payments within 1 year	7,756	0	1,575	2,251	11,582			
Payments within 2 to 5 years	18,700	0	15,921	9,387	44,008			
Payments within 6 to 10 years	13,655	0	19,585	12,742	45,982			
Payments within 11 to 15 years	18,191	0	16,277	14,322	48,790			
Payments within 16 to 20 years	24,277	0	11,380	16,310	51,967			
Payments within 21 to 25 years	17,044	0	2,699	9,899	29,642			
	99,623	0	67,437	64,911	231,971			
Refuse Vehicles Service Concession						Various	2023	Refuse vehicles utilised in the provision of refuse collection services to the Council. The service contract commenced in 2015 and the purchase of new vehicles to be utilised in the contract commenced in 2016.
Payments within 1 year	810	0	123	13,806	14,739			
Payments within 2 to 5 years	4,266	0	482	51,487	56,236			
Payments within 6 to 10 years	2,625	0	171	25,638	28,433			
	7,701	0	776	90,931	99,408			
Total	**240,471**	**101,354**	**158,651**	**488,815**	**989,291**			

*The service charge included above excludes inflation applied annually using the relevant index.
*The service charge shown assumes no deductions will be made for poor performance.
*The Brunswick Housing liability is being introduced onto the balance sheet as the work is undertaken.
*The Refuse Vehicle Service Concession liability is being introduced onto the balance sheet as assets are purchased.

The Council has seven PFI Schemes and one Service Concession as follows:

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

Refuse Vehicles Service Concession

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

HRA (Housing) PFI Schemes

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

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

In accordance with the terms and conditions of the PFI contract, the Council 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.

Education and Children's Services PFI Schemes

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

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

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

Growth and Neighbourhoods PFI Scheme

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

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

Refuse Vehicles Service Concession

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

Note 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:

	2014/15 (Surplus) / Deficit * £000s	2015/16 Turnover £000s	2015/16 Expenditure £000s	2015/16 (Surplus) / Deficit* £000s
Building maintenance	771	(2,008)	2,158	150
Highways maintenance	(214)	(12,806)	13,405	599
Schools and welfare catering	3,480	(15,356)	15,272	(84)
Other catering	(1,565)	(2,133)	1,370	(763)
Corporation estates	(1,001)	(6,784)	4,706	(2,078)
Industrial estates	0	(355)	577	222
Markets	(1,749)	(9,248)	8,258	(990)
Total (Surplus) / Deficit	**(278)**	**(48,690)**	**45,746**	**(2,944)**

* Included within the cost of all trading operations are costs that do not affect usable reserves such as depreciation, impairment and IAS19 pension costs. Costs of any voluntary early retirements and severance are also included within the figures.

Note 10. National Health Services Act 2006 Pooled Funds

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

Better Care Fund

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

	2014/15 £000s	2015/16 £000s
Funding		
Manchester City Council	0	6,223
Manchester CCGs	0	37,638
Total Funding	0	43,861
Expenditure		
New Delivery Models of Integrated Care	0	17,580
Protection of Adult Social Care	0	12,219
Reablement	0	5,000
Non Elective Risk Reserve	0	3,159
Care Act Responsibilities	0	1,451
Capital Expenditure	0	4,452
Total Expenditure	0	43,861
Overspend / (Underspend)	0	0

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

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

- give the Council and the three Manchester CCGs greater transparency and control over the use of funding to support local integration of health and care services
- realise benefits from integration in terms of efficiencies in how services are delivered, reducing reactive unplanned health and social care activity and improving long term health outcomes for people

- deliver reform of the local health and care system based on agreed strategic objectives for the Living Longer, Living Better programme and national conditions for use of the Better Care Fund

- protect health and / or social care as relevant to the partners in so far as this delivers the Better Care Fund national conditions.

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

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

Note 11. Financing and Investment (Income) and Expenditure

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

	Restated 2014/15 £000s	2015/16 £000s
Interest payable on debt	23,936	23,745
Interest element of finance leases (lessee)	234	61
Interest payable on PFI unitary payments	10,229	9,249
Net interest on the net defined benefit liability	31,628	32,188
Write back of concessionary loan interest	0	267
Investment interest income	(12,298)	(13,295)
Rentals received on investment properties	(18,658)	(19,281)
Expenses incurred on investment properties	2,354	2,718
Investment properties Impairment	20,408	12,971
Change in fair value of investment properties	(50,564)	(18,613)
Impairment of Shareholding	0	200
Dividends receivable	(27,393)	(36,495)
(Gain) on trading accounts (not applicable to a service)	(1,565)	(763)
Total financing and investment income and expenditure	**(21,689)**	**(7,048)**

Note 12. Taxation and non-specific grant income

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

	2014/15 £000s	2015/16 £000s	
Council Tax Income	120,583	125,506	a
Business Rates Income	142,988	170,927	b
Business Rates Retention Top Ups	7,371	7,512	
Business Rates Section 31 Grants	4,763	7,123	c
Enterprise Zone Relief Grant	867	894	d
Revenue Support Grant	191,305	138,358	
Education Services Grant	7,106	5,686	
New Homes Bonus Grant	8,951	10,265	e
New Homes Bonus return of top slice	544	521	
Council Tax Freeze Grant	1,524	1,532	f
Housing Benefit and Council Tax Support Administration Grant	5,592	5,053	
Contribution from Manchester Clinical Commissioning Groups	12,219	0	g
Private Finance Initiative Grant (General Fund)	6,580	6,580	
Other Grants	3,505	3,981	
Gain on concessionary interest loan	1,494	2,775	h
Capital Grants and contributions	74,931	36,744	
Total taxation and non-specific grant income	**590,323**	**523,457**	

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

b Business Rates Income has increased as the contribution required for appeals made against rateable values is less than anticipated resulting in a business rates collection fund surplus.

c. Section 31 grants are paid by government to compensate authorities for loss of business rates income due to the extension of small business rates relief and the measures announced in the Autumn Statement including capping the increase in business rates to 2% and additional retail reliefs.

d. The government refunds the costs of business rate discounts awarded within the Airport City Enterprise Zone.

e. New homes bonus grant started in 2011/12 and is paid for six years therefore there is an additional years entitlement in 2015/16.

f. As the Council froze Council Tax in both 2014/15 and 2015/16 it was entitled to this grant which is calculated at 1% of the protected council tax base.

g. The contributions from CCGs have been shown as a contribution from the Better Care Fund within net cost of services in 2015/16.

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

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

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

	Restated 2014/15 £000s	2015/16 £000s	
Dedicated Schools Grant	320,153	312,345	a
Pupil Premium	29,705	28,602	b
Housing and Council Tax Support	276,670	267,415	
Public Health Grant	44,134	50,418	c
Private Finance Initiative Grant (Housing Revenue Account)	23,600	23,603	
Decent Homes Backlog Funding	10,484	0	d
Learning and Skills Council Grants	7,697	7,484	
Asylum Seekers Grant	3,374	4,189	
Universal Free School Meals Grant	2,388	4,627	
Sixth Form Funding Grant	5,025	2,524	
Troubled Families Grant	3,857	1,981	e
Welfare Reform Grant	3,249	0	
Independent Living Fund	0	1,725	
Youth Justice Board Grants	1,574	1,646	
Higher Education Funding Council Grant	1,448	1,386	
Other Home Office Grants	1,070	1,446	
PE and Sports Grant	0	1,049	
Other Grants	4,257	4,750	
Total revenue grants credited to the Comprehensive Income and Expenditure Statement	**738,685**	**715,190**	

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

b. Pupil premium grant decrease is a result of an increase in the rate per pupil less reduction in the number of eligible pupils due to academy transfers.

c. Public Health grant increased by £4.2m due to a correction of the baseline and £5.4m to reflect the transfer of function for 0-5 years Public Health from October 2016. In addition there was reduction of £3.3m due to an in year cut of 6.2%.

d. Decent homes backlog funding was credited to the Housing Revenue Account and then transferred to the Major Repairs Reserve to fund capital works. This was not received in 2015/16.

e. Troubled Families Grant reduction is mainly due to a change in the mechanism for the calculation of the sustained success payment.

Note 14. Members' Allowances

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

	2014/15 £000s	2015/16 £000s
Members' allowances	1,926	1,953
Members' expenses	7	4
Total	**1,933**	**1,957**

Note 15. Officers' Emoluments

Employee Remuneration

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

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

Non schools based staff

The Council employs 6,975 non-schools based staff (7,482 in 2014/15). The number of non-schools based staff in each salary band over £50,000 is shown below, split between those staff who have not received severance payments and those who have.

	2014/15 Staff Who Have Not Received Severance Payments	2014/15 Staff Who Have Received Severance Payments	2014/15 Total	2015/16 Staff Who Have Not Received Severance Payments	2015/16 Staff Who Have Received Severance Payments	2015/16 Total
£50,000 - £54,999	34	18	52	38	0	38
£55,000 - £59,999	21	12	33	27	0	27
£60,000 - £64,999	21	10	31	18	0	18
£65,000 - £69,999	9	7	16	15	0	15
£70,000 - £74,999	11	4	15	14	0	14
£75,000 - £79,999	2	4	6	3	0	3
£80,000 - £84,999	8	2	10	3	1	4
£85,000 - £89,999	7	0	7	6	0	6
£90,000 - £94,999	4	0	4	3	0	3
£95,000 - £99,999	1	1	2	2	0	2
£100,000 - £104,999	1	0	1	1	0	1
£105,000 - £109,999	0	0	0	0	0	0
£110,000 - £114,999	0	3	3	0	0	0
£115,000 - £119,999	1	0	1	0	0	0
£135,000 - £139,999	0	1	1	0	0	0
£140,000 - £144,999	0	0	0	1	0	1
	120	**62**	**182**	**131**	**1**	**132**

Schools based staff

The Council employs 7,914 schools based staff (8,327 in 2014/15). 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.

	2014/15 Staff Who Have Not Received Severance Payments	2014/15 Staff Who Have Received Severance Payments	2014/15 Total	2015/16 Staff Who Have Not Received Severance Payments	2015/16 Staff Who Have Received Severance Payments	2015/16 Total
£50,000 - £54,999	65	0	65	67	0	67
£55,000 - £59,999	38	0	38	25	0	25
£60,000 - £64,999	18	0	18	23	0	23
£65,000 - £69,999	27	0	27	21	0	21
£70,000 - £74,999	13	0	13	14	0	14
£75,000 - £79,999	6	0	6	4	0	4
£80,000 - £84,999	6	0	6	3	0	3
£85,000 - £89,999	6	0	6	4	0	4
£90,000 - £94,999	0	0	0	3	0	3
£95,000 - £99,999	1	0	1	0	0	0
£100,000 - £104,999	1	0	1	1	0	1
£105,000 - £109,999	1	0	1	1	0	1
£110,000 - £114,999	0	0	0	2	0	2
	182	**0**	**182**	**168**	**0**	**168**

Senior Employees' Remuneration

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

	Salary, Fees or Allowances		Expenses Allowance		Employer's Contribution to Pension		Employer's Contribution to Early Retirement Costs		Severance Payments	
	2014/15 £	2015/16 £	2014/15 £	2015/16 £	2014/15 £	2015/16 £	2014/15 £	2015/16 £	2014/15 £	2015/16 £
Chief Executive of the Council and Head of Paid Service of the Greater Manchester Combined Authority, Sir Howard Bernstein	203,934	203,934	0	0	0	0	0	0	0	0
City Treasurer of the Council and the Treasurer of the Greater Manchester Combined Authority, Richard Paver (a)	154,914	154,914	1,239	1,289	0	0	0	0	0	0
City Solicitor of the Council and Monitoring Officer of the Greater Manchester Combined Authority	100,000	111,011	0	0	17,500	20,315	0	0	0	0
Deputy Chief Executive (People)	130,002	130,002	0	0	22,750	23,790	0	0	0	0
Deputy Chief Executive (Growth and Neighbourhoods)	102,325	107,325	0	0	18,258	19,640	0	0	0	0
Strategic Director of Children's Services (b)	70,667	6,048	0	0	12,367	1,155	0	0	99,230	0
Strategic Director of Adult Social Services (c)	73,741	120,000	0	0	12,905	21,960	0	0	0	0
Joint Director of Health & Social Care (d)	0	70,833	0	555	0	12,963	0	0	0	
Chief Information Officer €	0	57,207	0	0	0	10,469	0	0	0	0
Director of Public Health	97,970	97,970	0	0	13,716	14,010	0	0	0	0
Director of Education and Skills	115,002	115,002	0	0	20,125	21,045	0	0	0	0
Strategic Director Reform (f)	95,476	70,557	0	0	16,708	14,110	0	0	0	0
Strategic Director (Strategic Development)	120,000	120,000	846	880	21,000	21,960	0	0	0	0

(a) Richard Paver became full time Treasurer of the Greater Manchester Combined Authority on 1 June 2016. Carol Culley became Treasurer of the Council on 1 June 2016 and has therefore certified the annual accounts.

(b) The 2014/15 postholder left on 2 November 2014. The current postholder was appointed on 14 March 2016. In the interim this position was covered by an individual who did not work directly for Manchester City Council and therefore is not included in this note.

(c) In 2014/15 the position was covered by an individual who did not work directly for Manchester City Council for the first five months of the financial year. From 1 September the individual became a Manchester City Council employee and is included in this note from that date. The current post holder was appointed on 1 April 2015.

(d) Post was established on 7 September 2015.
(e) Post created 26 October 2015.
(f) The postholder left on 17 January 2016.

Note 16. Exit Packages

The number of agreed exit packages and the total cost of these within each band is shown below. The table includes the costs of the Voluntary Early Retirement (VER) and Voluntary Severance (VS) scheme that was offered to non-schools based staff in response to the need to reduce the Council's expenditure following the Finance Settlement published in December 2014.

The total cost figures shown include severance, early retirement and any compensation for loss of office payments that have been agreed at the year end. There were no compulsory redundancies during the financial years 2014/15 and 2015/16.

	2014/15 Number of Staff Departures Agreed	2014/15 Total Cost of Exit Packages £000s	2015/16 Number of Staff Departures Agreed	2015/16 Total Cost of Exit Packages £000s
£0 - £19,999	213	2,467	25	238
£20,000 - £39,999	104	2,914	2	64
£40,000 - £59,999	53	2,569	2	93
£60,000 - £79,999	10	677	0	0
£80,000 - £99,999	2	186	2	180
	382	**8,813**	**31**	**575**

Note 17. Audit Fees

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

	2014/15 £000s	2015/16 £000s
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	248	166
Fees payable to Grant Thornton for the certification of grant claims	18	12
Fees payable to Grant Thornton for services relating to other returns	9	8
	275	**186**

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

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

Note 18. Property Plant and Equipment

Movements on property, plant and equipment during 2015/16 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 2015/16								
Gross book value brought forward	427,755	1,196,981	74,829	462,051	28,064	50,416	192,484	2,432,580
Accumulated depreciation and impairment brought forward	(32,691)	(121,278)	(25,665)	(82,461)	(70)	0	(106,022)	(368,187)
Net book value carried forward as at 1 April 2015	**395,064**	**1,075,703**	**49,164**	**379,590**	**27,994**	**50,416**	**86,462**	**2,064,393**
Additions	25,004	49,401	10,369	22,933	693	6,122	20,015	134,537
Revaluations recognised in revaluation reserve	21,985	(2,160)	(2)	0	0	0	12,551	32,374
Downward Revaluations recognised in deficit on the provision of services	(1,849)	(29,644)	(3)	0	0	0	(28,881)	(60,377)
Derecognition - disposals	0	(11,593)	(848)	0	0	0	0	(12,441)
Transferred (to) held for sale assets	(3,020)	(4,963)	0	(826)	0	(23)	(1,708)	(10,540)
Other transfers	(611)	28,665	680	(247)	(352)	(38,238)	10,964	861
Other movements in cost or valuation - newly recognised leased / PFI assets	10,758	0	2,945	0	0	0	0	13,703
Depreciation	(11,885)	(23,851)	(5,859)	(7,950)	(1)	0	(236)	(49,782)
Impairments charged to the comprehensive income and expenditure statement	(7,477)	(2,656)	0	0	0	0	(1,570)	(11,703)
Impairments covered by the revaluation reserve	(9,914)	(4,107)	0	0	0	0	(467)	(14,488)
Net book value carried forward as at 31 March 2016	**418,055**	**1,074,795**	**56,446**	**393,500**	**28,334**	**18,277**	**97,130**	**2,086,537**

Gross book value carried forward	449,078	1,150,263	83,176	483,727	28,405	18,277	171,843	2,384,769
Accumulated depreciation and Impairment carried forward as at 31 March 2016	(31,023)	(75,468)	(26,730)	(90,227)	(71)	0	(74,713)	(298,232)
Net book value carried forward as at 31 March 2016	**418,055**	**1,074,795**	**56,446**	**393,500**	**28,334**	**18,277**	**97,130**	**2,086,537**

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

	Property, Plant and Equipment							
	Council Dwellings	Restated Other Land and Buildings	Vehicles, Plant, and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Restated Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Movement in 2014/15								
Gross book value brought forward	419,547	1,354,004	63,238	441,074	26,134	72,555	194,919	2,571,471
Accumulated depreciation and impairment brought forward	(30,043)	(279,847)	(22,314)	(74,941)	(71)	0	(107,305)	(514,521)
Net book value carried forward as at 1 April 2014	**389,504**	**1,074,157**	**40,924**	**366,133**	**26,063**	**72,555**	**87,614**	**2,056,950**
Additions	30,184	36,616	12,531	22,955	1,281	20,450	17,790	141,807
Revaluations recognised in revaluation reserve	3,876	81,299	950	0	0	0	10	86,135
Downward Revaluations recognised in deficit on the provision of services	(373)	(47,793)	0	0	0	0	0	(48,166)
Derecognition - disposals	0	(71,919)	(2,400)	0	0	0	(5,312)	(79,631)
Transferred (to) held for sale assets	(2,769)	0	0	0	(1)	0	(1,210)	(3,980)
Other transfers	(354)	31,763	4,083	(1,978)	653	(42,589)	(73)	(8,495)
Other movements in cost or valuation - newly recognised leased / PFI assets	7,423	0	69	0	0	0	0	7,492
Depreciation	(10,929)	(20,668)	(6,349)	(7,520)	(1)	0	(208)	(45,675)
Impairments charged to the comprehensive income and expenditure statement	(18,649)	(3,376)	(644)	0	(1)	0	(12,077)	(34,747)
Impairments covered by the revaluation reserve	(2,849)	(5,436)	0	0	0	0	(72)	(8,357)
Reversal of prior year impairment	0	1,060	0	0	0	0	0	1,060
Net book value carried forward as at 31 March 2015	**395,064**	**1,075,703**	**49,164**	**379,590**	**27,994**	**50,416**	**86,462**	**2,064,393**
Gross book value carried forward	427,755	1,196,981	74,829	462,051	28,064	50,416	192,484	2,432,580
Accumulated depreciation and impairment carried forward as at 31 March 2015	(32,691)	(121,278)	(25,665)	(82,461)	(70)	0	(106,022)	(368,187)
Net book value carried forward as at 31 March 2015	**395,064**	**1,075,703**	**49,164**	**379,590**	**27,994**	**50,416**	**86,462**	**2,064,393**

Note 19. Disposal of Assets

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

	2014/15 £000s	2015/16 £000s
Disposals of Assets		
Held for Sale - Council dwellings (right to buy)	2,769	4,093
Held for Sale - Other	5,301	23,908
Other Disposals including transfers to academies	79,631	15,789
	87,701	**43,790**

The schools that transferred to academies in 2015/16 were Newall Green Primary and Old Hall Drive Primary.

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

	2014/15 £000s	2015/16 £000s
HRA assets	(5,432)	(3,455)
Removal of schools transferring to academy status from the balance sheet	74,319	7,147
Other non-HRA assets	(854)	3,262
	68,033	**6,954**

Note 20. Accounting for Local Government Schools

The Council has the following maintained schools:

	Community	Voluntary Controlled	Voluntary Aided	Foundation
Number of schools, excluding PFI schools	64	14	44	2
Value of Land and Buildings at 31 March 2016	£313,436,000	N/A	N/A	N/A
Value of Land and Buildings at 31 March 2015	£352,941,000	N/A	N/A	N/A
Number of schools subject to PFI contracts	1	0	0	1
Value of Land and Buildings at 31 March 2016	£5,256,000	N/A	N/A	£35,889,000
Value of Land and Buildings at 31 March 2015	£5,960,000	N/A	N/A	£39,418,000

Non Current assets

The treatment of land and buildings for each type of school is based on the legal framework underlying each type of school. The Council controls the non current assets of community schools and foundation schools that are vested with the governing body and therefore the land and buildings of those schools are shown on the Council's balance sheet. The land and buildings of voluntary aided, voluntary controlled and foundation schools that are vested with an external trust are owned and controlled by the trustees of the schools or the foundation body and are therefore not shown on the balance sheet of the Council.

In the table above one of the two foundation schools, is shown on the balance sheet as the governing body is the trustee. The value of land and buildings shown in the table is therefore for one school only.

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

Revenue Funding

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

The DSG is allocated between central Council budget and budgets allocated to individual schools (delegated school budgets). Expenditure from central Council budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under the 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 38).

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

	Community	Voluntary Controlled	Voluntary Aided	Foundation	Total
	£000s	£000s	£000s	£000s	£000s
Opening schools reserves	17,955	2,245	5,078	3,028	28,306
Funding, including DSG	169,562	25,438	90,974	15,482	301,456
Net expenditure incurred by schools	(169,703)	(24,746)	(88,839)	(17,692)	(300,980)
Closing schools reserves	17,814	2,937	7,213	818	28,782

PFI Schemes

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

Note 21. Heritage Assets

Movements on heritage assets during 2015/16 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 2015	502,975	2,959	619	3,462	225	510,240
Revaluations	7,860	0	0	0	0	7,860
Reclassifications	0	0	0	0	3,054	3,054
Balance at 31 March 2016	**510,835**	**2,959**	**619**	**3,462**	**3,279**	**521,154**

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

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

a) Heritage Assets Nature and Scale of Assets Held

Manchester City Galleries (MCG) currently holds around 46,000 objects in trust on behalf of the People of Manchester. The collection comprises of approximately 13,600 items of fine art, 10,200 items of decorative art, and 22,200 items of costume. The collection is 'Designated' by the Museums, Libraries and Archives Council (MLA) as a pre-eminent collection of national and international importance.

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

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

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

Further details can be found in the following documents:

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

b) Heritage Asset Management and Preservation

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

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

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

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

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

Further details can be found in the following documents:

- Manchester City Galleries Constitution
- Manchester City Galleries Procedures Manual 2016
- Manchester City Galleries Collections Development Policy 2014-2017
- Manchester City Galleries Loans Policy 2010
- Manchester City Galleries Conservation and Care Policy 2012
- Manchester City Galleries Handling Guidelines 2011
- Manchester City Galleries Collection Information Policy 2012

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.

c) Heritage Assets Accounting Policies

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

Over the course of the year the valuations of works which are due to go out on loan are checked and amended if necessary. Valuations are also updated on an incidental basis if a curator becomes aware that a particular work may have increased or decreased in value. Changes in value during 2015/16 amounted to £7.9m.

Civic Plate / Lord Mayors Regalia / Model of HMS Manchester
These items are included in the balance sheet at insurance valuation and include assets on display in the Town Hall.

Town Hall Sculptures

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

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

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

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

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

d) Heritage Assets not Reported in the Balance Sheet

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

Listed buildings, such as the Town Hall complex, are actively used in the delivery of Council services. In accounting terms they have been classified as operational assets and reported and valued as Property, Plant and Equipment in the same way as other assets of this type.
The value of Victoria Baths has been transferred to heritage status in recognition of the nature of this historical asset.

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

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

Note 22. Valuation of Property, Plant and Equipment

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

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

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

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

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

- assets under construction are held at historic cost until brought into use.

- surplus assets have been valued on the basis of market value for the highest or best use

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

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

Asset Valuation Groups	Range	
	From (years)	To (years)
Council Dwellings - Main Structure	18	67
Adult Education Facilities	8	13
Car Parks	20	24
Children's Home / Family Centres	13	43
Day Centres / Luncheon Clubs	8	47
Galleries	34	59
Depots	14	55
Housing Offices	9	34
Leisure Centres / Sports Facilities	4	60
Libraries	5	59
Markets	15	20
Offices	15	59
Park Buildings	2	52
Schools	4	60
Youth Clubs / Children's Centres / Nurseries	7	55
BMX / Skate / Bike Facilities	18	25
Cemeteries and Crematoria	16	31
Vehicles, Plant, Furniture and Equipment	1	20
Infrastructure Assets	44	49
Surplus Assets	3	42

Council dwellings are valued annually. All other assets, with the exception of those valued at historic cost net of depreciation, are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at year end, but as a minimum every five years. Valuations have been undertaken during the year by internal Council valuers and Roger Hannah and Co and Jacobs, external valuers commissioned by the Council with a valuation date of 29 February 2016. Jacobs have provided indexation factors for the percentage increase in value from the date of the last valuation to 31 March 2016 for each category of asset. This did not result in any amendment to the valuations in the accounts.

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

Inspections for the property, plant and equipment (PPE) revalued during 2015/16 were carried out, as part of the Council's normal revaluation process. As a result of these inspections the Council recognised revaluations of PPE in the revaluation reserve of £32,374,000 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 £72,080,000 in relation to PPE being charged to the Comprehensive Income and Expenditure Statement.

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

Asset Type	Year of Revaluation
Leisure Centres	2015/2016
Buildings within parks	2015/2016
Libraries	2015/2016
Markets	2015/2016
Cemeteries and Crematoria	2011/2012
Depots	2011/2012
Car Parks	2015/2016
Day centres, luncheon clubs, resource centres	2015/2016
Schools	2015/2016
Youth clubs, children's centres, nurseries	2015/2016
Offices	2014/2015
Council dwellings	2015/2016
Housing area offices	2012/2013
Adult Education premises	2013/2014
Investment Properties	2015/2016
Art Galleries	2014/2015

Surplus Assets

Fair Value Hierarchy

Details of the Council's surplus properties and information about the fair value hierarchy as at 31 March 2016 is as follows:

		£000
Quoted price in active market	Level 1	32,471
Other significant inputs	Level 2	1,557
Significant unobservable inputs	Level 3	63,102
		97,130

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

the highest and best use of the asset and whether it is used in combination with other assets or on a stand alone basis
what is legally, physically and financially feasible
the market in which an orderly transaction would take place for the asset

the appropriate valuation technique to use maximising the use of relevant observable inputs (market data such as market rents and yields or actual information about transactions such as lease details or covenant strength) and minimising observable inputs (these are inputs where market data is not available and are developed using the best information available about the assumptions market participants would use when pricing the asset such as comparable land or property values. Where such evidence is not available the use of sales values and cost of development to produce a residual value has been used).

The Council's surplus properties have been assessed at a mixture of Levels 2 and 3 for valuation purposes, see the Accounting Policies Note for an explanation of fair value levels. The fair value of surplus assets has been measured using the market valuation technique and has taken account of the following factors - market evidence of capital values, location, size and layout. As the future use of these assets is yet to be determined, the current use cannot be assumed to be highest and best, however in estimating the fair value of surplus properties, the highest and best use of the properties has been adopted in accordance with the Code.

There have been no transfers between levels of fair value hierarchy in 2015/16.

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

	£000
Balance at 1 April 2015	47,262
Transfers into surplus assets	12,304
Total (losses) included in deficit on provision of services resulting from changes in the fair value	(14,140)
Total gains included in other comprehensive income and expenditure	12,581
	58,007
Additions	5,149
Depreciation	(54)
Balance at 31 March 2016	63,102

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

Note 23. Assets Held For Sale

Assets are categorised as held for sale when an asset is available for immediate sale in its present condition, the sale is highly probable, it is being actively marketed (if applicable) and the sale is expected to be within one year of classification as held for sale.

Movements on assets held for sale during the year were as follows:

	Assets Held For Sale £000s
Net book value brought forward	**12,928**
Movement in 2014/15	
Reclassifications	5,129
Disposals	(8,070)
Revaluations	31
Net book value carried forward as at 31 March 2015	**10,018**
Movement in 2015/16	
Reclassifications	16,385
Additions	10,048
Disposals	(28,001)
Revaluations	(2,298)
Net book value carried forward as at 31 March 2016	**6,152**

Note 24. Assets Recognised Under PFI and Similar Arrangements

Movements on PFI and similar arrangements assets and liabilities during the year were as follows:

	Energy Services £000s	Temple Primary School £000s	Plymouth Grove Housing £000s	Miles Platting Housing £000s	Brunswick Housing £000s	Public Lighting £000s	Wright Robinson Sports College £000s	Refuse Vehicles Service Concession £000s	Total £000s
Net book value brought forward	**117**	**10,351**	**21,075**	**39,033**	**21,434**	**48,893**	**36,806**	**0**	**177,709**
Movement in 2014/15									
Expenditure	0	35	0	0	3,169	0	0	0	3,204
Newly recognised assets	0	0	0	0	7,423	0	0	0	7,423
Reclassifications	0	0	(392)	(322)	(130)	0	0	0	(844)
Depreciation	(8)	(108)	(540)	(1,131)	(701)	(1,087)	(653)	0	(4,228)
Revaluations	0	35	543	1,315	970	0	3,265	0	6,128
Impairments	0	(4,353)	0	0	(2,679)	0	0	0	(7,032)
Net book value carried forward as at 31 March 2015	**109**	**5,960**	**20,686**	**38,895**	**29,486**	**47,806**	**39,418**	**0**	**182,360**
Movement in 2015/16									
Expenditure	0	0	0	0	3,261	165	0	0	3,426
Newly recognised assets	0	0	0	0	10,758	0	0	2,945	13,703
Reclassifications	0	0	(136)	(357)	(696)	2	0	0	(1,187)
Depreciation	(7)	(116)	(572)	(1,221)	(734)	(1,088)	(649)	(48)	(4,435)
Revaluations	0	(63)	671	3,118	1,735	0	(1,807)	0	3,654
Impairments	0	(525)	0	0	(2,108)	0	(1,073)	0	(3,706)
Net book value carried forward as at 31 March 2016	**102**	**5,256**	**20,649**	**40,435**	**41,702**	**46,885**	**35,889**	**2,897**	**193,815**

	Energy Services £000s	Temple Primary School £000s	Plymouth Grove Housing £000s	Miles Platting Housing £000s	Brunswick Housing £000s	Public Lighting £000s	Wright Robinson Sports College £000s	Refuse Vehicles Service Concession £000s	Total £000s
Deferred liability brought forward	**1,431**	**3,021**	**17,770**	**60,785**	**6,903**	**35,226**	**25,639**	**0**	**150,775**
Movement in 2014/15									
Additional liability	0	0	0	0	7,423	0	0	0	7,423
Write down of liability	(192)	(105)	(410)	(1,778)	(888)	(1,409)	(790)	0	(5,572)
Deferred liability carried forward as at 31 March 2015	**1,239**	**2,916**	**17,360**	**59,007**	**13,438**	**33,817**	**24,849**	**0**	**152,626**
Movement in 2015/16									
Additional liability	0	0	0	0	10,758	0	0	2,945	13,703
Write down of liability	(212)	(123)	(449)	(2,869)	(16,217)	(1,545)	(843)	(48)	(22,306)
Deferred liability carried forward as at 31 March 2016	**1,027**	**2,793**	**16,911**	**56,138**	**7,979**	**32,272**	**24,006**	**2,897**	**144,023**

Note 25. Assets Held as Lessee

Operating Leases

The Council has obtained the right to use vehicles, printers and multi-functional devices by entering into operating leases, with lives of five 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 2015 £000s	31 March 2016 £000s
Not later than one year	3,652	3,429
Later than one year and not later than five years	12,997	12,510
Later than five years	38,821	35,877
	55,470	**51,816**

Lease payments made:

	2014/15 £000s	2015/16 £000s
Minimum lease payments	4,394	3,764
Sub lease payments (receivable)	(448)	(448)
	3,946	**3,316**

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

	31 March 2015 £000s	31 March 2016 £000s
Not later than one year	448	448
Later than one year and not later than five years	1,792	1,792
Later than five years	963	515
	3,203	**2,755**

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

	2014/15 £000s	2015/16 £000s
Adult Social Care	194	188
Central Services to the Public	2	2
Children's and Education Services	196	153
Cultural and Related Services	1,624	1,373
Environmental and Regulatory Services	963	816
Planning Services	1,131	953
Highways, Road and Transport Services	198	238
Housing Services	79	37
Public Health	7	4
Total minimum lease payments	**4,394**	**3,764**

Finance Leases

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

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

	31 March 2015 £000s	31 March 2016 £000s
Land and buildings	429	429
Vehicles, plant and equipment	1,315	219
	1,744	**648**

The reduction for vehicles, plant and equipment relates to the write out of an embedded lease relating to refuse collection vehicles.

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 2015 £000s	31 March 2016 £000s
Finance lease liability		
current	879	147
non-current	766	476
Finance costs payable in future years	298	71
	1,943	**694**

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

	31 March 2015 £000s	31 March 2016 £000s
Not later than one year	1,064	182
Later than one year and not later than five years	533	92
Later than five years	420	402
Total minimum lease payments	**2,017**	**676**

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

	31 March 2015 £000s	31 March 2016 £000s
Not later than one year	879	147
Later than one year and not later than five years	438	74
Later than five years	402	420
Total finance lease liability	**1,719**	**641**

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 2014/15 or 2015/16.

The Council has sub-let a number of properties held under these finance leases. At 31 March 2016 the minimum payments expected to be received under non-cancellable sub leases was £45,933 (£45,983 at 31 March 2015).

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

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

	Land and building £000s	Vehicles, plant and equipment £000s	Total £000s
Net book value brought forward	**429**	**1,315**	**1,744**
Movement in 2015/16			
Transfers of Assets upon Expiry of Lease - Gross Asset Cost	0	(1,539)	(1,539)
Transfers of Assets upon Expiry of Lease - Accumulated Depreciation	0	1,539	1,539
Disposals - Gross Asset	0	(4,008)	(4,008)
Disposals - Accumulated Depreciation	0	3,159	3,159
Depreciation	0	(247)	(247)
Net book value carried forward as at 31 March 2016	**429**	**219**	**648**
Gross Book Value as at 31 March 2016	429	1,799	2,228
Accumulated Depreciation as at 31 March 2016	0	(1,580)	(1,580)
Net book value carried forward as at 31 March 2016	**429**	**219**	**648**

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

Note 26. Assets Held as Lessor

Operating Leases

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

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

	31 March 2015 £000s	31 March 2016 £000s
Not later than one year	8,448	7,850
Later than one year and not later than five years	29,923	27,498
Later than five years	657,840	641,431
Total minimum lease payments	**696,211**	**676,779**

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

Note 27. Investment Properties

The value of income generating investment properties classed as operating leases is £372,521,000 (£373,494,000 in 2014/15). The balance of investment properties are held for capital appreciation purposes.

These assets are classed as investment properties because they are held to solely earn rentals during the year and are not used by the Council in delivering its services. As these assets are classed as investment properties no depreciation charge has been made in 2014/15 or 2015/16.

	2014/15 £000s	2015/16 £000s
Rental income from investment property	(18,658)	(19,281)
Direct operating expenses arising from investment property	2,354	2,718
Net gain	**(16,304)**	**(16,563)**

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

	Investment Properties Restated £000s
Net book value brought forward as at 1 April 2014	**344,508**
Movement in 2014/15	
Expenditure	4,966
Reclassifications	7,350
Revaluations	50,564
Impairments (including downward revaluations)	(20,407)
Net book value carried forward as at 31 March 2015	**386,981**
Movement in 2015/16	
Expenditure	7,603
Reclassifications	(9,760)
Revaluations	18,613
Disposals	(3,348)
Impairments (including downward revaluations)	(12,971)
Net book value carried forward as at 31 March 2016	**387,118**

Fair Value Hierarchy

All properties within the Council's investment portfolio have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (accounting policy 1.2.36 provides an explanation of the fair value levels).

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

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

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

Highest and Best Use

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

Valuers

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

Note 28. Capital Expenditure and Capital Financing

	2014/15 £000s	2015/16 £000s
Opening Capital Financing Requirement	**1,059,125**	**1,061,047**
Expenditure		
Property, plant and equipment	141,807	134,537
Investment properties	4,966	7,603
Assets held for sale	0	10,048
Revenue expenditure funded from capital under statute*	43,995	68,476
Long term debtors	1,709	25,897
	192,477	246,561
Assets acquired under finance lease / PFI arrangements	7,492	13,703
Funding Resources		
Revenue contributions	40,874	25,932
Capital Receipts	24,722	33,624
Major Repairs Allowance	24,241	25,231
Government grants	62,290	80,268
External contributions	18,366	26,243
Minimum Revenue Provision	27,554	26,510
	198,047	217,808
Closing Capital Financing Requirement	**1,061,047**	**1,103,503**
HRA	221,440	232,198
Non HRA	839,607	871,305
Closing Capital Financing Requirement	**1,061,047**	**1,103,503**
Explanation of Movement in Year		
Minimum Revenue Provision	(27,554)	(26,510)
Increase in underlying need to borrow	21,984	55,263
Assets acquired under finance lease / PFI arrangements	7,492	13,703
	1,922	42,456

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

Note 29. Contracted Capital Commitments

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

	31 March 2015 £000s	31 March 2016 £000s
Housing	4,456	9,197
Education	9,946	19,944
Leisure Centres	7,266	0
Beswick Community Hub	10,019	0
St Peter's Square	1,656	0
Belle Vue Sports Village	8,795	0
The Factory	0	7,498
Waste Contract	0	5,546
Other services	349	38
	42,487	**42,223**

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

Note 30. Investments

The Council has the following long-term investments:

	31 March 2015 £000s	31 March 2016 £000s
Investments in organisations included in the group statements		
Manchester Airports Holdings Ltd Share Capital	112,354	112,354
Destination Manchester Ltd Share Capital	10,200	10,200
Other long-term investments		
Investments in subsidiaries not included in the group statements		
Manchester Mortgage Corporation Plc Share Capital	6,131	6,149
Investments in associates and joint ventures not included in the group statements		
National Car Parks (Manchester) Ltd Share Capital	1,103	1,308
Eastlands Development Company Limited	1,300	1,300
	131,088	**131,311**
Other long-term investments	2,608	4,241
Total other long-term investments	**2,608**	**4,241**
Total Long-Term Investments	**133,696**	**135,552**

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

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

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

The table below shows summarised financial information for the Council's joint venture for 2014/15 and 2015/16. These figures show the Council's share of the joint venture's results:

Council's share of Manchester Airports Holdings Ltd	**2014/15 £000s**	**2015/16 £000s**
Total current assets as at 31 March	30,921	27,903
Total long term assets as at 31 March	1,140,544	1,137,349
Total current liabilities as at 31 March	77,958	79,591
Total income	262,132	276,474
Total expenditure	237,779	235,046

Note 31. Debtors and Payments in Advance

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

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 2015 £000s	31 March 2016 £000s	
Short term debtors and payments in advance			
Debtors classed as Financial Instruments			
Government departments	7,609	8,387	
Other local authorities	14,485	18,923	a
NHS bodies	12,959	1,849	b
Public corporations	9	0	
Housing rents	8,992	7,433	
All other bodies (external to government)	92,288	94,372	
	136,342	130,964	
Impairment of Debt			
Housing rents	(6,643)	(5,065)	
Other	(38,924)	(44,413)	
	90,775	81,487	
Debtors not classed as Financial Instruments			
HM Revenue and Customs	6,950	7,778	
Government departments payments in advance	9	6	
Council tax	49,030	50,470	
Business rates	11,126	12,802	
All other bodies (external to government) payments in advance	9,887	7,849	
Impairment of Debt			
Council tax	(41,028)	(42,650)	
Business rates	(6,054)	(6,838)	
Total	**120,695**	**110,906**	

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

b. The reduction in NHS bodies debtors is as a result of the 2015/16 contribution from the Manchester CCGs being paid earlier than in 2014/15.

Within debtors and payments in advance the amount outstanding for over 30 days that is not impaired is £33.3m. This includes business rates debtors £6.1m, council tax debtors £7.9m and housing benefit overpayment debtors of £6.3m.

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

	31 March 2015 £000s	31 March 2016 £000s	
Amounts falling due after one year			
Debtors classed as Financial Instruments			
Mortgages			
Housing Revenue Account	52	11	(a)
General Fund	81	42	(a)
Manchester Airports Holdings Ltd	83,168	83,168	(b)
Destination Manchester Ltd / Manchester Central Ltd	20,907	20,157	(c)
Ex GMC debt	142	118	(d)
Private Sector Housing Loans	8,573	11,039	(e)
Equity Mortgages	2,978	3,282	(f)
Eon Reality	2,200	2,200	(g)
Bluethorn Developments Ltd / Blueindale Ltd	3,738	0	(h)
Greater Manchester Loans Fund	2,312	4,223	(i)
Matrix Homes	0	6,733	(j)
Biffa Municipal	0	2,630	(k)
LQ Developments	0	5,452	(l)
WB Developments	0	12,891	(m)
Other	2,774	2,480	(n)
	126,925	154,425	
Debtors not classed as Financial Instruments			
PFI prepayments	22,719	19,168	(o)
Total	**149,644**	**173,593**	

a - These debtors relate to mortgages granted to individuals.

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

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

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

e - These debtors relate to loans to individuals given to carry out works to their properties or to provide relocation assistance following compulsory purchase orders. These loans are accounted for as embedded derivatives (see note 39e) or soft loans. The amount relating to embedded derivatives is an estimate of the amount to be repaid based on the amount of loans outstanding adjusted by the Land Registry House Pricing Index. The amount relating to soft loans is based on the amount to be repaid reduced by the amount of foregone interest as these loans are offered at below market rates of interest.

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

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

h - This debtor relates to a loan made to the company in 2013/14 which was repaid during 2015/16.

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

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

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

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

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

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

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

Note 32. Current Intangible Assets

Current intangible assets relate to Carbon Reduction Commitment (CRC) allowances purchased against future emissions. These will be surrendered to the CRC Registry in 2016/17.

Note 33. Creditors and Receipts in Advance

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

	31 March 2015 £000s	31 March 2016 £000s	
Short Term Creditors and Receipts in Advance			
Creditors classed as Financial Instruments			
Government departments	38,414	66,482	a
Other local authorities	10,729	15,608	b
NHS bodies	5,402	2,049	
Public corporations	65	49	
Financial institutions	1,152	2,115	
Housing rents	2,271	1,496	
Other bodies (external to government)	79,958	73,342	
	137,991	161,141	
Creditors not classed as Financial Instruments			
Government departments receipts in advance	5,272	6,573	
Other local authorities receipts in advance	150	301	
NHS bodies receipts in advance	57	16	
Financial institutions receipts in advance	1	0	
Other bodies (external to government) receipts in advance	2,946	1,958	
HM Revenue and Customs	8,395	8,099	
Council tax	5,404	5,783	
Business rates	7,089	7,930	
Total	**167,305**	**191,801**	

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

b. The increase in local authority creditors relates to the Police and Crime Commissioner and Fire Authority's net share of balance sheet items relating to council tax. As this is classed as an agency arrangement a net creditor position is shown.

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

	31 March 2015 £000s	31 March 2016 £000s
Amounts falling due after one year		
Creditors classed as Financial Instruments		
Equity mortgages - share of proceeds	1,088	1,116
Other	350	69
	1,438	1,185
Creditors not classed as Financial Instruments		
Rental deposits	1,393	1,006
Total	**2,831**	**2,191**

Note 34. Analysis of Long-term Borrowing

a. To Balance Sheet Date

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

	31 March 2015 £000s	Range of Interest Rates Payable from %	to %	Average Interest %	31 March 2016 £000s
Analysis of loans by type					
Market Loans	496,252	4.1400	9.0000	4.8462	469,153
Government Debt	5,292	0.0000	0.0000	0.0000	24,546
Stocks	8,094	3.0000	4.0000	3.3672	8,086
Total Outstanding	509,638				501,785
Analysis of loans by maturity					
1-2 years	22,202				9,160
2-5 years	59,838				48,276
5-10 years	18,959				24,943
after 10 years	408,639				419,406
	509,638				501,785

In 2014/15 the Market Loans included interest free loans of £6.786m from the Homes and Communities Agency. This funding has been reclassified as Government Debt within this note. The carrying amount of this loan is £5.292m after the effect of it being interest free is accounted for. Further loans from the Homes and Communities Agency and the Treasury are shown within this category in 2015/16.

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 2015 £000s	Range of Interest Rates Payable from %	to %	Average Interest %	31 March 2016 £000s
Analysis of loans by type					
Market Loans	1,306,377	4.1400	9.0000	4.8462	1,256,572
Government Debt	5,292	0.0000	0.0000	0.0000	24,546
Stocks	17,299	3.0000	4.0000	3.3672	17,011
Total Outstanding	1,328,968				1,298,129
Analysis of loans by maturity					
1-2 years	44,903				31,550
2-5 years	122,062				106,108
5-10 years	108,456				113,789
after 10 years	1,053,547				1,046,682
	1,328,968				1,298,129

Note 35. 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 2015 £000s	Repaid in year £000s	Additions in year £000s	Write Down on disposal £000s	31 March 2016 £000s	Short Term 31 March 2016 £000s	Long Term 31 March 2016 £000s
Ex GMC debt	15,948	(1,941)	0	0	14,007	2,044	11,963
Finance leases	1,719	(248)	0	(848)	623	147	476
Private Finance Initiatives	152,626	(22,257)	10,758	0	141,127	15,001	126,126
Service Concession	0	(48)	2,945	0	2,897	277	2,620
	170,293	**(24,494)**	**13,703**	**(848)**	**158,654**	**17,469**	**141,185**

Note 36. Provisions

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

The Council has established the following provisions:

	31 March 2015 £000s	Transfers in year £000s	Amounts used in year £000s	Contributions in year £000s	Amounts released in year £000s	31 March 2016 £000s	Short Term 31 March 2016 £000s	Long Term 31 March 2016 £000s	
Compensation provisions	12,569	0	(3,911)	3,494	(991)	11,161	4,418	6,743	a
Insurance provision (including HRA)	3,423	0	(866)	2,803	(122)	5,238	2,151	3,087	b
Voluntary early retirement / severance provision	559	0	(559)	0	0	0	0	0	c
Provision for business rate appeals	64,138	0	(18,241)	2,171	0	48,068	13,670	34,398	d
Various other provisions	1,619	0	(272)	515	(309)	1,553	1,251	302	
	82,308	**0**	**(23,849)**	**8,983**	**(1,422)**	**66,020**	**21,490**	**44,530**	

a - The compensation provisions have been set up to compensate claimants for claims received by the Council as at 31 March 2016. These claims will be paid as the amount of compensation is agreed for each case. The amounts of the provisions have been calculated based on an estimate of the likely settlement of the claims. There is no expected reimbursement to fund these claims.

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

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

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

The rate of Levy may be adjusted by the Scheme Administrator if, following a review of the financial position of MMI, he determines that the rate requires to be increased or decreased. Any such adjustment would be applied to the carried forward gross payments at that time.

A further 20% levy has been provided at 31 March 2016, based on the advice of the Actuary, 10% of which will become due in May 2016.

Based on the most recent insurance data, £3.107m claims had already been paid with outstanding claims of £1.909m for which a provision of £1.279m has been made at 31 March 2016.

Greater Manchester Council's (GMC) former insurer was also MMI. Based upon the most recent valuation £10.771m of claims to GMC had already been paid with outstanding claims estimated at £0.161m.

GMC ceased to exist on 31 March 1986 and any residual liabilities are shared between the ten local authorities within Greater Manchester based on the population estimated by the Registrar General on the 30 June which falls twenty one months before the beginning of the financial year in which any sum recoverable falls. Manchester's share of this liability is presently 18.95%. Based on this share the Council has made a provision of £0.451m at 31 March 2016.

c - 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 2015.

d - Following the partial localisation of business rates from 1 April 2013 the Council is required to make a provision for 49% of the estimated settlement value of appeals against business rates. This provision has been estimated using information received from the Valuation Office Agency (VOA) on appeals settled and outstanding against the 2005 and 2010 valuation lists. The provision includes an amount for known national issues relating to appeals that have been agreed for other councils and will have a knock on effect for the Council as well as unlodged appeals estimated to be received in 2016/17 that would backdate to 1 April 2015. Settled appeals will be charged to the provision once determined by the VOA. It is anticipated that the majority of these appeals will be resolved by 2019, the Council can not be certain as to when these appeals will be settled as it is dependant on the timing of their settlement by the VOA. This provision has been determined on the assumption that current outstanding appeals will be settled in line with previous experience.

Note 37. 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 2015/16 the average net rate of interest paid and received was 5.98% (5.45% in 2014/15).

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 2015 £000s	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s
Financial Liabilities at Amortised Cost:						
Borrowings	509,638	501,785	21,942	32,234	531,580	534,019
Deferred Liabilities	158,940	141,185	11,353	17,469	170,293	158,654
Creditors	1,438	1,185	137,991	161,141	139,429	162,326
Total Financial Liabilities	**670,016**	**644,155**	**171,286**	**210,844**	**841,302**	**854,999**
Loans and receivables	126,925	154,425	215,047	178,037	341,972	332,462
Available for sale assets	2,608	11,623	0	0	2,608	11,623
Unquoted equity investment at cost less impairment	8,809	1,376	0	0	8,809	1,376
Total Financial Assets	**138,342**	**167,424**	**215,047**	**178,037**	**353,389**	**345,461**

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

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

Fair Value of Assets and Liabilities Carried at Amortised Cost

	Carrying Amount		Fair Value	
Liabilities	Restated 31 March 2015 £000s	31 March 2016 £000s	Restated 31 March 2015 £000s	31 March 2016 £000s
Market debt	518,140	501,333	650,521	645,194
Government debt	5,292	24,546	5,888	20,259
Stocks	8,148	8,140	8,560	10,564
Total Borrowings	**531,580**	**534,019**	**664,969**	**676,017**
Ex GMC debt	15,948	14,007	15,948	14,007
PFI and finance lease liabilities	154,345	144,647	127,766	202,201
Trade creditors	139,429	162,326	139,429	162,326
Total Financial Liabilities	**841,302**	**854,999**	**948,112**	**1,054,551**

	Carrying Amount		Fair Value	
Assets	31 March 2015 £000s	31 March 2016 £000s	31 March 2015 £000s	31 March 2016 £000s
Cash and cash equivalents	124,272	96,550	124,272	96,550
Trade debtors	217,700	235,912	217,700	235,912
Total Loans and Receivables	**341,972**	**332,462**	**341,972**	**332,462**

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

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

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

The fair values for market and Government debt were determined by reference to new loan rates on the Gilt market as at the balance sheet date as there is no active market for similar assets at this time and include accrued interest as this provides a sound approximation for the fair value for these instruments (level 2). By way of comparison, if the fair values were calculated with reference to PWLB redemption rules and prevailing PWLB redemption rates, they would be £22,011,000 for Government debt and £793,530,000 for market debt.

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

	Financial Liabilities 2015/16	Financial Assets 2015/16			
	Measured at Amortised Cost £000s	Loans and Receivables £000s	Available for Sale Assets £000s	Fair Value through the I&E £000s	Total £000s
Losses on Derecognition	0	0	0	0	0
Impairment of shareholding	0	200	0	0	200
Interest Payable and Similar Charges	**33,055**	**200**	**0**	**0**	**33,255**
Interest Income	0	13,295	0	0	13,295
(Loss) on Derecognition	0	0	(2)	0	(2)
Interest and Investment Income	**0**	**13,295**	**(2)**	**0**	**13,293**

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 6 March 2015 and subsequently amended on 15 July 2015. The strategy is available on the Council's website.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is managed through the Annual Investment Strategy which was approved by full Council on 6 March 2015 and subsequently amended on 15 July 2015. This strategy is available on the Council's website. Some of the key areas of the strategy are as follows:

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

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

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

Investment Limits

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

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

Other	
Debt Management Office	£200 million
Other local authorities	£20 million

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

Monitoring of credit ratings

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

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

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

The trade debtor amount is £285,389,000 and the estimated exposure to default is £49,478,000.

Liquidity Risk

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

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

Refinancing and Maturity Risk

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

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

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

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:
- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- borrowings at fixed rates – the fair value of the borrowing liability will fall.
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and effect the General Fund Balance.

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

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

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

- LOBO risk (loans potentially subject to call £220,575,000@1%) = £2,206,000.

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares but does have shareholdings at a cost of £135,552,000 in a number of subsidiaries, associates and joint ventures. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares or impairment of the assets held. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

Foreign Exchange risk

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

Note 38. 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 2015 £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2016 £000s	Note
a) Reserves Held for Capital Purposes						
Capital Receipts Reserve	37,943	0	35,905	(35,899)	37,949	a(1)
Major Repairs Reserve	6,747	0	20,393	(25,231)	1,909	a(2)
Capital Grants Unapplied Reserve	54,876	0	77,316	(106,510)	25,682	a(3)
Total Reserves Held for Capital Purposes	**99,566**	**0**	**133,614**	**(167,640)**	**65,540**	
Reserves Held for Revenue Purposes						
b) Schools Reserves						
Local Management of Schools Reserve	31,606	0	0	(2,824)	28,782	b(1)
Total reserves held for schools	**31,606**	**0**	**0**	**(2,824)**	**28,782**	
c) Statutory Reserves						
Bus Lane Enforcement Reserve	2,167	0	1,359	(1,490)	2,036	c(1)
On-street Parking Reserve	2,633	0	6,188	(5,582)	3,239	c(2)
Ancoats Square Reserve	1,921	0	0	0	1,921	c(3)
Cutting Room Square Ext Ancoats Reserve	1,050	0	0	0	1,050	c(4)
Other smaller reserves under £1m	1,176	69	82	(44)	1,283	
Total Statutory Reserves	**8,947**	**69**	**7,629**	**(7,116)**	**9,529**	
d) Reserves held for PFIs						
Public Lighting PFI Reserve	1,892	0	16	(1,313)	595	d(1)
Temple School PFI Reserve	628	0	13	0	641	d(2)
Wright Robinson Sports College PFI Reserve	695	0	39	0	734	d(3)
Total Reserves held for PFIs	**3,215**	**0**	**68**	**(1,313)**	**1,970**	
e) Small specific reserves						
Home Loans Reserve	107	0	5	0	112	e(1)
Climate Innovation Fund Reserve	789	0	159	(395)	553	e(2)
Other smaller reserves under £1m	1,266	469	237	(672)	1,300	
Total small specific reserves	**2,162**	**469**	**401**	**(1,067)**	**1,965**	
f) Reserves held to smooth risk / assurance						
Insurance Fund Reserve	18,907	0	0	(1,426)	17,481	f(1)
Children's Services Reserve	208	(150)	10	(22)	46	f(2)
Historic Abuse Reserve	5,563	0	0	0	5,563	f(3)
Pension Contribution Reserve	410	0	75	0	485	f(4)
Manchester International Festival Reserve	1,500	0	0	0	1,500	f(5)
Adult Social Care Reserve	0	0	2,000	0	2,000	f(6)
Transformation Reserve	8,148	0	908	(332)	8,724	f(7)
Community Care Reserve	467	0	0	(467)	0	f(8)
Stepping stones Reserve	850	(850)	0	0	0	f(9)
Airport Dividend Reserve	11,000	0	20,787	(9,000)	22,787	f(10)
Other smaller reserves under £1m	1,663	(692)	246	(393)	824	
Total reserves held to smooth risk / assurance	**48,716**	**(1,692)**	**24,026**	**(11,640)**	**59,410**	
g) Business Rates Reserves						
Business Rates Safety Net Reserve	27,247	0	0	(27,247)	0	g(1)
Business Rates Reserve	5,604	0	3,113	0	8,717	g(2)
Total Business Rates Reserves	**32,851**	**0**	**3,113**	**(27,247)**	**8,717**	
h) Revenue reserves held to support capital schemes						
Capital Fund Reserve	29,030	5,415	8,105	(4,833)	37,717	h(1)
Town Hall Reserve	1,922	(1,771)	0	(151)	0	h(2)
Service Improvement Fund Reserve	384	0	0	(163)	221	h(3)
English Institute of Sport Reserve	5,471	0	3,518	(1,917)	7,072	h(4)
Housing Regeneration Reserve	15,000	0	0	0	15,000	h(5)
Other smaller reserves under £1m	2	0	0	0	2	
Total revenue reserves held to support capital schemes	**51,809**	**3,644**	**11,623**	**(7,064)**	**60,012**	

	31 March 2015 £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2016 £000s	Note
i) Reserves held for economic growth and public sector reform						
SoccerEx Reserve	1,185	0	0	(395)	790	i(1)
Troubled Families Reserve	2,105	0	0	(406)	1,699	i(2)
Clean and Green Places Reserve	12,111	0	0	(5,183)	6,928	i(3)
Children and Families Investment Reserve	14,094	0	0	(6,713)	7,381	i(4)
Other smaller reserves under £1m	60	280	794	(66)	1,068	
Total reserves held for economic growth and public sector reform	**29,555**	**280**	**794**	**(12,763)**	**17,866**	
j) Grants and contributions used to meet commitments over more than one year (shown as reserves due to the required accountancy treatment)						
English Partnership Reserve	2,034	0	0	(132)	1,902	
Department of Health Reserve	3,395	0	0	(3,087)	308	
Dedicated Schools Grant Reserve	2,833	0	265	(2,830)	268	
Other Grants and Contributions Reserve	2,611	0	425	0	3,036	
Better Care Fund Reserve	4,881	0	3,200	(646)	7,435	
Welfare Reform Grant Reserve	2,613	(2,491)	0	(122)	0	
Other smaller reserves under £1m	4,829	(279)	453	(1,606)	3,397	
Total grants and contributions used to meet commitments over more than one year	**23,196**	**(2,770)**	**4,343**	**(8,423)**	**16,346**	j(1)
Total earmarked revenue reserves	**232,057**	**0**	**51,997**	**(79,457)**	**204,597**	
k) General Fund Reserve						
General Fund Reserve	27,109	0	368	0	27,477	k(1)
Total all general fund reserves	**259,166**	**0**	**52,365**	**(79,457)**	**232,074**	
l) Housing Revenue Account Reserve						
Housing Revenue Account Reserve	86,686	0	0	(676)	86,010	l(1)
Total All Usable Reserves	**445,418**	**0**	**185,979**	**(247,773)**	**383,624**	

a(1) - Capital Receipts Reserve

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

	2014/15 £000s	2015/16 £000s
Balance at 1 April	43,388	37,943
Capital receipts received in year	21,512	35,905
Paid to housing national pool	(2,235)	(2,275)
Applied to fund capital expenditure	(24,722)	(33,624)
Balance at 31 March	**37,943**	**37,949**

a(2) - Major Repairs Reserve

Resources available to meet capital investment in council housing.

	2014/15 £000s	2015/16 £000s
Balance at 1 April	7,310	6,747
HRA depreciation	11,033	11,989
Financing of capital expenditure on council dwellings	(24,241)	(25,231)
Decent homes backlog funding	10,645	0
Transfer from the HRA	2,000	8,404
Balance at 31 March	**6,747**	**1,909**

a(3) - Capital Grants Unapplied Reserve

Capital grants and contributions available to meet future capital expenditure.

	2014/15 £000s	2015/16 £000s
Balance at 1 April	47,269	54,876
Grants received in year	89,287	77,716
Prior Year Grants recognised - now treated as Receipts in Advance	(354)	0
Prior Year Grants recognised - now treated as Revenue Grants	(670)	(400)
Transferred to Capital Adjustment Account: General Grants and Contributions	(67,324)	(65,938)
Transferred to Capital Adjustment Account: Revenue Expenditure Funded from Capital Under Statute (REFCUS) Grants and Contributions	(13,332)	(40,572)
Balance at 31 March	**54,876**	**25,682**

b(1) The LMS Reserve is committed to be spent on the Education service and is not available for the general use of the Council. This is held by schools under delegated schemes.

c(1) The Bus Lane Enforcement Reserve was established to hold surpluses generated from bus lane enforcement and will be spent on public transport related activities and highways improvements.

c(2) The On-street Parking Reserve was established to hold surpluses generated from on-street parking and will be spent on transport related activities and road and environmental improvements.

c(3) Commuted sum received from the Homes and Communities Agency to fund maintenance in future years.

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

d(1) The Public Lighting PFI Reserve has been established to fund future expenditure on the scheme.

d(2) The Temple School PFI Reserve has been established to fund future expenditure on the scheme.

d(3) The Wright Robinson Sports College PFI Reserve has been established to fund future expenditure on the scheme.

e(1) Resources available to meet future needs of mortgage accounts.

e(2) To support the investment model on Green Deal for Manchester and schemes which contribute towards carbon reduction.

f(1) The Insurance Fund has been established to fund risks that are self-insured.

f(2) The Children's Services Reserve was established to fund future liabilities relating to Children's Services.

f(3) The Historic Abuse Reserve was set up to meet future potential compensation claims.

f(4) The Pension Contribution Reserve was set up to fund future additional pension costs.

f(5) The Manchester International Festival Reserve was established to give certainty to the cost to the Council of supporting the festival as timescales do not readily fit with the Council's annual budget process.

f(6) The Adult Social Care Reserve has been established to support risks facing this budget in 2017/18

f(7) The Transformation Reserve has been set up to fund future service transformation costs.

f(8) The Community Care Reserve was set up to meet future potential care costs.

f(9) The Stepping Stones Reserve was set up to meet future potential liabilities.

f(10) The Airport Dividend Reserve relates to an interim airport dividend for 2014/15 which equated to £11m for the Council and an additional £20.787m received in 2015/16. The approved 2015/16 Budget included proposals to use £9m to support the budget in 2015/16 and £2m in 2016/17 and the approved 2016/17 budget included proposals to use the £20.787m in 2016/17.

g(1) The Business Rates Safety Net Reserve was set up to hold the Safety Net receipt relating to 2013/14 and has been used to fund the Collection Fund Deficit relating to Business Rates.

g(2) The Business Rates Reserve was set up to hold additional Section 31 Business Rates Grants and is to be used to fund future liabilities relating to Business Rates.

h(1) The Capital Fund was established to fund revenue contributions to major capital schemes.

h(2) The Town Hall Reserve was established to contribute towards the refurbishment of the Town Hall Extension and Central Library.

h(3) The Service Improvement Fund was established to fund improvements in Council services.

h(4) The English Institute of Sport Reserve holds monies received in relation to the City of Manchester Stadium and is to be used to fund future developments at Sportscity.

h(5) The Housing Regeneration Reserve has been set up to develop private sector housing.

i(1) The SoccerEx Reserve will be used to fund future the SoccerEx Global Conventions.

i(2) The Troubled Families Reserve will support the scaling up of community budgets.

i(3) The Clean and Green Reserve was funded from a dividend received from Manchester Airports Holdings Ltd and is being used to support green initiatives.

i(4) The Children and Families Investment Reserve was established with the aim to support more families into sustainable employment and reduce the numbers of looked after children

j(1) These grants were shown as receipts in advance on the Council's balance sheet under UKGAAP accounting standards as the spend they were funding had not been incurred. As these grants will not need to be repaid in accordance with the conditions on which the grant has been given, IFRS accounting standards require these grants to be recognised in the Consolidated Income and Expenditure Statement when they are due. The Council has chosen to transfer these grants to reserves to meet future spending commitments.

k(1) Resources available to meet future running costs for non-HRA services.

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

Note 39. Unusable Reserves

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

Unusable Reserve	Restated 31 March 2015 £000s	31 March 2016 £000s	Note
Revaluation Reserve	857,007	864,440	a
Available for Sale Financial Instruments Reserve	1,811	3,852	b
Pensions Reserve	(1,012,249)	(783,824)	c, 41
Capital Adjustment Account	1,271,969	1,295,891	d
Deferred Capital Receipts Reserve	2,014	2,232	e
Financial Instruments Adjustment Account	(1,446)	1,469	f
Collection Fund Adjustment Account	(30,008)	14,938	g
Short-term Accumulated Absences Account	(5,867)	(6,388)	h
	1,083,230	**1,392,610**	

a - Revaluation Reserve

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

	Restated 2014/15 £000s	2015/16 £000s
Balance at 1 April	717,405	857,007
Revaluations relating to property, plant and equipment	86,135	32,374
Revaluations relating to other non-PPE assets	79,081	7,562
Revaluation gain depreciation	(7,321)	(7,670)
Impairment not charged to CIES	(8,357)	(14,488)
Disposals Transferred to Capital Adjustment Account	(9,936)	(10,345)
Balance at 31 March	**857,007**	**864,440**

b - Available for Sale Financial Instruments Reserve

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

	2014/15 £000s	2015/16 £000s
Balance at 1 April	1,798	1,811
Increase in Financial Instruments Market Value	66	2,181
(Decrease) in Financial Instruments Market Value	0	(138)
Realised (Loss) on Sale	(53)	(2)
Balance at 31 March	**1,811**	**3,852**

c - Pensions Reserve

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

	2014/15 £000s	2015/16 £000s
Balance at 1 April	(735,975)	(1,012,249)
Net Movement in Year	(276,274)	228,425
Balance at 31 March	**(1,012,249)**	**(783,824)**

d - Capital Adjustment Account (CAA)

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

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

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

	Restated 2014/15 £000s	2015/16 £000s
Balance at 1 April	1,273,579	1,271,969
Repayment of ex GMC debt	1,811	1,941
Minimum revenue provision	27,554	26,510
Reversal of PFI charges to HRA	12,680	16,034
Capital grants and contributions	80,656	106,510
Revenue contributions used	40,874	25,932
Investment property revaluations	50,564	18,614
Revaluation gain depreciation	7,321	7,670
Disposals transferred from revaluation reserve	9,936	10,334
Depreciation	(45,675)	(49,782)
Major Repairs Allowance	24,241	25,231
Capital Receipts Used	24,722	33,624
Other Disposals	(87,700)	(43,790)
Write down of intangible assets	(491)	(144)
Write down of long-term debtors	(1,852)	(5,344)
(Loss) / Gain on repayment of housing loan	6	(279)
Write down of revenue expenditure funded from capital under statute	(43,995)	(68,474)
Impairment of non-current assets	(102,262)	(87,050)
Capital Bad Debt provision	0	(300)
Operational property to investment revaluation reserve transfer	0	11
Matrix Homes asset disposals to long-term debtors	0	5,826
Embedded lease disposal - write down of deferred liability	0	848
Balance at 31 March	**1,271,969**	**1,295,891**

e - Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the granting of equity mortgages, equity loans and the disposal of council houses under right to buy legislation but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

Historic Mortgages

These are historic mortgages provided by the Council in relation to Right to Buy council property sales. These mortgages are no longer offered by the Council, therefore the balance will continue to reduce in future years.

Equity Mortgages

These relate to a joint home build scheme between the Council and Redrow Homes. The Council has provided homebuyers, purchasing the properties, equity mortgage loans for up to 25% of the property value. These loans become repayable 10 years after the purchase of the property or earlier if the homeowner decides to sell the property before this time. There is also the option for the homebuyer to repay the loan before either of these events. The outstanding balance is adjusted each year in line with the Land Registry House Pricing Index.

Equity Loans

a) Home Improvement Loans

These are equity share loans offered to home owners to carry out essential renovation works. The minimum loan value available is £7,000 up to a maximum of £25,000 or 33% of the value of the improved home. The equity share is secured by a legal charge and loans are repayable on the death of the purchaser, or the sale of the property or when the purchaser ceases to occupy the property as their main home. The outstanding balance is adjusted each year in line with the Land Registry House Pricing Index.

b) Relocation Assistance Loans

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

	Opening Balance				Closing Balance
	1 April 2015 £000s	New Loans Issued £000s	Principal Repayments £000s	Fair Value Adjustments £000s	31 March 2016 £000s
Historic Mortgages	103	0	(51)	0	52
Equity Mortgages	2,113	0	(99)	152	2,166
Equity Loans	(202)	0	0	216	14
Total Deferred Capital Receipts	**2,014**	**0**	**(150)**	**368**	**2,232**

f - Financial Instruments Adjustment Account

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

	2014/15 £000s	2015/16 £000s	
Balance at 1 April	(3,415)	(1,446)	
Soft loans in year movements	88	60	
Adjustment for interest free loans	1,494	2,508	f(a)
Premium and discounts	324	329	
Investment revaluations	63	18	
Balance at 31 March	**(1,446)**	**1,469**	

f (a) The Council has received interest free loans from the Homes and Communities Agency of £9.016m repayable in 2022, £8.47m repayable in 2024 and £11.063m from HM Treasury repayable in 2028. This amount represents the saving to the Council over the remaining length of the loan of them being interest free.

g - Collection Fund Adjustment Account

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

Council Tax	2014/15 £000s	2015/16 £000s
Balance at 1 April	4,489	6,083
Movement in Year	1,594	3,168
Balance at 31 March	**6,083**	**9,251**

Business Rates	2014/15 £000s	2015/16 £000s
Balance at 1 April	(40,789)	(36,091)
Movement in Year	4,698	41,778
Balance at 31 March	**(36,091)**	**5,687**

Total	2014/15 £000s	2015/16 £000s
Balance at 1 April	(36,300)	(30,008)
Movement in Year	6,292	44,946
Balance at 31 March	**(30,008)**	**14,938**

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.

	2014/15 £000s	2015/16 £000s
Balance at 1 April	(5,347)	(5,867)
Movement in Year	(520)	(521)
Balance at 31 March	**(5,867)**	**(6,388)**

Note 40. 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 2015/16 are as follows:

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2015/16 before academy recoupment			455,070
Academy figure recouped for 2015/16			142,725
Total DSG after academy recoupment			312,345
Brought forward from 2014/15			2,833
Carry forward to 2016/17 (agreed in advance)			0
Agreed initial budgeted distribution in 2015/16	21,512	293,666	315,178
In year adjustments	0	0	0
Final budgeted distribution for 2015/16	21,512	293,666	315,178
Less actual central expenditure	21,248		
Less actual ISB deployed to schools		293,666	
Plus Local Authority contribution for 2015/16	0	0	0
Carry forward to 2016/17 (agreed in advance)	**264**	**0**	**264**

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 41. Local Government Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in three pension schemes:

The Local Government Pension Scheme is a fully funded defined benefits scheme. The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of Tameside MBC who administer the scheme on behalf of the Greater Manchester Authorities. Tameside MBC delegates its functions in relation to the Greater Manchester Pension Scheme to the Pension Fund Management Panel, the Pension Fund Advisory Panel, Pension Fund Working Groups and the Executive Director of Pensions. The Pension Fund Management Panel is the key decision maker for investment management, monitoring investment activity and performance, overseeing administrative activities and providing guidance to officers in exercising delegated powers. All the Greater Manchester authorities are represented on the Management Panel.

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

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

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

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

In order to assess the value of the employer's liabilities in the Fund at 31 March 2016 the actuary has rolled forward the value of liabilities calculated at the latest formal valuation, 31 March 2013, allowing for the different financial assumptions required under the Accounting Standards at the accounting date. In calculating the current service cost, allowance has been made for changes in the employer's pensionable payroll as estimated from contribution information. In calculating the asset share the employer's share of assets allocated at the latest valuation has been rolled forward, allowing for investment returns, the effect of contributions paid into and benefits paid from the Fund by the employer and its employees.

The estimated liability will not reflect any difference in demographic experience from that assumed, the impact of differences in salary and pension increases and changes for specific individuals and the effect of any changes in the age and length of service structure of the liabilities. It is not possible to reflect these without undertaking a full valuation. There is no reason to believe that this will introduce any undue distortions in the results.

The Teachers' Pension Scheme is a defined benefit scheme, administered by the Department for Education. Further information is included in Note 42.

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

The NHS pension scheme is an unfunded, defined benefit scheme that covers NHS employers and is a multi-employer defined benefit scheme. Further information is included in Note 43.

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:

	2014/15 £000s	2015/16 £000s
Comprehensive Income and Expenditure Statement		
Net Cost of Services:		
current service cost	51,390	62,717
past service costs including curtailments	919	2,926
effect of settlements	0	(17,160)
Financing and investment income and expenditure		
net interest expense	31,628	32,188
Total post employment benefits charged to the deficit on the provision of services	**83,937**	**80,671**
Other post employment benefits charged to total comprehensive income and expenditure		
Re-measurement of the Net Defined Benefit Liability comprising:		
return on plan assets (excluding amounts included in net interest)	(161,569)	91,559
actuarial gains and losses arising on changes in financial assumptions	429,676	(296,140)
other experience re-measurements	(23,629)	(51,581)
Total post employment benefits charged to total comprehensive income and expenditure	**244,478**	**(256,162)**
Movement in Reserves Statement		
Reversal of net charges made to the Deficit on Provision of Services for post employment benefits in accordance with IAS19.	31,796	27,737
Actual amount charged against the General Fund Balance for the pensions in the year:		
Employer's contribution payable to scheme	39,794	40,940
Employer's contribution re: unfunded deficit	12,347	11,994
	52,141	**52,934**

Assets and Liabilities in Relation to Retirement Benefits

Present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme	
	2014/15 £000s	2015/16 £000s
Balance at 1 April	2,967,016	3,464,896
Current service cost	51,390	62,717
Effect of settlements	0	(38,540)
Interest cost on defined benefit obligation	126,750	109,521
Contributions by scheme participants	15,199	14,353
Changes in financial assumptions	429,676	(296,140)
Other experience re-measurements	(23,629)	(51,581)
Unfunded benefits paid	(12,347)	(11,994)
Benefits paid	(90,078)	(95,231)
Past service cost including curtailments	919	2,926
Balance at 31 March	**3,464,896**	**3,160,927**

Fair value of the scheme assets:

	Local Government Pension Scheme	
	2014/15 £000s	2015/16 £000s
Balance at 1 April	2,231,041	2,452,647
Interest income on plan assets	95,122	77,333
Return on assets (excluding amounts included in net interest)	161,569	(91,559)
Contributions in respect of unfunded benefits	12,347	11,994
Employer contributions	39,794	40,940
Contributions by scheme participants	15,199	14,353
Effect of settlements	0	(21,380)
Benefits paid	(90,078)	(95,231)
Unfunded benefits paid	(12,347)	(11,994)
Balance at 31 March	**2,452,647**	**2,377,103**

Net Liability for Year

	2014/15 £000s	2015/16 £000s
Present value of funded liabilities	(3,298,899)	(3,013,732)
Present value of unfunded liabilities	(165,997)	(147,195)
Fair value of assets	2,452,647	2,377,103
(Deficit) in the scheme	**(1,012,249)**	**(783,824)**

The liabilities show the underlying commitment that the Council has in the long run to pay retirement benefits. The total liability of £783,824,000 has contributed to an increase in the net worth of the Council of £247,586,000 as recorded in the balance sheet resulting in a positive overall balance of £1,776,234,000.

Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The next triennial valuation is due at 31 March 2016.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 is £42,629,000.

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

Basis for Estimating Assets and Liabilities

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

The main assumptions used in their calculations have been:

	2014/15	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	21.4 years	21.4 years
Women	24.0 years	24.0 years
Longevity at 65 for future pensioners *		
Men	24.0 years	24.0 years
Women	26.6 years	26.6 years
Rate of increase in salaries	3.6%	3.5%
Rate of increase in pensions	2.4%	2.2%
Discount rate	3.2%	3.5%
Take-up of option to convert annual pension into retirement lump sum - pre April 2008	55.0%	55.0%
Take-up of option to convert annual pension into retirement lump sum - post April 2008	80.0%	80.0%

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

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

Changes in assumptions at 31 March 2016	% increase to Employer Liability	£000s
0.5% decrease in real discount rate	10%	312,049
1 year increase in member life expectancy	3%	94,828
0.5% increase in the salary increase rate	3%	81,887
0.5% increase in the pension increase rate	7%	226,579

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

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

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

	Year Ended 31 March 2015				Year Ended 31 March 2016			
	Quoted Prices in Active Markets £000s	Quoted Prices not in Active Markets £000s	Total £000s	%	Quoted Prices in Active Markets £000s	Quoted Prices not in Active Markets £000s	Total £000s	%
Equity securities								
Consumer	246,553	0	246,553	10%	209,328	0	209,328	9%
Manufacturing	229,456	0	229,456	9%	172,273	0	172,273	8%
Energy and utilities	205,176	0	205,176	8%	127,606	0	127,606	5%
Financial institutions	290,572	0	290,572	12%	230,591	0	230,591	10%
Health and care	115,900	0	115,900	5%	99,401	0	99,401	4%
Information technology	49,369	0	49,369	2%	53,406	0	53,406	2%
Other	30,847	0	30,847	1%	31,327	0	31,327	1%
Debt securities								
Corporate bonds (investment grade)	144,526	0	144,526	6%	118,429	0	118,429	5%
UK government	22,823	0	22,823	1%	18,847	0	18,847	1%
Other	121,285	0	121,285	5%	74,217	0	74,217	3%
Private equity								
All	0	68,147	68,147	3%	0	59,393	59,393	2%
Real estate								
UK property	0	67,904	67,904	3%	0	74,850	74,850	3%
Investment funds and unit trusts								
Equities	452,855	0	452,855	18%	662,395	0	662,395	28%
Bonds	136,018	0	136,018	6%	184,677	0	184,677	8%
Infrastructure	0	26,915	26,915	1%	0	31,858	31,858	1%
Other	31,763	121,215	152,978	6%	46,708	115,611	162,319	7%
Derivatives								
All	27,369	0	27,369	1%	6,257	0	6,257	0%
Cash and cash equivalents								
All	63,954	0	63,954	3%	59,929	0	59,929	3%
	2,168,466	284,181	2,452,647	100%	2,095,391	281,712	2,377,103	100%

Note 42. 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 41.

The pension costs charged to the accounts are at the contribution rate set by the DfE on the basis of a notional fund. In 2015/16 the Council's contribution to the DfE in respect of teachers' pension costs was £16,169,000 (£15,274,000 2014/15), the set contribution rate being 14.1% from April 2015 to August 2015 and then 16.48% from 1 September 2015 (14.1% 2014/15).

The total contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2017 is £17,160,000.

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with related increases. In 2015/16 these amounted to £6,521,000 (£7,171,000 2014/15) of which £1,386,000 (£1,459,000 2014/15) relates to former establishment employees and is refunded by the Higher Education Funding Council.

Note 43. National Health Service Pension Scheme

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

In 2015/16 the Council's contribution in respect of former NHS staff pension costs was £102,000 (£172,000 in 2014/15), the set contribution rate being 14.3% (14.3% in 2014/15).

Note 44. Contingent Assets and Liabilities

Contingent Assets

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

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

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

The maximum amount indemnified by the nine GM authorities will be £11.347m which is 81.1% of the total capital expenditure.

At 31 March 2016 loans totalling £4.05m have been advanced.

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

d) In the 2015 Budget the Chancellor of the Exchequer announced a pilot to retain 100% of additional business rate growth in Greater Manchester and Cheshire East. The scheme set a growth baseline above which named authorities, including Manchester, would retain 100% of growth. The growth baseline for 2015/16 is the business rates income estimated by the Council after the award of mandatory and discretionary adjusted for estimated losses in collection. This is compared to the outturn which is adjusted for the amount of ratepayers appeals against their rateable value charged against the business rate appeals provision. Section 31 grants (to fund changes to the level of business rates due following announcements by government) are also adjusted for growth.

The additional growth is allocated 49% to the metropolitan authority and 1% to the fire and rescue authority. No income relating to this growth has been recognised in the financial statements as the formula that calculates the growth is still under discussion, the relevant Parliamentary Order has not yet been laid and the discussions on the allocation of this growth within Greater Manchester have not been finalised.

Contingent Liabilities

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

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

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

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

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

At 31 March 2016 the amount drawn down was £18.343m.

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

Note 45. 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	2014/15 £000s	2015/16 £000s	
Central Government - revenue grants	976,793	902,695	a
Central Government - capital grants	66,697	41,111	a
Greater Manchester Combined Authority - capital contribution	10,778	7,979	b
Manchester Airports Holdings Ltd - dividend	27,393	36,495	c
Manchester Airports Holdings Ltd - repayment of interest	9,980	9,980	c
Manchester Airports Holdings Ltd - net rent	6,755	6,973	c
Manchester Clinical Commissioning Groups	15,007	15,124	f
Destination Manchester Ltd - interest on loans	1,064	1,020	c
Destination Manchester Ltd - repayment of loan principal	750	750	c
Northwards Housing Ltd (capital and revenue income)	1,814	1,655	g
Manchester Working Ltd (capital and revenue income)	174	232	g
Enterprise Manchester Partnership Ltd (capital and revenue income)	3,436	1,356	g
	1,120,641	**1,025,370**	

Expenditure	Restated 2014/15 £000s	2015/16 £000s	
Greater Manchester Combined Authority - levy	37,786	36,971	b
Greater Manchester Waste Disposal Authority - levy	34,243	35,270	b
Greater Manchester Police and Crime Commissioner - precept	14,954	15,435	b
Greater Manchester Fire and Rescue Authority - precept	5,660	5,842	b
Greater Manchester Fire and Rescue Authority - share of business rates	3,099	3,190	b
Central government - share of business rates	154,964	159,510	a
Greater Manchester Pension Fund - employer's contributions	52,141	52,934	d
Teachers' Pension Agency - employer's contributions	15,274	16,169	e
Manchester Clinical Commissioning Groups	5,637	5,767	f
Northwards Housing Ltd (capital and revenue spend)	24,309	25,974	g
Manchester Working Ltd (capital and revenue spend)	28,199	25,361	g
Enterprise Manchester Partnership Ltd (capital and revenue spend)	13,251	3,691	g
	389,517	**386,114**	

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 2015/16 is set out in Note 14. Details of member's interest, both pecuniary and non-financial are recorded in the register of member's interest (available for public inspection). The executive directors are required on an annual basis to make any declaration of any related party transactions. During 2015/16 there were no reported material transactions with related parties advised by members or officers.

a. Central Government
Central Government has effective control over the general operations of the Council. It is responsible for providing the framework within which the Council operates and provides the majority of its funding in the forms of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills and housing benefits).

The Council pays 50% of the estimated Business Rates due to Central Government. The exception to this is growth in business rates where the Council, as part of the growth retention pilot, retains 98% of business rates above an adjusted baseline.

Grant details are set out in Notes 12 and 13. Central Government debtors and creditors are set out in Notes 31 and 33.

b. Other Public Bodies
The council pays levies towards the services provided by Greater Manchester Waste Disposal Authority (for the management and disposal of household waste) and Greater Manchester Combined Authority (for public transport, economic development and regeneration activities). Police and Fire and Rescue Authorities set their own charge to council tax payers which is then included in the council tax bill. This is known as the precept.

The Council pays 1% of the estimated Business Rates due to the Greater Manchester Fire and Rescue Authority.

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

Manchester Airports Holdings Ltd
The Council is a related party to Manchester Airports Holdings Ltd. The Council owns 35.5% of the share capital of the company. The principal activities of the Group during the year were ownership, operation and development of airport facilities. Cllr Sir Richard Leese and Cllr Bernard Priest are non-executive directors to Manchester Airports Holdings Ltd.

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

d. Greater Manchester Pension Funds
The Local Government Pension Scheme is a fully funded defined benefits scheme. Pension details are set out in Note 41.

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 42.

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

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

g. Subsidiaries or associates of the Council.
These organisations are not consolidated into the Council's group accounts because they are not material.

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

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

Manchester Working Ltd

Manchester Working Ltd's principal activity is the provision of maintenance services. It is considered to be an associate of the Council.
Richard Paver and Cllr Paul Andrews served as directors of the company during the year.

Enterprise Manchester Partnership Ltd

Manchester City Council owns 20% of Enterprise Manchester Partnership Ltd. Cllr Bernard Priest served as a director.
The principal activity of the company was providing refuse collection services to Manchester City Council up to July 2015.

Note 46. Trust Funds

The Council administered several charitable trusts, joint committees and special funds during the year, which in the main represent funds that have been put in trust to achieve specific objectives. Each body has its own board of trustees or management committee from which further information can be obtained. The contact details for each Trust can be obtained from the Corporate Services Department, Town Hall, Manchester, M60 2LA.

Manchester City Council is sole trustee for Castlefield Heritage Trust. The Council administers the following trust funds: I Love Manchester (The Lord Mayor of Manchester's) Charity Appeal Trust; Manchester Immigration Needs Trust; Manchester Safeguarding Children Board.

These funds are not Council assets and are not included in the Council's Balance Sheet.

Note 47. Analysis of Cash and Cash Equivalents

Cash and Cash Equivalents	31 March 2015 £000s	31 March 2016 £000s
Cash in hand	68	52
Call accounts	40,341	10,630
Investments less than 3 months	63,507	69,514
Balance at bank	20,356	16,354
Total	**124,272**	**96,550**

Note 48. Cash Flow Statement - Adjustments to net deficit on the provision of services for non-cash movements

	Restated 31 March 2015 £000s	31 March 2016 £000s
Depreciation of non current assets	(45,675)	(49,782)
Impairment of non current assets	(102,262)	(87,050)
Amortisation of intangible non-current assets	(491)	(144)
Pension fund adjustments	(31,796)	(27,737)
Movement in market value of investment property	50,564	18,613
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	1,667	2,932
(Increase) in impairment provision for bad debts	(6,962)	(7,695)
Contributions to provisions	(7,833)	(5,390)
Carrying amount of property, plant and equipment, investment properties and intangible assets sold	(87,701)	(43,790)
Amount by which council tax income and business rates adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulation	6,291	44,946
Other non-cash movements	11,577	6,241
(Decrease) / increase in inventories	(122)	296
(Decrease) / Increase in debtors (less capital)	(14,337)	13,170
(Decrease) in interest debtors	(4,588)	(5,509)
(Increase) in creditors (less capital)	(33,667)	(20,225)
Decrease in interest creditors	53	110
Total	**(265,282)**	**(161,014)**

Note 49. Cash Flow Statement - Adjustments for items included in the net deficit on the provision of services that are investing and financing activities

	31 March 2015 £000s	31 March 2016 £000s
Proceeds from the disposal of property, plant and equipment, investment properties and intangible assets	20,436	36,918
Capital grants credited to deficit on the provision of services	74,931	36,744
	95,367	**73,662**

Note 50. Cash Flow Statement - Operating Activities

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

	2014/15 £000s	2015/16 £000s
Interest received	(16,734)	(12,625)
Interest paid	34,452	33,165
Dividends received	(27,393)	(36,495)

Note 51. Cash Flow Statement - Investing Activities

	2014/15 £000s	2015/16 £000s
Purchase of plant, property and equipment, investment property and intangible assets	154,474	173,704
Proceeds from the sale of plant, property and equipment, investment property and intangible assets	(20,436)	(36,918)
Capital grants received	(61,125)	(17,580)
Other receipts from investing activities	(14,748)	(29,687)
Net cash flows from investing activities	**58,165**	**89,519**

Note 52. Cash Flow Statement - Financing Activities

	2014/15 £000s	2015/16 £000s
Repayments of long term borrowing	12	11,008
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	6,501	15,461
Cash receipts of long and short term borrowing	(11,764)	(6,558)
Net (receipts) relating to preceptors element of council tax	(973)	(443)
Net (receipts) relating to national non domestic rates	(6,298)	(29,996)
Net cash flows from financing activities	**(12,522)**	**(10,528)**

Note 53. Events after the Balance Sheet Date

Business Rates

On 1 April 2016 Cheshire West and Chester Council joined the Greater Manchester and Cheshire East Councils in the Greater Manchester and Cheshire Business Rates Pool. The purpose of the pool is to maximise the retention of locally generated business rates and to ensure it further supports the economic regeneration of Greater Manchester, Cheshire East and Cheshire West and Chester Councils by retaining any levy that might be payable by certain of the authorities to Central Government.

Note 54. Authorisation for Issue of the Statement of Accounts

The 2015/16 Statement of Accounts was authorised for issue by Carol Culley, the City Treasurer on 07 September 2016. 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.

2014/15 £000s		Note	2015/16 £000s
	Expenditure		
23,445	Repairs and maintenance		26,393
15,479	Supervision and management		16,217
416	Rents, rates, taxes and other charges		463
30,055	Depreciation and impairment of non-current assets	e,f	21,338
19	Debt management costs		18
(1,326)	Movement in the allowance for bad debts		(1,116)
48	Revenue expenditure funded from capital under statute	g	46
68,136			**63,359**
	Income		
59,274	Dwelling rents (gross)		60,503
640	Non-dwelling rents (gross)		263
2,471	Charges for services and facilities		1,755
1,140	Contributions towards expenditure		607
23,600	Private Finance Initiative Grant		23,603
10,645	Decent Homes Backlog Funding		0
50	Mortgage Repayments		0
30	Revenue expenditure funded from capital under statute grants		0
97,850			**86,731**
(29,714)	**Net (Income) of HRA Services as included in the Council's Comprehensive Income and Expenditure Statement**		**(23,372)**
98	HRA services share of corporate and democratic core		98
6	HRA share of other amounts included in the Council's net cost of services but not allocated to specific services		(85)
(29,610)	**Net (Income) of HRA Services**		**(23,359)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(5,432)	(Gain) on disposal of HRA non-current assets		(3,455)
9,848	Interest payable and similar charges		9,015
(90)	Interest and investment income		(121)
206	Net interest on the net defined benefit liability		191
(636)	Capital grants and contributions		(80)
(25,714)	**(Surplus) for the year on HRA services**		**(17,809)**

Movement on the Housing Revenue Account Statement

2014/15 £000s		2015/16 £000s
(78,513)	**Balance on the HRA at the end of the previous year**	**(86,686)**
(25,714)	(Surplus) for Year on the HRA Income and Expenditure Statement	(17,809)
	Adjustments between accounting basis and funding basis under statute	
2,000	Transfer to Major Repairs Reserve	8,404
5,304	Capital expenditure funded by the HRA	26
5,432	Gain on disposal of HRA non-current assets	3,455
(479)	HRA share of retirement benefits per IAS19	(550)
313	HRA share of employer contribution to pension scheme	430
(19,022)	Impairment of non-current assets	(9,349)
(18)	Amortisation of Revenue Expenditure Funded from Capital under Statute	(46)
12,680	Reversal of PFI Charges	16,035
636	Capital grants and contributions receivable	80
10,645	Decent Homes Backlog Funding	0
50	Mortgage Repayments	0
(8,173)	**Net (Increase) / Decrease in Year on the HRA**	**676**
(86,686)	**Balance on the HRA at the end of the current year**	**(86,010)**

Notes to the Housing Revenue Account

(a) Housing Stock

The Council was responsible for managing an average of 16,365 dwellings during 2015/16.

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

	31 March 2015	31 March 2016
Houses and bungalows	9,446	9,327
Flats	6,894	6,904
Others	82	77
	16,422	**16,308**

The change in stock is as follows:

	2014/15	2015/16
Stock at 1 April	16,625	16,422
Sales	(102)	(107)
New Builds	0	46
Demolitions	(104)	(60)
Other	3	7
Stock at 31 March	**16,422**	**16,308**

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

	31 March 2015 £000s	31 March 2016 £000s
Operational		
Council dwellings	395,064	418,055
Other land and buildings	3,431	3,461
Vehicles, plant and equipment	67	62
	398,562	**421,578**
Non-operational		
Surplus properties	1,263	423
Assets under construction	100	68
	399,925	**422,069**

(b) Vacant Possession of Dwellings

The vacant possession value of dwellings within the Council's HRA at 1 April 2015 was £1,163,181,000. 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

	2014/15 £000s	2015/16 £000s
Balance at 1 April	7,310	6,747
HRA depreciation	11,033	11,989
Financing of capital expenditure on council dwellings	(24,241)	(25,231)
Decent homes backlog funding	10,645	0
Transfer from the HRA	2,000	8,404
Balance at 31 March	**6,747**	**1,909**

(d) Capital Expenditure, Funding and Receipts

	2014/15 £000s	2015/16 £000s
Expenditure		
Property, plant and equipment	30,627	25,336
Revenue expenditure funded from capital under statute	48	46
Long term debtors	41	0
	30,716	**25,382**
Funded by		
Revenue contributions	5,304	26
Capital receipts	495	45
Major repairs reserve	24,241	25,231
Government grants	10	0
External contributions	666	80
	30,716	**25,382**
Receipts		
Council dwellings	8,201	7,549
Mortgage repayments	50	51
	8,251	**7,600**

(e) Depreciation

	2014/15 £000s	2015/16 £000s
Property, plant and equipment		
Council dwellings	10,929	11,885
Other land and buildings	99	99
Vehicles, plant and equipment	5	5
	11,033	**11,989**

(f) Impairment Charges

	2014/15 £000s	2015/16 £000s
Non-enhancing capital expenditure	18,131	7,007
Downward revaluation of assets	373	1,872
Damaged properties / demolitions	518	470
	19,022	**9,349**

(g) Revenue Expenditure Funded From Capital Under Statute

Revenue expenditure funded from capital under statute of £46,000 (£48,000 in 2014/15) has been charged to the HRA.

(h) Contribution from the Pension Reserve

The cost of the HRA has increased after the replacement of employer's pension contributions by current service costs and a share of the corporate items (pensions interest costs, expected return on pensions assets, past service costs, settlements and curtailments). The HRA share of the contribution from the pensions reserve in 2015/16 is £120,000 (£166,000 in 2014/15). The overall amount to be met from rent payers remains unchanged.

(i) Rent Arrears

	2014/15 £000s	2015/16 £000s
Arrears at 31 March	8,992	7,433

	2014/15 £000s	2015/16 £000s
Provision at 1 April	8,037	6,643
Contributions in year	(1,328)	(1,116)
Amounts written (off) in the year	(66)	(462)
Provision as at 31 March	**6,643**	**5,065**

Collection Fund

Income and Expenditure Account

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

2014/15 £000s				2015/16 £000s		
Business Rates	**Council Tax**	**Total**		**Business Rates**	**Council Tax**	**Total**
			Income			
0	148,949	148,949	Council Tax - net amount receivable	0	153,182	153,182
335,261	0	335,261	Collectable from business ratepayers	360,335	0	360,335
335,261	148,949	484,210		360,335	153,182	513,517
			Apportionment of Previous Year Deficit			
13,575	0	13,575	- Manchester City Council	27,172	0	27,172
13,852	0	13,852	- Central Government	27,726	0	27,726
277	0	277	- Greater Manchester Fire and Rescue Authority	554	0	554
362,965	**148,949**	**511,914**		**415,787**	**153,182**	**568,969**
			Expenditure			
			Apportionment of Previous Year Surplus			
0	3,886	3,886	- Manchester City Council	0	3,530	3,530
0	495	495	- Greater Manchester Police and Crime Commissioner	0	459	459
0	191	191	- Greater Manchester Fire and Rescue Authority	0	173	173
			Precepts and demands			
154,964	0	154,964	- Central Government	159,510	0	159,510
151,865	115,103	266,968	- Manchester City Council	156,320	118,808	275,128
0	14,954	14,954	- Greater Manchester Police and Crime Commissioner	0	15,435	15,435
3,099	5,660	8,759	- Greater Manchester Fire and Rescue Authority	3,190	5,842	9,032
			Business rates			
1,105	0	1,105	- Transitional protection payment	0	0	0
			Charges to Collection Fund			
3,753	2,809	6,562	- Write offs of uncollectable amounts	4,350	3,368	7,718
2,671	3,960	6,631	- Increase in Allowance for Impairment	1,602	1,834	3,436
34,812	0	34,812	- Contribution to Provision for Appeals	4,430	0	4,430
1,110	0	1,110	- Costs of collection	1,121	0	1,121
353,379	**147,058**	**500,437**	**Total Expenditure**	**330,523**	**149,449**	**479,972**
9,586	1,891	11,477	Movement on fund balance	85,264	3,733	88,997
(83,242)	5,281	(77,961)	Fund balance brought forward	(73,656)	7,172	(66,484)
(73,656)	**7,172**	**(66,484)**	**Fund Balance Carried Forward**	**11,608**	**10,905**	**22,513**

Notes to the Collection Fund Account

(a) Business Rates

The Council collects business rates for its area on behalf of itself, Central Government and the Greater Manchester Fire and Rescue Authority. These rates are based on rateable values for properties set by the Valuation Office Agency which are multiplied by a uniform business rate set by central government. The multiplier for the year was set at 49.3p (48.2p for 2014/15). The total business rates rateable value at 31 March 2016 was £847,011,000 (£848,509,000 at 31 March 2015).

(b) Calculation of the Council Tax Base

For 2015/16 there were 223,857 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 190,409 equivalent number of dwellings after taking account of discounts, exemptions and disabled relief. These equate to 145,768 equivalent Band D properties, which are used for the calculation of the tax base.

The table below shows the total number of equivalent properties after discounts, exemptions and disabled relief and the number of chargeable Band D equivalents.

Valuation Band	Total Equivalent Number of Dwellings after Discounts, Exemptions and Disabled Relief	Chargeable Band D Equivalents
A	110,243	73,467
B	32,084	24,954
C	27,831	24,739
D	13,037	13,037
E	4,657	5,692
F	1,813	2,619
G	684	1,140
H	60	120
	190,409	145,768

The number of chargeable Band D equivalents for 2014/15 was 144,132.

(c) Share of Fund Balance

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

Business Rates	Restated (Deficit) 2014/15 £000s	Surplus 2015/16 £000s
Central Government	(36,828)	5,804
Manchester City Council	(36,091)	5,688
Greater Manchester Fire and Rescue Authority	(737)	116
Total (Deficit) / Surplus	(73,656)	11,608

Council Tax	Surplus 2014/15 £000s	Surplus 2015/16 £000s
Manchester City Council	6,083	9,249
Greater Manchester Police and Crime	790	1,201
Greater Manchester Fire and Rescue Authority	299	455
Total Surplus	7,172	10,905

Manchester City Council Group Accounts

Introduction

As a modern local authority Manchester City Council often chooses to conduct activities through a variety of undertakings, either under ultimate control of or in partnership with other organisations. The standard financial statements consider the Council only as a single entity, accounting for its interests in other organisations only to the extent of its investment, and not current performance and balances. Thus a full picture of the Council's economic activities, financial position, service position, accountability for resources and exposure to risk is not presented in the Council's single entity financial statements.

As a result, group financial statements are produced to reflect the extent of Manchester City Council's involvement with its group undertakings in order to provide a clearer picture of the Council's activities as a group. The group accounts contain core financial statements similar to those included in the Council's single entity statements, consolidated with figures from organisations considered to be part of the group.

The following pages include:

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

The group financial statements are presented in accordance with the IFRS based Code.

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

Where group organisations use different accounting policies to the Council, their accounts have been restated to align their accounting policies with those of the Council where the effect of not doing so would be material to the reader's interpretation of the accounts.

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

The land and building assets of Destination Manchester Limited (DML), which is a subsidiary within the Council group, are included in DML's accounts at cost less accumulated depreciation and impairment. A valuation of DML's land and building assets has been undertaken in order to align the accounting policy with that of the Council. This valuation has been used for the Council's group accounts.

Manchester City Council Group
Inclusion in the Manchester City Council Group is dependent upon the extent of the Council's interest and control over the entity. An assessment of all of the Council's interests has been carried out to determine which of the following categories they fall under. Where an entity is considered to be immaterial, they are not included in the group accounts.

Subsidiaries – where the Council exercises control and gains benefits / exposure to risks arising from this control. Subsidiaries of the Council have been considered for materiality; Destination Manchester Limited is the only subsidiary consolidated into the Council's group accounts.

Associates – where the Council exercises a significant influence and has a participating interest. Associates of the Council have been considered for materiality; there are no associates consolidated into the Council's group accounts.

Joint Ventures - where the Council and another party exercise joint control with decisions relating to the organisation requiring unanimous consent of the parties sharing control. Those entities considered to be material are included in the group. Joint Ventures are accounted for on an equity basis, by including their net operating results in the group income and expenditure account. Investments in these entities are adjusted on the balance sheet for the Council's share of their results. The group contains one material joint venture which is Manchester Airports Holdings Limited.

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

Group Movement In Reserves Statement

This statement shows the movement in the year on the Council's single entity usable and unusable reserves, as well as the Council's share of the group reserves.

	Restated General Fund Balance £000s	Earmarked GF Reserves £000s	Housing Revenue Account £000s	Earmarked HRA Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Major Repairs Reserve £000s	Total Usable Reserves £000s	Restated Revaluation Reserve £000s	Available for sale Financial Instruments £000s	Pensions Reserve £000s	Restated Capital Adjustment Account £000s	Deferred Capital Receipts £000s	Financial Instruments Adjustment Account £000s	Collection Fund Adjustment Account £000s	Short term Compensated Absences £000s	Restated Total Unusable Reserves £000s	Council Share of Group Reserves[a] £000s	Restated Total Group Reserves £000s
Balance at 31 March 2014	**(40,942)**	**(219,964)**	**(44,139)**	**(34,374)**	**(43,388)**	**(47,269)**	**(7,310)**	**(437,386)**	**(717,405)**	**(1,798)**	**735,975**	**(1,273,579)**	**(1,645)**	**3,415**	**36,300**	**5,347**	**(1,213,390)**	**(739,498)**	**(2,390,274)**
Movement in reserves during 2014/15																			
(Surplus) / deficit on provision of services	60,299	0	(25,714)	0	0	0	0	**34,585**	0	0	0	0	0	0	0	0	**0**	18,597	53,182
Other comprehensive income and expenditure																			
(Surplus) on revaluation of non-current assets	0	0	0	0	0	0	0	**0**	(165,216)	0	0	0	0	0	0	0	**(165,216)**	0	(165,216)
Impairment losses on non-current assets charged to the revaluation reserve	0	0	0	0	0	0	0	**0**	8,357	0	0	0	0	0	0	0	**8,357**	0	8,357
(Surplus) on revaluation of available for sale financial assets	0	0	0	0	0	0	0	**0**	0	(13)	0	0	0	(63)	0	0	**(76)**	0	(76)
Actuarial losses on pension assets/liabilities	0	0	0	0	0	0	0	**0**	0	0	244,478	0	0	0	0	0	**244,478**	0	244,478
Share of other comprehensive income and expenditure of subsidiaries	0	0	0	0	0	0	0	**0**	0	0	0	0	0	0	0	0	**0**	142	142
Share of other comprehensive income and expenditure of joint ventures	0	0	0	0	0	0	0	**0**	0	0	0	0	0	0	0	0	**0**	(53,991)	(53,991)
Total comprehensive income and expenditure	**60,299**	**0**	**(25,714)**	**0**	**0**	**0**	**0**	**34,585**	**(156,859)**	**(13)**	**244,478**	**0**	**0**	**(63)**	**0**	**0**	**87,543**	**(35,252)**	**86,876**
Reversal of items debited or credited to the comprehensive income and expenditure statement	(173,123)	0	11,924	0	(50)	(7,607)	563	**(168,293)**	0	0	83,937	92,230	0	(1,582)	(6,292)	0	**168,293**	0	0
Insertion of items not debited or credited to the comprehensive income and expenditure statement	106,688	8,172	5,617	0	2,235	0	0	**122,712**	0	0	(52,141)	(70,247)	0	(324)	0	0	**(122,712)**	0	0
Other adjustments	53	171	0	0	3,260	0	0	**3,484**	17,257	0	0	(20,372)	(369)	0	0	0	**(3,484)**	0	0
Total adjustments between accounting basis and funding basis under regulations	**(66,382)**	**8,343**	**17,541**	**0**	**5,445**	**(7,607)**	**563**	**(42,097)**	**17,257**	**0**	**31,796**	**1,611**	**(369)**	**(1,906)**	**(6,292)**	**0**	**42,097**	**0**	**0**
Net (increase) / decrease before transfers to earmarked reserves	**(6,083)**	**8,343**	**(8,173)**	**0**	**5,445**	**(7,607)**	**563**	**(7,512)**	**(139,602)**	**(13)**	**276,274**	**1,611**	**(369)**	**(1,969)**	**(6,292)**	**0**	**129,640**	**(35,252)**	**86,876**
Transfers (to) / from earmarked reserves	19,916	(20,436)	253	(253)	0	0	0	**(520)**	0	0	0	0	0	0	0	520	**520**	0	0
(Increase) / decrease in year	**13,833**	**(12,093)**	**(7,920)**	**(253)**	**5,445**	**(7,607)**	**563**	**(8,032)**	**(139,602)**	**(13)**	**276,274**	**1,611**	**(369)**	**(1,969)**	**(6,292)**	**520**	**130,160**	**(35,252)**	**86,876**
Balance at 31 March 2015	**(27,109)**	**(232,057)**	**(52,059)**	**(34,627)**	**(37,943)**	**(54,876)**	**(6,747)**	**(445,418)**	**(857,007)**	**(1,811)**	**1,012,249**	**(1,271,968)**	**(2,014)**	**1,446**	**30,008**	**5,867**	**(1,083,230)**	**(774,750)**	**(2,303,398)**
Movement in reserves during 2015/16																			
(Surplus) / deficit on provision of services	53,891	0	(17,808)	0	0	0	0	**36,083**	0	0	0	0	0	0	0	0	**0**	13,694	49,777
Other comprehensive income and expenditure																			
(Surplus) on revaluation of non-current assets	0	0	0	0	0	0	0	**0**	(39,936)	0	0	0	0	0	0	0	**(39,936)**	0	(39,936)
Impairment losses on non-current assets charged to the revaluation reserve	0	0	0	0	0	0	0	**0**	14,488	0	0	0	0	0	0	0	**14,488**	0	14,488
(Surplus) on revaluation of available for sale financial assets	0	0	0	0	0	0	0	**0**	0	(2,041)	0	0	0	(18)	0	0	**(2,059)**	0	(2,059)
Actuarial losses on pension assets/liabilities	0	0	0	0	0	0	0	**0**	0	0	(256,162)	0	0	0	0	0	**(256,162)**	0	(256,162)
Share of other comprehensive income and expenditure of subsidiaries	0	0	0	0	0	0	0	**0**	0	0	0	0	0	0	0	0	**0**	142	142
Share of other comprehensive income and expenditure of joint ventures	0	0	0	0	0	0	0	**0**	0	0	0	0	0	0	0	0	**0**	(62,319)	(62,319)
Total comprehensive income and expenditure	**53,891**	**0**	**(17,808)**	**0**	**0**	**0**	**0**	**36,083**	**(25,448)**	**(2,041)**	**(256,162)**	**0**	**0**	**(18)**	**0**	**0**	**(283,669)**	**(48,483)**	**(296,069)**
Reversal of items debited or credited to the comprehensive income and expenditure statement	(130,493)	(676)	18,028	0	0	29,194	4,838	**(79,109)**	0	0	80,671	46,170	(218)	(2,568)	(44,946)	0	**79,109**	(0)	(0)
Insertion of items not debited or credited to the comprehensive income and expenditure statement	104,915	0	456	0	2,275	0	0	**107,646**	0	0	(52,934)	(54,383)	0	(329)	0	0	**(107,646)**	0	0
Other adjustments	(24)	0	0	0	(2,281)	0	0	**(2,305)**	18,015	0	0	(15,710)	0	0	0	0	**2,305**	0	0
Total adjustments between accounting basis and funding basis under regulations	**(25,602)**	**(676)**	**18,484**	**0**	**(6)**	**29,194**	**4,838**	**26,232**	**18,015**	**0**	**27,737**	**(23,923)**	**(218)**	**(2,897)**	**(44,946)**	**0**	**(26,232)**	**(0)**	**(0)**
Net (increase) / decrease before transfers to earmarked reserves	**28,289**	**(676)**	**676**	**0**	**(6)**	**29,194**	**4,838**	**62,315**	**(7,433)**	**(2,041)**	**(228,425)**	**(23,923)**	**(218)**	**(2,915)**	**(44,946)**	**0**	**(309,901)**	**(48,483)**	**(296,069)**
Transfers (to) / from earmarked reserves	(28,657)	28,136	218	(218)	0	0	0	**(521)**	0	0	0	0	0	0	0	521	**521**	0	0
(Increase) / decrease in year	**(368)**	**27,460**	**894**	**(218)**	**(6)**	**29,194**	**4,838**	**61,794**	**(7,433)**	**(2,041)**	**(228,425)**	**(23,923)**	**(218)**	**(2,915)**	**(44,946)**	**521**	**(309,380)**	**(48,483)**	**(296,069)**
Balance at 31 March 2016	**(27,477)**	**(204,597)**	**(51,165)**	**(34,845)**	**(37,949)**	**(25,682)**	**(1,909)**	**(383,624)**	**(864,440)**	**(3,852)**	**783,824**	**(1,295,891)**	**(2,232)**	**(1,469)**	**(14,938)**	**6,388**	**(1,392,610)**	**(823,233)**	**(2,599,467)**

*A breakdown of the Council's usable and unusable reserves can be found in the Council's accounts Notes 6, 38 and 39.
The Council's share of the group reserves include accounting adjustments to align accounting policies for property, plant and equipment and government grants.

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.

2014/15 Gross Expenditure £000s	Restated 2014/15 Gross Income £000s	Restated 2014/15 Net Expenditure £000s		Note	2015/16 Gross Expenditure £000s	2015/16 Gross Income £000s	2015/16 Net Expenditure £000s
			Continuing operations				
185,835	29,766	156,069	Adult social care		180,770	49,836	130,934
13,635	10,623	3,012	Central services to the public		14,172	11,187	2,985
605,783	406,389	199,394	Education and children's services		608,238	412,602	195,636
72,410	24,911	47,499	Cultural and related services		72,252	24,872	47,380
40,004	11,417	28,587	Environmental and regulatory services		50,650	11,030	39,620
69,587	30,567	39,020	Planning services		67,125	43,612	23,513
40,117	23,922	16,195	Highways and transport services		36,435	20,329	16,106
330,164	307,439	22,725	Housing services		322,661	300,528	22,133
68,104	97,818	(29,714)	Housing Revenue Account		63,359	86,731	(23,372)
47,878	50,278	(2,400)	Public Health		51,797	50,418	1,379
8,946	89	8,857	Corporate and democratic core		8,163	85	8,078
13,204	0	13,204	Non-distributed costs		18,452	0	18,452
1,495,667	**993,219**	**502,448**	**Total cost of services**		**1,494,074**	**1,011,230**	**482,844**
			Other operating expenditure				
73,465	5,432	68,033	Loss on disposal of non-current assets		10,409	3,455	6,954
72,193	0	72,193	Levies not included in net cost of services		72,568	0	72,568
2,235	0	2,235	Payments to government housing capital receipts pool		2,275	0	2,275
147,893	**5,432**	**142,461**	**Total other operating expenditure**		**85,252**	**3,455**	**81,797**
187,547	180,619	6,928	Financing and investment income and expenditure	2	163,215	133,291	29,924
0	590,323	(590,323)	Taxation and non-specific grant income		0	523,457	(523,457)
1,831,107	**1,769,593**	**61,514**	**Deficit on provision of services**		**1,742,541**	**1,671,433**	**71,108**
256,713	272,782	(16,069)	Share of operating results of joint venture	5	260,555	282,332	(21,777)
0	73	(73)	Tax expenses of subsidiary		268	0	268
7,810	0	7,810	Tax expenses of joint venture	5	178	0	178
2,095,630	**2,042,448**	**53,182**	**Group deficit on provision of services**		**2,003,542**	**1,953,765**	**49,777**
		(165,216)	(Surplus) on revaluation of non-current assets				(39,936)
		8,357	Impairment losses on non-current assets charged to the revaluation reserve				14,488
		(76)	(Surplus) on revaluation of available for sale financial assets				(2,059)
		244,478	Remeasurements of the net defined benefit liability				(256,162)
		142	Share of other comprehensive income and expenditure of subsidiaries				142
		(53,991)	Share of other comprehensive income and expenditure of joint ventures				(62,319)
		33,694	**Total other comprehensive income and expenditure**				**(345,846)**
		86,876	**Total comprehensive income and expenditure**				**(296,069)**

The CIES for 2014/15 has been restated to reflect the reclassification of Bridgewater Hall as Property, plant and equipment from 1 April 2014. As a result financing and investment income has reduced by £6.173m resulting in an increased deficit on the provision of services. The surplus on revaluation of non-current assets has increased by £6.173m.

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

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

Restated 2014/15 £000s		Note	2015/16 £000s
34,585	Deficit on the Authority's single entity Income and Expenditure Account for the year		36,083
1,064	Distribution from group entities included in the Authority's single entity deficit on the Income and Expenditure Account	3	1,020
(1,544)	Add (surplus) attributable to subsidiary	4	(1,440)
19,077	Add deficit / (surplus) attributable to joint venture including dividends paid (after corporation tax)		14,114
53,182	**Group income and expenditure account deficit for the year**		**49,777**

Group Balance Sheet

The balance sheet is fundamental to the understanding of the Group's financial position at the end of the financial year. The statement reports on the Group's balances on assets (non-current and current), liabilities (long and short-term) and reserves.

Restated 1 April 2014 £000s	Restated 31 March 2015 £000s		Note	31 March 2016 £000s	
		Non-current assets			
2,097,520	2,105,291	Property, plant and equipment	7	2,126,696	
431,191	510,240	Heritage assets		521,154	
344,508	386,981	Investment properties		387,118	
1,121	629	Intangible non-current assets		485	
854,587	889,565	Long-term investment in joint venture	8	937,993	
2,579	2,608	Other long-term investments	8	4,241	
115,042	128,738	Long-term debtors	9	153,436	
3,846,548	**4,024,052**	**Total non-current assets**			**4,131,123**
		Current assets			
819	725	Inventories		1,053	
147,886	121,113	Short-term debtors	9	111,618	
38,954	128,514	Cash and cash equivalents	10	101,867	
12,928	10,018	Short-term assets held for sale		6,152	
0	555	Intangible current assets		569	
200,587	**260,925**	**Total current assets**			**221,259**
4,047,135	**4,284,977**	**Total assets**			**4,352,382**
		Current liabilities			
(9,217)	(21,942)	Short-term borrowing		(32,234)	
(144,429)	(173,987)	Short-term creditors	11	(199,285)	
(21,279)	(21,296)	Short-term provisions		(21,490)	
(8,561)	(11,353)	Short-term deferred liabilities	12	(17,469)	
(183,486)	**(228,578)**	**Total current liabilities**			**(270,478)**
3,863,649	**4,056,399**	**Total assets less current liabilities**			**4,081,904**
		Long-term liabilities			
(2,482)	(2,831)	Long-term creditors		(2,191)	
(50,478)	(61,012)	Long-term provisions		(44,530)	
(512,182)	(509,626)	Long-term borrowing		(501,785)	
(164,634)	(160,758)	Long-term deferred liabilities	12	(143,322)	
(7,624)	(6,525)	Capital grants receipts in advance		(6,785)	
(735,975)	(1,012,249)	Pensions liability		(783,824)	
(1,473,375)	**(1,753,001)**	**Total long-term liabilities**			**(1,482,437)**
2,390,274	**2,303,398**	**Net assets**			**2,599,467**
		Financed by:			
437,386	445,418	Usable reserves			383,624
1,213,390	1,083,230	Unusable reserves			1,392,610
739,498	774,750	Group income and expenditure reserve			823,233
2,390,274	**2,303,398**	**Total reserves**	13		**2,599,467**

The Balance Sheet as at 1 April 2014 and 31 March 2015 has been restated to reflect the transfer of Bridgewater Hall from Investment Properties to Plant, Property and Equipment. Its value at 1 April 2014 was £54.536m and at 31 March 2015 was £60.709m.

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 2014/15 £000s		Note	2015/16 £000s
53,182	Net deficit on the provision of services		49,777
(266,818)	Adjustments to net deficit on the provision of services for non-cash movements	16	(163,262)
77,185	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	17	60,299
(136,451)	**Net cash flows from operating activities**		**(53,186)**
59,413	Investing activities	19	90,361
(12,522)	Financing activities	20	(10,528)
(89,560)	**Net (increase) / decrease in cash and cash equivalents**		**26,647**
38,954	Cash and cash equivalents at the beginning of the reporting period		128,514
128,514	**Cash and cash equivalents at the end of the reporting period**	10	**101,867**

Notes To The Group Accounts

Note 1. Group Accounting Policies

The Group Accounts have been prepared in accordance with the 2015/16 Code of Practice for Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounting policies used in preparing the Group Accounts are generally those used by Manchester City Council in their single entity financial statements. In order to align group entities accounting policies to those used by the Council and ensure consistency of accounting treatment across the group, the following policies have been adopted:

Consolidation of Subsidiary

The Council's subsidiary has been consolidated using the acquisition accounting basis. This is a full, line by line consolidation of the financial transactions and balances of the Council and its subsidiary. To avoid overstating the figures within the group financial statements, all transactions and balances between members of the group (the Council and its subsidiary) have been eliminated.

Consolidation of Joint Venture

The Council's joint ventures have been consolidated using the equity method. An investment is brought into the group balance sheet and adjusted by the Council's share in the joint venture's net asset movement. The Council's share of the joint venture's operating results for the year is included within the group income and expenditure account.

Non-Current Assets

Non-current assets have been consolidated using the valuation basis specified by the Code, unless the entity has a distinct class of asset that the Council does not recognise. In this case the entity's valuation basis was used.

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

Where group organisations use different accounting policies to the Council, their accounts have been restated to align their accounting policies with those of the Council where the effect of not doing so would be material to the reader's interpretation of the accounts.

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

The land and building assets of Destination Manchester Limited (DML), which is a subsidiary within the Council group, are included in DML's accounts at cost less accumulated depreciation and impairment. A valuation of DML's land and building assets has been undertaken in order to align the accounting policy with that of the Council. This valuation has been used for the Council's group accounts.

International Financial Reporting Standards (IFRS)

The Council produces its financial statements in accordance with IFRS. Where UK GAAP is still being used by group entities, their financial statements are adjusted to reflect IFRS where any changes have a material effect on the presentation of the group financial statements.

Note 2. Financing and Investment Income and Expenditure

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

	Restated 2014/15 £000s	2015/16 £000s	Note
Interest payable on debt	25,000	24,764	a
Interest element of finance leases (lessee)	234	61	
Interest payable on PFI unitary payments	10,229	9,249	
Write back of concessionary interest	0	267	
Net interest on the net defined benefit liability	31,884	32,474	b
Investment Interest income	(12,338)	(13,338)	c
Investment properties impairment	20,408	12,971	
Change in fair value of investment properties	(50,564)	(18,613)	
Impairment of shareholding	0	200	
Dividends receivable	(56)	(782)	d
(Gain) on trading accounts (not applicable to a service)	(1,565)	(766)	
Rentals received on investment properties	(18,658)	(19,281)	
Expenses incurred on investment properties	2,354	2,718	
Total financing and investment income and expenditure	**6,928**	**29,924**	

a. Interest Payable

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

	2014/15 £000s	2015/16 £000s
Manchester City Council	23,936	23,745
Destination Manchester Limited	1,064	1,019
Total	**25,000**	**24,764**

b. Net interest on the net defined benefit liability

These figures represent the net interest on the net defined benefit liability of the group as follows:

	2014/15 £000s	2015/16 £000s
Manchester City Council	31,628	32,188
Destination Manchester Limited	256	286
Total	**31,884**	**32,474**

c. Investment Interest Income

	2014/15 £000s	2015/16 £000s
Manchester City Council	(12,298)	(13,295)
Destination Manchester Limited	(40)	(43)
Total	**(12,338)**	**(13,338)**

The above figures include consolidation adjustments where transactions between the Council and the subsidiary are eliminated for the purpose of preparing the group accounts.

d. Dividends Receivable

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

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

Related party transactions between the Council and Destination Manchester Limited have been removed from the group income and expenditure account on consolidation. In 2015/16 the amount removed was £1,020,000 (£1,064,000 in 2014/15).

Note 4. (Surplus) Attributable to Subsidiaries

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

	2014/15 £000s	2015/16 £000s
Destination Manchester Limited	(1,544)	(1,440)
Total	**(1,544)**	**(1,440)**

Note 5. (Surplus) Attributable to Joint Venture

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

	2014/15 £000s	2015/16 £000s
(Surplus) before tax	(16,069)	(21,777)
Tax expenses	7,810	178
(Surplus) after tax	**(8,259)**	**(21,599)**

Note 6. Segmental Reporting Analysis

The table below is a reconciliation of the 2015/16 internal management reports (monitoring and outturn) used by the Council's Executive to make decisions and the 2015/16 Group Comprehensive Income and Expenditure Statement. The segments identified in the subjective analysis are the same segments that are reported to Executive during the year. The management reports of group entities are not reported to the Council's Executive therefore the subjective analysis will not differ to that in the Council's single entity statements.

Subjective Analysis	Children and Families £000s	Corporate Core £000s	Growth and Neighbourhoods £000s	Housing Revenue Account £000s	Total £000s
Fees Charges and Other Service Income	(107,874)	(81,229)	(74,532)	(63,883)	**(327,518)**
Government Grants	(388,084)	(268,905)	(5,037)	(23,598)	**(685,624)**
Total Income	**(495,958)**	**(350,134)**	**(79,569)**	**(87,481)**	**(1,013,142)**
Employee Expenses	318,789	77,043	44,913	1,933	**442,678**
Other Operating Expenses	442,260	352,006	151,005	84,678	**1,029,949**
Support Services Recharges	923	(34,823)	(6,939)	1,546	**(39,293)**
Total Operating Expenses	**761,972**	**394,226**	**188,979**	**88,157**	**1,433,334**
Cost of Services	**266,014**	**44,092**	**109,410**	**676**	**420,192**

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

	£000s
Cost of services in service analysis	420,192
Add amounts not reported to management*	103,378
Remove amounts reported to management not included in net cost of services in CIES	(40,726)
Net cost of services in comprehensive income and expenditure statement	**482,844**

Reconciliation to subjective analysis	Service Analysis as Reported to Executive £000s	Not Reported to Management* £000s	Not Included in CIES Net Cost of Services £000s	Allocation of Recharges £000s	Net Cost of Services £000s	Corporate Amounts £000s	Joint Venture not in NCS £000s	Total £000s
Fees, charges and other service income	(327,518)	5,916	83,806	0	(237,796)	(112,426)	0	(350,222)
Share of operating income of joint ventures	0	0	0	0	0	0	(282,331)	(282,331)
Interest and investment income	0	(1,700)	139	0	(1,561)	(52,754)	35,713	(18,602)
Income from council tax	0	0	0	0	0	(125,506)	0	(125,506)
Business rates income	0	0	0	0	0	(170,927)	0	(170,927)
Government grants and contributions	(685,624)	(40,572)	(45,677)	0	(771,873)	(234,302)	0	(1,006,175)
Total Income	**(1,013,142)**	**(36,356)**	**38,268**	**0**	**(1,011,230)**	**(695,915)**	**(246,618)**	**(1,953,763)**
Employee expenses	442,678	(9,360)	480	6,882	440,680	0	0	440,680
Other service expenses	1,029,949	10,684	(70,482)	(46,175)	923,976	16,211	0	940,187
Share of operating expenditure of joint ventures	0	0	0	0	0	0	260,732	260,732
Support services recharges	(39,293)	138,410	0	39,293	138,410	0	0	138,410
Depreciation, amortisation and impairment	0	0	26,549	0	26,549	200	0	26,749
Interest payments	0	0	(104)	0	(104)	37,264	0	37,160
Pension interest costs	0	0	0	0	0	109,521	286	109,807
Precepts and levies	0	0	(35,437)	0	(35,437)	72,568	0	37,131
Payments to housing capital receipts pool	0	0	0	0	0	2,275	0	2,275
Loss on disposal of non-current assets	0	0	0	0	0	10,409	0	10,409
Total operating expenses	**1,433,334**	**139,734**	**(78,994)**	**0**	**1,494,074**	**248,448**	**261,018**	**2,003,540**
(Surplus) / deficit on provision of services	**420,192**	**103,378**	**(40,726)**	**0**	**482,844**	**(447,467)**	**14,400**	**49,777**

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

Note 6. Segmental Reporting Analysis

The table below is a reconciliation of the 2014/15 internal management reports (monitoring and outturn) used by the Council's Executive to make decisions and the 2014/15 Group Comprehensive Income and Expenditure Statement. Segments are identified based on business units reported to Executive. The management reports of group entities are not reported to the Council's Executive therefore the subjective analysis will not differ to that in the Council's single entity statements.

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

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

	Restated £000s
Cost of services in service analysis	445,565
Add amounts not reported to management*	124,965
Remove amounts reported to management not included in net cost of services in CIES	(68,082)
Net cost of services in comprehensive income and expenditure statement	**502,448**

Reconciliation to subjective analysis	Service Analysis as Reported to Executive	Restated Not Reported to Management*	Restated Not Included in CIES Net Cost of Services	Allocation of Recharges	Restated Net Cost of Services	Restated Corporate Amounts	Joint Venture not in NCS	Restated Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges and other service income	(311,259)	(2,310)	62,897	0	(250,672)	(171,236)	0	(421,908)
Share of operating income of associates and joint ventures	0	0	0	0	0	0	(272,782)	(272,782)
Interest and investment income	0	(1,155)	147	0	(1,008)	(42,223)	27,335	(15,896)
Income from council tax	0	0	0	0	0	(120,583)	0	(120,583)
Business rates income	0	0	0	0	0	(150,359)	0	(150,359)
Government grants and contributions	(689,129)	(13,304)	(39,106)	0	(741,539)	(319,381)	0	(1,060,920)
Total Income	**(1,000,388)**	**(16,769)**	**23,938**	**0**	**(993,219)**	**(803,782)**	**(245,447)**	**(2,042,448)**
Employee expenses	456,196	5,782	524	(423)	462,079	0	0	462,079
Other service expenses	1,018,563	6,325	(61,274)	(28,383)	935,231	22,583	7,810	965,624
Share of operating expenditure of associates and joint ventures	0	0	0	0	0	0	256,713	256,713
Support services recharges	(28,806)	0	0	28,806	0	0	0	0
Depreciation, amortisation and impairment	0	129,627	5,032	0	134,659	0	0	134,659
Interest payments	0	0	(1,895)	0	(1,895)	37,956	0	36,061
Pension interest costs	0	0	0	0	0	127,008	0	127,008
Precepts and levies	0	0	(34,407)	0	(34,407)	72,193	0	37,786
Payments to housing capital receipts pool	0	0	0	0	0	2,235	0	2,235
Loss on disposal of non-current assets	0	0	0	0	0	73,465	0	73,465
Total operating expenses	**1,445,953**	**141,734**	**(92,020)**	**0**	**1,495,667**	**335,440**	**264,523**	**2,095,630**
(Surplus) / deficit on provision of services	**445,565**	**124,965**	**(68,082)**	**0**	**502,448**	**(468,342)**	**19,076**	**53,182**

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

Note 7. Property Plant and Equipment

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

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

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

	Property, Plant and Equipment							
	Council Dwellings £000s	Restated Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Restated Total £000s
Gross book value brought forward	419,547	1,421,959	72,763	441,074	26,134	72,555	194,919	2,648,951
Accumulated depreciation and impairment brought forward	(30,043)	(310,656)	(28,415)	(74,941)	(71)	0	(107,305)	(551,431)
Net book value carried forward as at 31 March 2014	**389,504**	**1,111,303**	**44,348**	**366,133**	**26,063**	**72,555**	**87,614**	**2,097,520**
Movement in 2014/15								
Additions	30,184	37,338	13,057	22,955	1,281	20,450	17,790	143,055
Revaluations recognised in revaluation reserve	3,876	81,300	950	0	0	0	10	86,136
Revaluations recognised in deficit on the provision of services	(373)	(47,793)	0	0	0	0	0	(48,166)
Derecognition - disposals	0	(71,919)	(2,400)	0	0	0	(5,312)	(79,631)
Transferred from held for sale	(2,769)	0	0	0	(1)	0	(1,210)	(3,980)
Other transfers	(354)	31,763	4,083	(1,978)	653	(42,589)	(73)	(8,495)
Newly recognised assets - Leased assets / PFI assets	7,423	0	69	0	0	0	0	7,492
Depreciation	(10,929)	(22,087)	(7,172)	(7,520)	(1)	0	(208)	(47,917)
Impairments charged to the comprehensive income and expenditure statement	(18,649)	(3,376)	(644)	0	(1)	0	(12,077)	(34,747)
Impairments covered by the revaluation reserve	(2,849)	(5,436)	0	0	0	0	(72)	(8,357)
Reversal of prior year impairment	0	2,381	0	0	0	0	0	2,381
Net book value carried forward as at 31 March 2015	**395,064**	**1,113,474**	**52,291**	**379,590**	**27,994**	**50,416**	**86,462**	**2,105,291**
Gross book value carried forward as at 31 March 2015	427,755	1,266,975	84,679	462,051	28,064	50,416	192,484	2,512,424
Accumulated depreciation and impairment carried forward as at 31 March 2015	(32,691)	(153,501)	(32,388)	(82,461)	(70)	0	(106,022)	(407,133)
Net book value carried forward as at 31 March 2015	**395,064**	**1,113,474**	**52,291**	**379,590**	**27,994**	**50,416**	**86,462**	**2,105,291**

Note 8. Long-term Investments

	31 March 2015 £000s	31 March 2016 £000s
Investments in organisations included in the group statements		
Manchester Airports Holdings Ltd	881,031	929,236
Investments in subsidiaries not included in the group statements		
Manchester Mortgage Corporation Plc Share Capital	6,131	6,149
Investments in associates not included in the group statements		
National Car Parks (Manchester) Ltd Share Capital	1,103	1,308
Eastlands Development Company Limited	1,300	1,300
	889,565	**937,993**
Other long-term investments	2,608	4,241
Total other long-term investments	**2,608**	**4,241**
Total Long-Term Investments	**892,173**	**942,234**

Further details can be found in the Council's accounts Note 30.

Note 9. Debtors

As the balance sheet date represents the position at the end of the financial year, there are monies owed to the Group at that date which are yet to be received in cash. The following analysis shows the amounts owed to the Group which had not been received at 31 March 2016. Amounts owed to the Council by Destination Manchester Ltd have been removed as they are classed as intra-company transactions.

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

	31 March 2015 £000s	31 March 2016 £000s
Short-term debtors - Manchester City Council		
Manchester City Council debtors and payments in advance	120,695	110,906
Adjustments for intra-company transactions	(2,697)	(2,519)
	117,998	**108,387**
Short-term debtors - Destination Manchester Limited		
Trade debtors	1,311	1,851
Prepayments and accrued income	1,465	0
Corporation tax	244	268
Other debtors	95	1,112
Total	**121,113**	**111,618**

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

These are amounts that are owed to the Group which are being repaid over various periods longer than one year. Long-term debt which has become due in less than twelve months has been reclassified as short-term debt. Long-term debt owed to the Council by Destination Manchester Ltd has been removed from the group accounts as it is classed as an intra-company transaction.

	31 March 2015 £000s	31 March 2016 £000s
Long-term debtors		
Mortgages		
Housing Revenue Account	52	11
General Fund	81	42
Manchester Airports Holdings Limited	83,168	83,168
Ex GMC debt	142	118
PFI prepayments	22,719	19,168
Private Sector Housing Loans	8,573	11,039
Equity Mortgages	2,978	3,282
Eon Reality	2,200	2,200
Bluethorn Developments Ltd / Blueindale Ltd	3,738	0
Greater Manchester Loans Fund	2,312	4,223
Matrix Homes	0	6,733
Biffa Municipal	0	2,630
LQ Developments	0	5,452
WB Developments	0	12,891
Other	2,775	2,481
Total	**128,738**	**153,436**

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

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

Bank Overdraft and Cash and Cash equivalents	31 March 2015 £000s	31 March 2016 £000s
Cash at bank and in hand	24,666	21,723
Call accounts	40,341	10,630
Investments less than 3 months	63,507	69,514
Total	**128,514**	**101,867**

Note 11. Short-Term Creditors

As the Group's Balance Sheet represents the financial position at the end of the financial year, these are monies owed by the Group at that date which have yet to be paid. There are also amounts which the Council has received before the end of the financial year which relates to services which have not yet been provided. This analysis shows the amounts owed which had not yet been paid and the amounts received in advance as at 31 March 2016. Amounts owed by the Council to Destination Manchester Ltd have been removed as they are classed as intra-company transactions.

	31 March 2015 £000s	31 March 2016 £000s
Manchester City Council	167,305	191,801
Adjustments for intra-company transactions (trade creditors)	(830)	489
	166,475	**192,290**
Destination Manchester Limited		
Trade Creditors	1,614	840
Accruals and deferred income	5,342	5,326
Corporation tax	0	268
Other taxes and social security costs	556	561
Total	**173,987**	**199,285**

Further details can be found in the Council's accounts Note 33.

Note 12. Deferred Liabilities

	31 March 2015 £000s	Repaid in year £000s	Additions in year £000s	31 March 2016 £000s	Short Term 31 March 2016 £000s	Long Term 31 March 2016 £000s
Ex GMC debt	15,948	(1,941)	0	14,007	2,044	11,963
Finance leases	1,719	(1,096)	0	623	147	476
Private Finance Initiatives	152,626	(22,257)	10,758	141,127	15,001	126,126
Service Concession	0	(48)	2,945	2,897	277	2,620
Deferred taxation (Destination Manchester Ltd)	1,818	0	319	2,137	0	2,137
	172,111	**(25,342)**	**14,022**	**160,791**	**17,469**	**143,322**

Note 13. Group Reserves

	31 March 2015 £000s	31 March 2016 £000s
Usable Reserves		
Manchester City Council *	445,418	383,624
Unusable Reserves		
Manchester City Council *	1,083,230	1,392,610
Group Income and Expenditure Reserve		
Manchester Airports Holdings Ltd	768,678	816,882
Destination Manchester Ltd	6,072	6,351
Total Group Income and Expenditure Reserve	**774,750**	**823,233**
Total	**2,303,398**	**2,599,467**

* Further detail can be found in the Council's accounts Notes 38 and 39.

Note 14. Capital Commitments

Manchester Airport Holdings Ltd have contracted capital expenditure which has not been accounted for in the financial statements. The Council's share of these capital commitments amounts to £10.76m in 2015/16 (£12.28m in 2014/15).

Note 15. Related Party Transactions

As at 31 March 2016 the amount of loans outstanding owed by Manchester Airports Holdings Limited to Manchester City Council was £83.2m (£83.2m at 31 March 2015).

Destination Manchester Limited purchased goods and services from Manchester City Council during 2015/16 to the value of £3.71m (£0.659m in 2014/15) and had outstanding loans to the Council of £20.9m at 31 March 2016 (£21.6m at 31 March 2015).

The directors of Destination Manchester Limited during 2015/16 were Richard Paver, then City Treasurer of the Council and Sir Howard Bernstein, Chief Executive of the Council.

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

Note 16. Cash Flow Statement - Adjustments to net deficit on the provision of services for non-cash movements

	Restated 2014/15 £000s	2015/16 £000s
Depreciation of non-current assets	(45,675)	(49,782)
Impairment of non-current assets	(116,792)	(100,937)
Amortisation of intangible non-current assets	(491)	(144)
Pension fund adjustments	(31,796)	(27,737)
Movement in market value of investment property	50,564	18,613
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	1,667	2,932
(Increase) in impairment provision for bad debts	(6,962)	(7,695)
Contributions to provisions	(7,833)	(5,390)
Carrying amount of property, plant and equipment, investment properties and intangible assets sold	(87,701)	(43,790)
Amount by which council tax income and business rates adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulation	6,291	44,946
Other non-cash movements	23,499	16,804
Increase / (decrease) in inventories	(94)	328
Increase / (decrease) in debtors (less capital)	(14,124)	13,383
Increase / (decrease)in interest debtors	(4,588)	(5,509)
(Increase) in creditors (less capital)	(32,836)	(19,394)
(Increase) / decrease in interest creditors	53	110
Total	**(266,818)**	**(163,262)**

Note 17. Cash Flow Statement - Adjustments for items included in the net or deficit on the provision of services that are investing and financing activities

	2014/15 £000s	2015/16 £000s
Proceeds from the disposal of property, plant and equipment, investment properties and intangible assets	20,436	36,918
Capital Grants credited to deficit on the provision of services	74,931	36,744
Other adjustments for items included in the net deficit on the provision of service that are investing or financing activities	(18,182)	(13,363)
Total	**77,185**	**60,299**

Note 18. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2014/15 £000s	2015/16 £000s
Interest received	(16,734)	(12,625)
Interest paid	35,516	34,184
Dividends received	(27,335)	(35,713)
Taxation	(171)	(268)
Total	**(8,724)**	**(14,422)**

Note 19. Cash Flow Statement - Investing Activities

	2014/15 £000s	2015/16 £000s
Purchase of plant, property and equipment, investment property and intangible assets	155,722	174,546
Proceeds of plant, property and equipment, investment property and intangible assets	(20,436)	(36,918)
Capital grants received	(61,125)	(17,580)
Other receipts from investing activities	(14,748)	(29,687)
Total	**59,413**	**90,361**

Note 20. Cash Flow Statement - Financing Activities

	2014/15 £000s	2015/16 £000s
Repayments of long and short term borrowing	12	11,008
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	6,501	15,461
Cash receipts of long and short-term borrowing	(11,764)	(6,558)
Net (receipts) relating to preceptors element of council tax	(973)	(443)
Net (receipts) relating to national non domestic rates for government and dire authority proportions	(6,298)	(29,996)
Total	**(12,522)**	**(10,528)**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER CITY COUNCIL

We have audited the financial statements of Manchester City Council (the "Council") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group and Council Movement in Reserves Statements, the Group and Council Comprehensive Income and Expenditure Statements, the Group and Council Balance Sheets, the Group and Council Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the 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 2015/16.

This report is made solely to the members of the Council, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. 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 the Responsibilities for the Annual Statement of Accounts, the City Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements 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 financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements 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 and 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 financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to the Annual Accounts, the Introduction to the Group Accounts, the Annual Governance Statement and the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Council and Group as at 31 March 2016 and of the Council's and Group's expenditure and income 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 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report to the Annual Accounts, the Introduction to the Group Accounts, the Annual Governance Statement and the Annual Report is consistent with the Council and Group audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Council under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Council's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Council and 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 20(1)(c) of the Act to be satisfied that the Council has made 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 the Council's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Council put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Basis for qualified conclusion

In considering the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources we identified the following matter:

An inspection report published by Ofsted in September 2014 concluded that the overall arrangements for ensuring the effectiveness of Children's Services at the Council and the Local Safeguarding Children Board in the Manchester City Council area were judged to be "inadequate". The Council has developed an Improvement Plan to address Ofsted recommendations, and has provided an update on progress in its Annual Governance Statement. At the date of our opinion, Ofsted has yet to publish a subsequent inspection report and as such the judgement from September 2014 remains extant.

This matter is evidence of weaknesses in proper arrangements for planning, organising and developing the workforce effectively to deliver strategic priorities.

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, except for the effects of the matter described in the Basis for qualified conclusion paragraph, we are satisfied that in all significant respects the Council put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Council for the year ended 31 March 2016 in accordance with the requirements of the Act and the Code until we have completed:

- our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Act; and
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Council for the year ended 31 March 2016.

We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing value for money through economic, efficient and effective use of its resources.

Andy Mack

Andy Mack

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
4 Hardman Square
Manchester
M3 3EB

30 September 2016

GLOSSARY OF FINANCIAL TERMS

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

Agency Services

Services that are performed by or for another authority or public body, where the authority responsible for the service reimburses the authority carrying out the work for the cost of that work.

Amortisation

A charge to the comprehensive income and expenditure statement spread over a number of years.

Assets

Items of worth that are measurable in terms of value. Current assets are ones that may change in value on a day-to-day basis (e.g. inventory). Non current assets are assets that yield benefit to the Council for a period of more than one year (e.g. land).

Balances

The reserves of the Council, which include the accumulated surplus of income over expenditure.

Capital Expenditure

Expenditure on the acquisition or enhancement of property, plant and equipment that have a long-term value to the Council. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own property, plant and equipment.

Capital Receipts

Money received from the sale of property, plant and equipment or repayment of a capital advance.

Collection Fund

The fund maintained by the Council into which are paid the amounts of Council Tax and Business Rates that it collects, and out of which are to be paid precepts issued by precepting authorities, its own demands and share of business rates to Central Government and the Fire and Rescue Authority.

Community Assets

These are assets that the Council intends to hold in perpetuity, which have no determinable finite useful life and may have restrictions on their disposal (e.g. parks).

Contingent Assets

Sums due from individuals or organisations that may arise in the future but which cannot be determined in advance.

Contingent Liabilities

Sums due to individuals or organisations that may arise in the future but which cannot be determined in advance.

Core Cities

Core Cities are a unique and united local authority voice to promote the role of cities in driving economic growth, representing the councils of England, Wales and Scotland's largest city economies outside London - Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield.

These cities drive local and underpin national economies. Working in partnership, they aim to enable each City to enhance their economic performance and make them better places to live, work, visit and do business.

Corporate and Democratic Core

This comprises the activities that all local authorities engage in because they are elected multi-purpose authorities. The cost of these activities is over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services.

Creditors

Amounts owed by the Council for goods and services provided by the balance sheet date, where payment has not been made at that date.

Current Service Cost

The increase in present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current financial year.

Curtailments

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces the accrual of defined benefits for a number of employees for some or all of their future service.

Debtors

Sums of money owed to the Council at the balance sheet date but not received at that date.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciated Replacement Cost

A method of valuation that provides a proxy for the market value of specialist properties.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of property, plant and equipment.

Exceptional Items

Material items which derive from effects or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expenditure

Amounts paid by the Council for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment - expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arms length transaction.

Fees and Charges

Income arising from the provision of services, e.g. the use of leisure facilities.

Finance Lease

A finance lease is one that transfers substantially all the risks and rewards of ownership of items of property, plant and equipment to a lessee.

General Fund

The total services of the Council except for the Housing Revenue Account and the Collection Fund. Council Tax, Government Grants and Business Rates meet the net cost of this.

Impairment

A reduction in the value of a property, plant and equipment below its carrying amount in the balance sheet.

Income

Amounts due to the Council for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve cash being received - income is deemed to have been earned once the goods or services have been supplied even if the cash has not been received.

Infrastructure Assets

These are inalienable assets, expenditure on which is recoverable only by continued use of the asset created. Examples of such assets are highways and footpaths.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities that arise from the passage of time.

International Financial Reporting Standards (IFRS)

These are statements prepared by the International Accounting Standards Board to ensure consistency in accountancy matters. Many of these standards now apply to local authorities and any departure from these must be disclosed in the published accounts.

Inventory

Raw materials and consumable items the Council has purchased to use on a continuing basis and has not used by the end of the financial year.

Investment Properties

These are property or land that is held solely to earn rental income or for capital appreciation or both.

Liabilities

Amounts due to individuals or organisations that will have to be paid at some time in the future. Current liabilities are payable within one year of the balance sheet date.

Long-term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or service where the time taken to complete the contract is such that the contract activity falls into different accounting periods.

Minimum Revenue Provision (MRP)

This is the amount that is charged to an authority's Movement in Reserves Statement each year and set aside as a provision for credit liabilities.

National Non-Domestic Rate (NNDR)

All non-domestic properties have been valued and the Government determines a national rate poundage each year, which is payable to all local authorities. Local authorities collect the national non-domestic rate and pass 50% to the Government.

Notional accounting adjustments

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

Observable Inputs

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

Operating Lease

A lease other than a finance lease.

Outturn

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

Past Service Cost

For a defined benefit pension scheme, the increase in present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept

The amount levied by the various joint authorities (e.g. fire and rescue authority), which is collected by the Council on their behalf.

Provisions

These are sums set aside to meet liabilities or losses that have been incurred but where the amount and/or timing of such costs are uncertain.

Public Works Loan Board (PWLB)

A Government agency that lends money to local authorities. Local authorities are able to borrow some or all of their requirements to finance capital expenditure from this source.

Residual Value

The net realisable value of property, plant or equipment at the end of its useful life.

Reserves

These are sums set aside to meet possible future costs where there is no certainty about whether or not these costs will be incurred.

Revenue Contributions

The method of financing capital expenditure directly from revenue.

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

These are items of capital expenditure that do not result in, or remain matched by, the Council's property, plant and equipment.

Revenue Support Grant (RSG)

A grant paid by the Government to each local authority to help to finance its general expenditure.

Settlement

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligations and the assets used to effect the settlement.

Unobservable Inputs

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

MANCHESTER
CITY COUNCIL

Annual Governance Statement 2015/16

1. Introduction

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

1.2 The Council operates in a complex and constantly evolving financial, policy and legislative environment. The role, responsibilities and funding models of local government are in a period of rapid transition. During 2015/16 central government grant funding to the Council continued to reduce, business rate growth retention was being trialled in the Greater Manchester region, and further devolution of powers has taken place. A significant development in the devolution process has been the Council's work with the other local authorities in the region, and NHS partners to prepare for the transfer of control of the region's health and social care budget from April 2016. The five year vision for the region is set out in the The Plan for Health and Social Care.

1.3 The changes taking place present both opportunities and challenges. Therefore the Council must continue to engage in a broad programme of innovation and reform work so that it can maintain services for residents which are efficient, effective and value for money using available resources. This document explains the governance mechanisms in place to ensure appropriate oversight of this work.

1.4 Whilst this document focuses on governance, the Council's Annual Report provides an overview of the context in which it operates, its performance and achievements, and how public money was spent.

2. Scope of Responsibility

2.1 Manchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

2.2 In discharging these responsibilities, the Council must put in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes arrangements for the management of risk. The Council first adopted a Code of Corporate Governance in June 2008. This Code is included in the Council's Constitution (part 6 section G). It sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose.

2.3 The Code of Corporate Governance and the Council's Constitution are reviewed annually to ensure they remain consistent with the principles of the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) joint framework for delivering good governance in local government (2012). CIPFA has issued a 2016 update to the Framework, which will be applicable for the preparation of the Annual Governance Statement (AGS) from 2016/17 onwards.

2.4 This AGS explains how the Council has complied with the Code of Corporate Governance. The AGS also meets the requirements of the Accounts and Audit (England) Regulations 2015 regulation 6(1) which requires all relevant bodies to prepare an Annual Governance Statement (AGS).

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives as set out in the new Manchester Strategy, and to consider whether those objectives have led to the delivery of appropriate, cost effective services. These objectives are underpinned by the corporate values of People, Pride and Place.

3.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control identifies and prioritises risks; evaluates the likelihood of those risks being realised and the impact should they be realised; and aims to manage them efficiently, effectively and economically.

4. The Governance Framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. The Council operates to a Code of Corporate Governance, which forms part of the Constitution. The Code was updated in 2015, and reviewed in 2016 to ensure it reflected the Council's current governance arrangements. The table below includes examples of how the Council has adhered to its governance commitments set out in the Code and includes hyperlinks to sources of further information which include more detail about how the Council has implemented its commitments.

Principle 1: Focussing on the Council's purpose and outcomes for the community and on implementing a vision for the local area		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
To develop and clearly communicate its vision and intended outcomes.	✓ The Council has worked with partners, and in consultation with the public, to develop 'Our Manchester', the Manchester Strategy for 2016-2025, which is a new vision for the city for the next 10 years. Integral to this process has been work to ensure clear communication of the vision to residents, staff and other stakeholders.	The Manchester Strategy – 'Our Manchester'
	✓ Directorate Business Plans set out how the Council's three directorates support the delivery of its objectives.	Business Plans
	✓ The Council's objectives support those of Greater Manchester described in the Greater Manchester Strategy 2013 - 2020.	Greater Manchester Strategy
	✓ Progress towards the Council's and the city's objectives is set out in the annual State of the City suite of reports.	State Of The City Report
	✓ The Council has consulted with the public on its budget for 2016/17, and clearly set out the decision making process on its website.	The Budget Setting Process
	✓ The Council takes a strategic and long term planned approach to delivery of its objectives, as demonstrated by the Strategic Response to the Budget, and the Medium Term Financial Plan.	Budget 2016/17 Strategic Response

	✓ The Council leads the Strategic Education Partnership, working with schools and local business to promote economic growth, reduce dependency, and help people gain the skills needed to access rewarding jobs in the city. ✓ The Council has developed a School Governance Strategy to support and secure effective governance of schools in the City. ✓ The Council has set three new Equality Objectives for 2016 – 2020, these are; 'Knowing Manchester Better', 'Improving Life Chances' and 'Celebrating Our Diversity'.	Strategic Education Partnership Board The School Governance Strategy Equality Objectives 2016 - 2020
To ensure that service users receive a high quality of service.	✓ A Performance Management Framework enables the Council and its Committees to access timely and accurate information about service delivery, supporting intervention to address any barriers to good performance. ✓ Workforce Plans are in place for each directorate, setting out the key strategic workforce priorities required to support the Directorate's objectives. ✓ The Council has a corporate complaints process to ensure residents' complaints are addressed in a consistent and effective way, which identifies where service improvements may be required. Public reporting to Members will be developed to support these improvements, and this will include an Annual Report to Audit Committee. ✓ Statistics and reports showing the Council's performance in responding to and addressing complaints are publicly available on its website.	Performance Management Framework The Complaints Procedure Complaints Performance
To make best use of resources and ensure that taxpayers and service users receive value for	✓ The Council compares its spending on services to other local authorities, so it can better understand where value for money can be improved. ✓ Public service reform is leading to reduced spending on high cost services, by supporting people into independence.	Public Service Reform Audit Committee

money.	✓ The Council's Audit, and Resources and Governance Committees provide oversight of mechanisms to control expenditure. ✓ The Council's Capital and Revenue Gateway processes ensure resources are allocated in a way which is consistent, clear, and transparent. ✓ The Council's external auditor, Grant Thornton, provide a Value for Money conclusion assessment in their Annual Audit Letter. ✓ The Workforce Planning process articulates how human resources will be aligned to Directorate priorities.	Resources and Governance Scrutiny Committee Annual Audit Letter

Principle 2: Having clear responsibilities and arrangements for accountability		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
To provide visible, accountable and effective leadership to the community.	✓ The Council's Constitution sets out and describes the functions, responsibilities and lines of accountability that the Council operates within. ✓ The Constitution is reviewed at least annually to ensure it reflects legislative and policy changes at a national and local level. ✓ The Council's Member and Officer Relations Protocol is included in the Constitution. This is to provide guidance to ensure interactions between members and officers are conducted in a positive and constructive way.	The Council's Constitution
To ensure that effective governance arrangements are in place for partnership working, and that they	✓ The Council publishes its Partnership Governance Framework which standardises the approach to managing partnerships to strengthen accountability and financial security.	Partnership Governance Framework

are clearly communicated.	✓ The Council maintains a Register of Significant Partnerships to assess the risk governance arrangements pose to the Council's reputation, objectives and financial position. Audit Committee provide scrutiny of the assessment process and framework. ✓ Developing the skills and behaviours for collaborative working, including around governance, is a core component of the Council's leader and manager development programme. ✓ As part of the Council's strategy to support economic growth, it conducts its activities in partnership with other major organisations, which are collectively known as the Manchester City Council Group. As well as the Council itself, the Group consists of Manchester Airport Holdings Ltd (MAHL), Destination Manchester Ltd (DML) and a number of other entities. ✓ MAHL has a comprehensive system of internal control, including clearly defined organisational structures and lines of responsibility, regular board meetings, performance monitoring and an internal audit function. External audit is provided by KPMG. ✓ DML is a subsidiary of the Council, which owns and manages the Manchester Central Convention Complex. Governance is overseen by the Company Board and external auditing is provided by Ernst and Young LLP. ✓ The Manchester Partnership allows the Council to work together with other public, private and third sector organisations to deliver the Manchester Strategy. ✓ A five year strategic plan, 'Taking Charge of Our Health and Social Care' sets out the vision for better health and social care across Greater Manchester following the transfer of control of the public funding for these services to the region from April 2016. This has been developed by the 37 NHS organisations and 10 local authorities in Greater Manchester.	Register of Significant Partnerships. The Manchester Partnership Taking Charge of Our Health and Social Care

	✓ The Council has developed an accountability framework to support the implementation of an integrated health and care system in Manchester.	Manchester Locality Plan
To seek to protect the wellbeing of employees and residents.	✓ The Council is working to improve health, wellbeing and life chances in Manchester by shifting services towards those which focus on prevention of problems and which intervene early to stop existing problems getting worse. The Health and Wellbeing Board (HWB) provides oversight of strategy setting, and promotes partnership working to achieve this objective. ✓ The Council has a Health and Safety policy, which sets out how it will comply with the responsibilities placed on it by legislation. To ensure that these responsibilities are met, the Council will endeavour to identify hazards and control risks to health and safety by risk assessment and suitable risk control procedures, and provide suitable equipment and materials, health and safety training, instruction, information and supervision. ✓ An Employee Health and Wellbeing Steering Group is in place with representatives from across the Council to drive improvements in employee physical and mental wellbeing.	The Health and Wellbeing Board

Principle 3: Promoting the values of the Council and demonstrating values of good governance through maintaining high standards of conduct and behaviour.		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
To ensure its values are put into effective practice.	✓ The Council's values are ***People, Pride, Place***: These values are effectively communicated and are taken into account in the development of the organisation's strategies and business plans. Assessing the demonstration of these values is a key component of the ***m people*** approach.	The Council's Values The m people Framework Agreement
To ensure Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.	✓ The Council has a Code of Conduct for elected and co-opted Members, which is part of the Constitution (part 6, section A), as required by the Localism Act 2011. This requires Members' interests to be published in a Register, which is available online. ✓ The Standards Committee champion high standards of ethical governance from elected members and the Council as a whole. Two new independent co-opted members were appointed to the Committee in November 2015. ✓ The organisation's Behavioural Framework articulates the key behaviours required within the workforce to support Public Service Reform. ✓ The Council has a zero tolerance approach towards fraud and corruption and this commitment is set out in the Council's Anti-fraud and Corruption policy. ✓ The Whistleblowing policy provides protection for individuals who raise any serious concerns they have about suspected illegal or illegitimate practices at the Council and explains how these will be investigated.	Local Code of Conduct for Members Members' Register of Interests Standards Committee Whistle Blowing Procedures

Principle 4: Taking informed and transparent decisions that are subject to effective scrutiny and managing risk		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
To be rigorous and transparent about how decisions are taken, and have effective measures to hold decision makers to account. The Council will listen and act on the outcome of constructive scrutiny.	✓ The Council's decision making process is clearly defined in its Constitution.	Constitution
	✓ All Council and Committee meetings are held in public (other than in limited circumstances where consideration of confidential or exempt information means that the public are excluded), with agenda and reports being produced in paper form and online. Live streamed webcasts of Council, Executive and Scrutiny committee meetings are available online, as well as in an archive which can be accessed on-demand.	Council Meeting Agendas and Reports Online Videos of Council Meetings
	✓ To promote transparency and wider engagement with Council decisions, residents can use Social Media to get updates from and interact with the Council.	Social Media Updates
	✓ The Council publishes a Register of Key Decisions to notify the public of the most significant decisions it is due to take. Resources and Governance Scrutiny Committee are reviewing this process so that clearer information can be provided to the public.	Register of Key Decisions
	✓ The Council has six scrutiny committees which hold decision makers to account and play a key role in ensuring that public services are delivered in the way residents want.	Scrutiny Committees
	✓ The Council follows the Local Government Transparency Code 2015, which includes requirements and recommendations for local authorities to publish certain types of data.	
	✓ The Council has an "Open Data" website to meet its commitment to publishing as much non-personal data as possible. This means partners and the public can freely make use of it, supporting transparency and accountability.	Open Data

	✓ The Council's City Solicitor undertakes the role of the Monitoring Officer. The Monitoring Officer ensures that Council decisions are taken in a lawful and fair way, correct procedures are followed, and that all applicable laws and regulations are complied with.	
Decision makers will have good-quality information, advice and support to ensure that the Council delivers services effectively to meet community needs.	✓ The Council maintains an Intelligence Hub, an online interactive tool for accessing ward-level statistics about the city.	The Intelligence Hub
	✓ The Joint Strategic Needs Assessment (JSNA) statistics about the health of the population of Manchester provide the evidence base to support the Health and Wellbeing Board in the delivery of its aims; to improve the health and wellbeing of Manchester residents and reduce health inequalities.	Joint Strategic Needs Assessments
	✓ The Children and Young People's JSNA ensures that local strategies for addressing poor health and care outcomes in Manchester are underpinned by a strong evidence base in terms of the range and effectiveness of services to support children, young people and families in need of help, care and protection.	Children and Young People's JSNA
	✓ The Council ensures that it complies with its obligations under the Equality Act 2010, by having a robust Equality Impact Assessment (EIA) framework in place that informs decision making and budget considerations.	Equality Impact Assessment Framework
	✓ The Council participates in the use of the Equality Framework for Local Government (EFLG). Assessment against the criteria allows it to measure how well it is performing in terms of equality activities and outcomes, and helps it to drive forward improvements. In 2015 the Council was assessed against this framework and rated as "Excellent", achieving the organisation's published Equality Objective.	The Equality Framework for Local Government
The Council will operate a risk management framework that aids	✓ Effective risk management is an integral part of robust performance management; managing identified risks and mitigating their potential negative impact helps to ensure the effective delivery of the Council's objectives.	Corporate Risk and Resilience Strategy 2014/15

the achievement of its strategic and business outcomes and priorities, protects the Council's reputation and other assets and is compliant with all applicable laws and regulations.	✓ Risk management is a key tool in ensuring maximum value for money and effective deployment of available resources. ✓ The Council has a risk management methodology which involves the following sequence; clarify objectives, identify the risk, record existing controls, evaluate the risk, assess acceptable levels of risk, identify responses to risk, identify risk owners, create risk register and record actions, and finally report and review. ✓ A comprehensive risk management toolkit is available for officers to ensure consistency of approach; this is supplemented by advice and guidance, workshops and training, including online e-learning courses. ✓ Over a thousand staff across the Council were trained in risk management in 2015/16. This addressed the fact that many heads of service consistently raise effective risk management as a governance challenge.	Corporate Risk Register

Principle 5: Developing the capacity and capability of Members and officers to be effective		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
To ensure Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles.	✓ The People Strategy provides a framework for ensuring staff skills are developed and an effective infrastructure is in place to support the workforce in meeting the Council's priorities. ✓ The Council's Strategic Management Team works to ensure the delivery of the People Strategy objectives. ✓ Workforce Plans have been developed for each directorate and more detailed Workforce Development Activity plans are in place setting out the activity which will be commissioned in the coming year aligned to Corporate and Directorate priorities.	People Strategy

	✓ New Members receive an Induction and training throughout the year. The form and content of the Induction is reviewed annually with Members. Regular meetings to discuss the development needs of Councillors take place with the Deputy Leaders. ✓ Development opportunities are available for all members throughout the year including courses delivered by the North West Employers Organisation, Online e-learning and in-house briefing sessions. In 2015/16 a number of courses took place and they included; Introduction to Scrutiny, Carbon Literacy, Budget and Business Planning, and benefits briefings.	Member Development
Develop the capability of people with governance responsibilities and the organisation's understanding of governance	✓ An Annual Members' Assurance Statement is compiled to identify governance challenges relating to the roles of elected members. ✓ The Council regularly updates its 'Handbook' which includes guides for staff and elected members on all aspects of the Council's governance arrangements in plain, clear terms. This is easily accessible by all staff. ✓ Revised Use of Council Resource Guidance for members has been published incorporating advice from Standards for England. ✓ A Members' Update on Ethical Governance has been produced, which contains details of the Department for Communities and Local Government's (DCLG) guidance on, for example, openness and transparency of personal interests. An updated version will be taken to Standards Committee later in 2016.	Use of Council Resources Guidance for Members Members' Update on Ethical Governance
To ensure people can engage with the work of the Council and have opportunities to seek election to the Council.	✓ The Council communicates its work through a wide range of channels including social media, its website and consultations. ✓ The Council organises briefings prior to elections for people interested in standing for election to the Council, and publishes guidance on its website. ✓ The Council has continued to support and develop a Youth Council to ensure young people can become involved with the work of the Council.	Consultations portal. Standing for Election Guidance Manchester Youth Council

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
To exercise leadership through a scrutiny function that engages local people and partnerships and develops constructive accountability.	✓ Scrutiny Committees proactively invite local and national interested parties to contribute to their discussions. ✓ The Council continues to maintain an effective internal audit function operating in accordance with the 'Code of Practice for Internal Audit in Local Government' issued by CIPFA and the Public Sector Internal Audit Standards. The Council self-assesses against these standards annually.	Scrutiny Committee news bulletins Audit Committee
To take an active and planned approach to dialogue with, and accountability to, the public to ensure effective and appropriate service delivery whether directly, in partnership or by commissioning.	✓ The Manchester Leaders' Forum supports development of effective relationships across leaders of the city's key organisations. The Forum will communicate and drive forward the city's priorities. ✓ The Council supports different ways for residents to present their and their communities' concerns to elected members, for example via Ward Co-ordination. ✓ There is a Social Media Code of Practice for staff in place to ensure a consistent approach, security of information, and avoid reputational damage. Social Media Guidance has also been provided for Members. ✓ Consultations with residents are undertaken when major service changes are proposed. This ensures residents have the opportunity to inform decisions. Consultations this year have included the Council's 2016/17 Budget, and the new Manchester Strategy. ✓ The Council takes residents' concerns into account when allocating funding, for example an additional £2.1million in 2015/16 has been allocated to tackle fly-tipping and dumping, pavement and road repairs and street cleansing.	Manchester Leaders' Forum Social Media Guidance for Members Consultations Hub

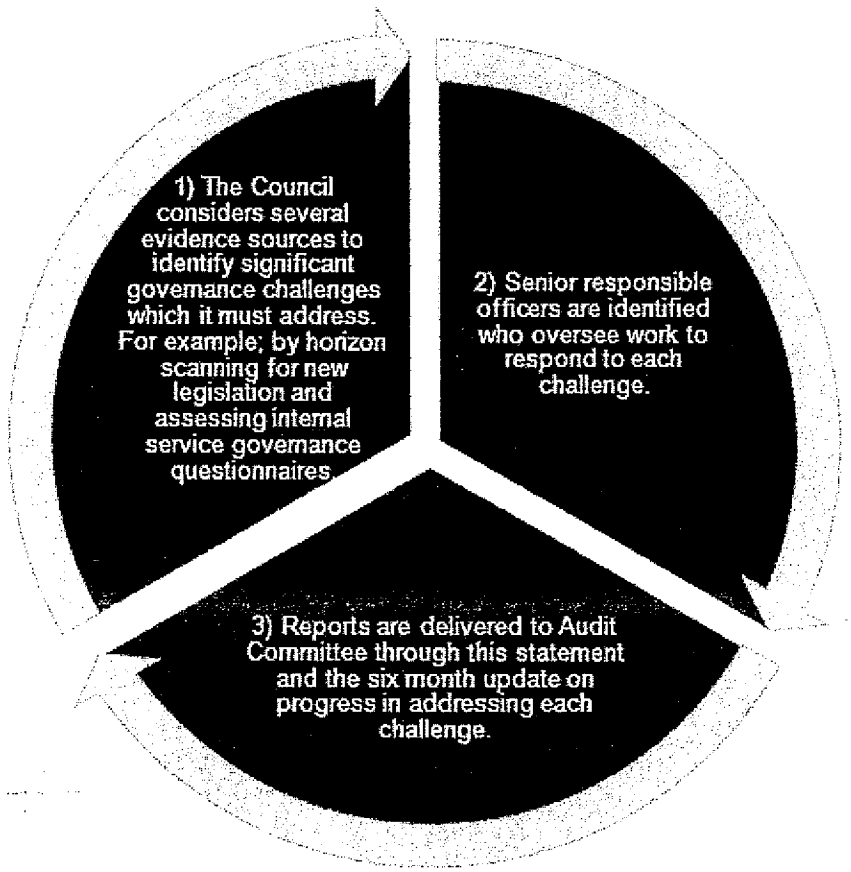
	✓ The Annual Report provides a concise and clear summary of the Council's activity over the previous year, so that residents can see where money has been spent and what this has achieved.	Annual Report
To meet consultation and engagement responsibilities to staff, and agree and enact policies which make best use of human resources.	✓ The Council maintains a clear and consistent policy of consulting staff and their representatives on proposals concerning changes to services and employment policies and procedures. ✓ There are a number of tools in place to ensure staff are briefed effectively, for example via staff engagement events, appraisals and one to ones. ✓ Work is underway to improve staff engagement, for example through the development of a revised appraisal process. ✓ Feedback from staff is gained through an annual staff survey (The BHeard Survey) and more focused 'snap surveys'.	

5. Annual review of effectiveness of the governance framework

5.1 The Council has a legal responsibility to conduct an annual review of the effectiveness of its governance framework, including the systems of internal control. After conducting this review the Council has assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance. This section explains what arrangements were reviewed, and how this assurance was arrived at.

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

The governance improvement cycle

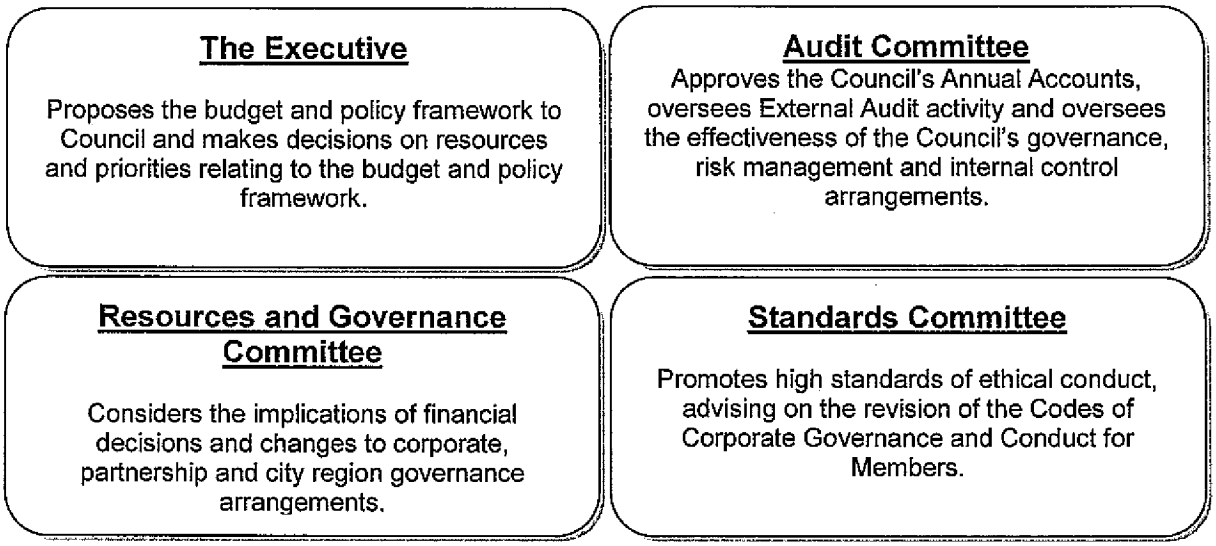


Leadership of governance and internal control

5.3 Responsibility for governance and internal control lies with the Chief Executive and the Strategic Management Team (SMT). SMT receive a regular suite of assurance reports from a number of sources, including the Corporate Risk Register, and the Performance Management Framework which allows the Council to track performance towards its agreed objectives. They meet annually to review the progress in addressing the significant governance challenges which have been identified.

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

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



Head of Audit and Risk Management Annual Opinion 2015/16

5.5 Overall governance, financial management arrangements, core systems and processes across the Council remained generally sound. The Council objectives and priorities were set through a clearly defined process that links budget, business and workforce planning with multiple layers of officer and Member challenge and scrutiny. There are many areas of innovation and excellence in risk and control as reflected in areas such as partnership working, devolution, health and social care integration, reform, regeneration and city wide resilience.

5.6 The Council and partners are also leading an ambitious plan of change to support delivery of the revised strategy for the City: Our Manchester. This is based on unprecedented levels of public engagement and is introducing a new way of conversing and engaging with communities and stakeholders in the City, to deliver a shared vision and secure the key priorities of economic growth and public service reform.

5.7 Whilst there is clear leadership, expertise and governance across the Council, there are some key areas where improvement is required to strengthen key areas of control and compliance. The risks and issues are understood by management; improvement plans are in place with associated investment of resources; and there is the capacity to improve. The delivery of improvement plans is underway in a number of areas and this

should reduce the exposure to risk which currently impacts on the overall level of assurance that can be provided for 2015/16.

5.8 The Head of Internal Audit and Risk Management can provide **moderate** assurance that the Council's governance, risk and control framework is generally sound and operated reasonably consistently. The key governance, risk and internal control issues of which the Head of Internal Audit and Risk Management was made aware during the year and that impact the overall opinion related to:

- Children's Services - There is ongoing action to address significant issues of concerns raised in the Ofsted inspection July 2014 which provided an overall opinion that arrangements in place for Children's Services in Manchester were inadequate. The Improvement Board continues to drive delivery of an Improvement Action Plan developed to address the main recommendations in the report covering five key assessment areas. Resourcing has been strengthened and a number of permanent appointments have been made, including a permanent Strategic Director of Childrens Services. Actions are underway but it is recognised that sustained focus on delivery of plans must be maintained to ensure that the risks raised by Ofsted are fully addressed. A further assessment from Ofsted is expected to provide an independent view of progress during 2016.

- Children's and Families Compliance – A number of limited assurance opinions were issued in the year in respect of Childrens and Families including: Social Care Casework Looked After Children and Children Missing from Home or Care and Adults Safeguarding Case management compliance. There remains a significant need to strength the compliance with key controls in a number of areas.

- Significant steps have been taken in strengthening leadership, structures and capacity within ICT including the development of an Information and ICT strategy, governance and a new operating model however there remain key challenges to be addressed in terms of resilience, disaster recovery capability and aspects of ICT security. These risks are well understood, there is a positive capacity to improve and the position has strengthened during the year but there is more to do.

- The strengthening of arrangements to ensure delivery of the capital programme has been recognised as an area requiring improvement. Challenges in terms of capacity and capability to deliver the ambitions of the Council were identified by senior management in the year, with a change in senior leadership capacity and third party support introduced to deliver an improvement programme that is continuing. More recently this has led to the establishment of an Interim Director to lead a programme of improvement and consolidation of all highways functions.

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

5.10 As in previous years the context in which the Council operates remains a fundamental challenge to corporate objectives and delivery. Savings plans have been established for 2016/17 which will have further impact on the way the Council operates. Whilst the Council remains well placed to respond, the scale and pace of change required including

reduced levels of resourcing and organisation change remains a fundamental risk to the control environment and needs to be effectively managed.

Annual Review of the System of Internal Audit 2015/16

5.11 A self-assessment of Internal Audit carried out in May 2016 confirmed that the service is considered to be meeting 89% of requirements in conformance with Public Sector Internal Audit Standards (PSIAS) with a further 6% partially met. Several of the outstanding requirements relate to the need for an external quality assessment to be carried out. A review has been agreed to be carried out later in the year as part of a reciprocal Core Cities IA External Quality Assessment process. The outcome of that review will be used to inform the Quality Assurance Improvement Plan and an updated view of the effectiveness of the service. It is expected that the level of conformance will increase as a result as of the exercise and that governance and control will be further strengthened as a result of any recommendations made.

External Auditor's Review of the Effectiveness of Governance Arrangements

5.12 The Council's external auditor, Grant Thornton, produces an Annual Audit Letter which summarises the key areas highlighted by the work they have carried out. The Annual Audit Letter 2014/15 was reported to Audit Committee in November 2015. The main conclusions of the Audit Letter regarding the key assessment areas were:

Value for Money;
"We issued a qualified ('except for') VfM conclusion for 2014/15 on 29 September 2015. On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, except in relation to the overall arrangements for ensuring the effectiveness of Children's Services at the Council, we were satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.."

Financial statements audit;
"We reported our findings arising from the audit of the financial statements in our Audit Findings Report at the Audit Committee held on 24 September 2015. The key messages reported were:

- *We identified one material adjustment affecting the Council and Group reported financial position, relating to the carrying value of land acquired by the Council as part of its regeneration initiatives; this adjustment had no impact on the Council or Group useable resources.*
- *We identified a small number of adjustments to improve disclosures within the financial statements.*

We issued an unqualified opinion on the Council's and the Group 2014/15 financial statements on 29 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's and Group financial position and of the income and expenditure recorded by the Council and Group."

5.13 The Council monitors the implementation of external audit recommendations. Assurance reports are habitually presented to Audit Committee and Grant Thornton bi-annually summarising the Council's performance in implementing recommendations effectively and within agreed timescales. However, progress is also monitored through other

relevant Committees and Scrutiny functions. A report was not presented in September 2015, but an update is scheduled for review in July 2016. An explanation of what the Council is doing to address the improvements required following the Ofsted inspection is given in the next section.

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

5.14 As part of its work on governance and financial management across public services, CIPFA issued its Statement on the role of the Chief Financial Officer in Local Government (the Statement) in 2010. The Council has undertaken a review of the role and responsibilities of its Chief Financial Officer (CFO) against the five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

5.15 The 2015/16 review concluded that the CFO met the responsibilities of the Senior Finance Officer in full and was ideally placed to develop and implement strategic objectives within Manchester City Council, given his role as the City Council's Section 151 Officer and City Council Treasurer. He reported directly to the Chief Executive and was a member of the Council's Senior Management Team. The CFO influenced all material business decisions and oversaw corporate governance arrangements, the audit and risk management framework and the annual budget strategy and planning processes. The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. A new City Treasurer has now been appointed, who will undertake the role of the Council's CFO from 2016/17 onwards.

Assessment of the robustness of corporate governance across services

5.16 As part of the process of identifying any areas where governance needs to be strengthened across the organisation, services complete an annual questionnaire indicating whether they comply with each of the criteria in the Code of Corporate Governance. Analysis of the responses shows compliance with the Code is generally robust. Areas of particular strength include;

- Services effectively engage with elected members, for example by briefing them and discussing new developments with them which affect their role.
- Services horizon scan to identify emerging pieces of legislation and policy changes to understand their potential impact.
- Officers are aware of and know how to engage with and support Scrutiny Committees.

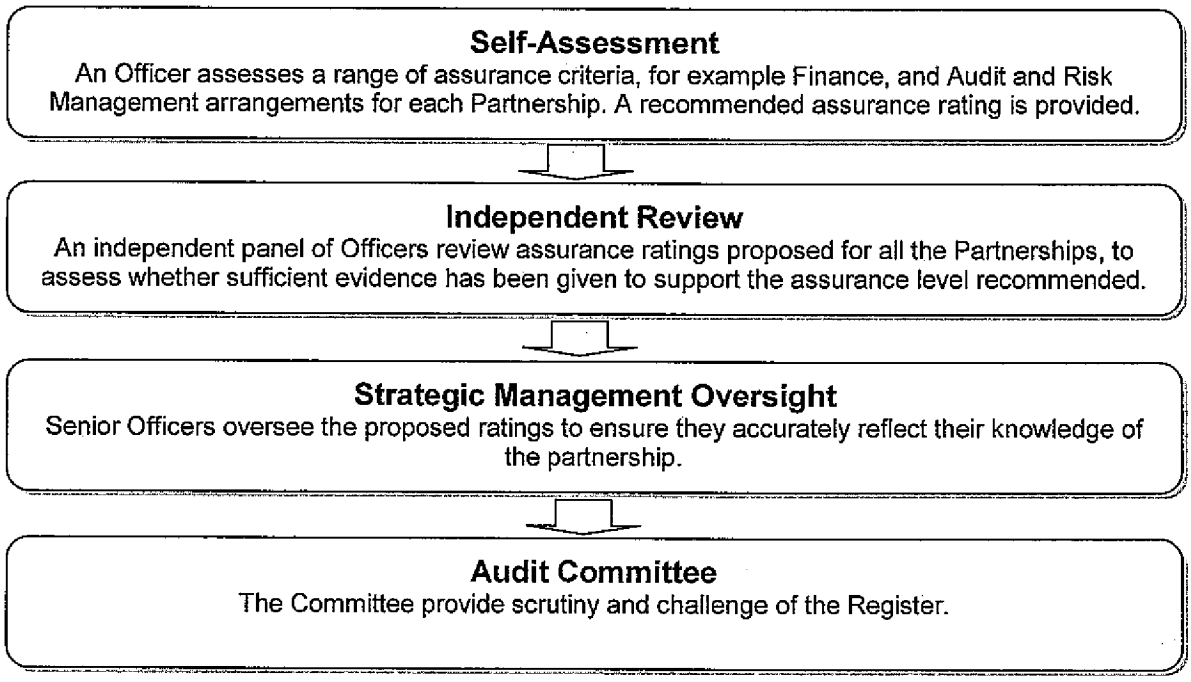
5.17 The analysis has also identified areas to be strengthened, for example through the business planning process. Examples include;

- Further work needs to be done to ensure effective risk management methodology is understood and embedded across all services, which supports the priorities of the Risk and Resilience Strategy.
- Workforce Plans need to be more effectively implemented to ensure that staff develop skills which will contribute to the Council's objectives being met.
- Services need to be supported to better understand their role in implementing public service reform, and the principles of this work including behaviour change and supporting independence.

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

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

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



5.20 The Council works to continuously improve both governance in partnerships, and the assessment process. Every six months Audit Committee scrutinises the progress which has been made to implement improvements amongst those partnerships that the process has identified have governance challenges to address. The assessment process is also reviewed annually. In 2015/16 greater rigour has been provided by more in-depth questions relating to the financial arrangements of partnerships.

External inspection agencies

5.21 The Office for Standards in Education, Children's Services and Skills (Ofsted) inspects and regulates services which care for children and young people and those providing education and skills for learners. It publishes all school inspection reports on its website, in addition to the inspection reports for the services for children and families which the Council provides. Following on from Ofsted's "inadequate" judgement relating to

Children's Services and the Safeguarding Board in September 2014, the Council has continued to progress a number of measures which are driving forward improvements. This is explained in detail in the following section.

5.22 The Care Quality Commission (CQC) is the regulatory body responsible for the quality of health, mental health and adult social care services in England. The CQC advises Councils that, although not a statutory requirement, it is good practice to produce "local accounts". Local accounts must demonstrate how the Council has safeguarded and maintained personal dignity, put people first and achieved value for money, judged against the health and social care outcomes for their area. The Council's Local Accounts are reviewed by Health Scrutiny Committee.

6 Progress in addressing the Council's governance challenges

This section provides an update on progress made addressing the Council's governance challenges which were identified in last year's 2014/15 AGS. Progress is reviewed every six months, with an update previously being provided to Audit Committee in January 2016. Topics are included together in sections on particular areas of governance.

Governance Area: Devolution
Continue to prepare to implement governance arrangements resulting from Devolution, including development of the health and social care Locality Plan. Greater Manchester Combined Authority (GMCA) signed the initial Devolution Agreement with Government on 3 November 2014. The agreement included proposals for strengthening the governance arrangements of GM to support the significant transfer of powers and responsibilities to GM, by the establishment of a directly elected Mayor with Executive powers. The agreement specified the powers that would be exercisable by the Mayor including; a devolved and consolidated transport budget, responsibility for franchised bus services, powers over strategic planning, control of a new Housing Investment Fund and the role of the Police and Crime Commissioner. GMCA also produce an Annual Governance Statement, which sets out what the governance and internal control arrangements are for the Combined Authority, as well as its programme for improvement for the year ahead. It also has an equivalent Constitution, which outlines the operation of its Scrutiny and Audit functions. Since the original agreement in 2014, further devolution of powers has taken place with the NHS organisations and local authorities in Greater Manchester taking control of the region's health and social care spending from April 2016. This will bring significant change and new models of integrated service delivery. In preparation for this Manchester has developed its "Locality Plan" for the integration of health and social care, as explained in the following section.
Governance Area: Health and Social Care Reform

Health and Social Care Integration

The GM Strategic Plan for health and social care integration, Taking Charge of Health and Social Care in Greater Manchester, was endorsed by all of the organisations in the devolution partnership in December 2015. The plan sets out the priorities for transformation from 1 April 2016, when control over the £6billion health and social care budget was devolved. The GM plan is underpinned by Locality Plans in each of the ten GM districts. Manchester's Locality Plan was endorsed by the Health and Wellbeing Board in November 2015. The Plan details the strategic approach to improving the health outcomes of residents of the City, while also moving towards financial and clinical sustainability of health and care services. Development of the plan can be summarised by three key elements;

- A single commissioning system ('One Commissioning Voice') ensuring the efficient commissioning of health and care services on a city wide basis with a single line of accountability for the delivery of services;
- 'One Team' delivering integrated and accessible out of hospital community based health, primary and social care services;
- A 'Single Manchester Hospital Service' delivering consistent and complementary arrangements for the delivery of acute services achieving a fully aligned hospital model for the city.

A key part of the 'One Team' approach will be developing new models of primary care, including integrated accountable organisations, known in Manchester as Local Care Organisations (LCOs). These will include community, social care, acute, mental health services, the full range of third sector providers and other local providers such as schools. The aim is for LCOs to be the place where most people use and access services, in their communities, close to home.

The Council, along with the other nine Greater Manchester authorities ('localities'), are putting their money into pooled budgets so that they can buy health, care and support services for a place in a joined up way. There is a commitment to expand the pooled fund on a phased basis, with the first phase commencing 2016/17, covering the service budgets in scope for commissioning 'One Team'.

The Council's Health and Wellbeing Board has oversight of development and delivery of the Locality Plan, the full governance arrangements put in place to enable effective execution of the Board's responsibilities are detailed in the Governance Review report to the Board. The Health and Wellbeing Board will continue to be held to account for its decisions by Health Scrutiny Committee.

Ensure effective delivery of Care Act requirements from April 2015, and preparation for funding provisions in 2016.

The Care Act Board has overseen progress towards implementing the requirements of the Care Act 2014 which came into effect from 1 April 2015. Key areas of progress in 2015/16 include;

- Production of a Care Act compliant assessment process for citizens built into MiCare (the electronic system used for social care recording) and ensuring the Mental Health and Social Care Trust do the same.
- Staff training on, and input into, the new assessment process.
- Embedding of new Prison social care assessments from 1 April 2015 and new partnership agreement with Manchester Mental Health and Social Care Trust and NHS England to deliver on-site care on the Council's behalf.
- Ongoing monitoring of the new Independent Advocacy service for the city which has been fully operational since 1 April 2015
- Changes to adult safeguarding through the Multi-agency Manchester Safeguarding Adults Board whereby new membership requirements were stated in the Act as well as the production and dissemination of new adult safeguarding policies, procedures and guidance for staff.

For 2016/17, funding for the Care Act (excluding social care in prisons which will continue to be funded through a separate grant) has been rolled into the Settlement Funding Assessment. In the context of the Government policy to delay implementing the phase two proposals of the Care Act (the financial cap and the changing thresholds), the funding has been reduced by £0.651m. The detail is still being analysed to determine the impact of the reduction.

The key development areas outstanding are:

- Launch the new assessment process for Carers (all carers known to the Council have recently received a letter advising them of the changes and the new national eligibility criteria for carers).
- Launch and fully utilise the Connect to Support portal to provide both advice and self help as well as offer a short questionnaire for both carers and citizens to provisionally determine eligibility for help from the Council.
- Publish an Information and Advice Strategy and a Prevention Strategy.
- Appraise the current 'transition' assessment (young people with a disability transitioning to adulthood) to determine if it is Care Act compliant.
- Work with Education and Children's Social Care to embed the pathways for young carers.

A further update on the Care Act was presented to Health Scrutiny in January 2016.

Governance Area: Partnership Governance

Improving partnership governance: Manchester Safeguarding Children's Board

Following the Ofsted inspection, an improvement plan has been put in place for Manchester Safeguarding Children's Board (MSCB). Improvement areas are grouped into four themes: Vision, Leadership and Governance; Quality Assurance; Business Planning; and Board Effectiveness. Action points, with delivery deadlines, leading to the required improvements have been identified and progress tracked. A number of the action points in the plan have been completed, with the majority of the remaining items being on track for completion within the targeted timescales.

The Independent Chair of MSCB has reviewed the Improvement Plan and progress to date, and has engaged senior representatives from Board partners in further development of the Plan to support continuing improvement. The main priorities include;

- Developing the scrutiny capacity of the Board, and increasing the capacity and quality of multi-agency audits; this includes a recent completion of a full programme of Section 11 Audits.
- The adoption of Signs of Safety as an underpinning approach to social work practice, but also as a common philosophy and approach across the whole children's system.
- Improving evaluation of the development of the early help offer across Manchester, and the operation of the revised Levels of Need and Response Framework and ensure effective alignment with the Signs of Safety approach.
- Ensuring consistent engagement of partners and that the work and leadership for safeguarding is effectively distributed across the partnership, aided by the recent creation of an MSCB Leadership Group.
- Simplifying the Board structure (and underlying sub groups) to avoid complication and duplication and allowing the Board to fully deliver its leadership role, able to champion, challenge and critique all partners; and ensure effective oversight of priority work streams such as Child Sexual Exploitation (CSE) & Missing, as well as progress on Integrated Working models such as Multi Agency Safeguarding Hub (MASH) and Early Help.
- Improving and ensuring the consistency of business systems, across the MSCB and Manchester Safeguarding Adults Board (MSAB), facilitated by the creation of an Integrated Business Unit.
- Ensuring greater consistency and timeliness in the completion and dissemination of recommendations from Serious Case Reviews, forging effective links to practice learning and quality assurance;
- Continuing a programme of MSCB Workshop activities to target areas needing improvement or development two further workshops are scheduled for Serious Case Reviews and developing a MSCB Neglect Strategy
- A Risk Register has been established that aligns with the Performance Improvement Board risk log and reflects risks identified by both the inspection process and through Board development activities;
- Consistent evaluation of the impact of training against the development of practice, new models of intervention and support and the implementation of the Children's Services Improvement Plan.

As governance improvements continue to be implemented progress updates are reported to Children and Young People Scrutiny Committee

Improving partnership governance: Manchester Safeguarding Adults Board

The annual partnership self-assessment of Manchester Safeguarding Adults Board (MSAB) in 2015 had identified that the partnership needed to strengthen its governance structure and its ability to oversee core activity within the health and social care networks. It was acknowledged that performance reporting could be improved, to more effectively measure quality rather than volume of delivery. The MSAB chair was a temporary appointment and longer term arrangements were needed. Essential support for Adult Safeguarding Reviews was also needed, as there were inadequate arrangements in place.

Improvements which have taken place to address these challenges are;

- A permanent Independent Chair took up their position in July 2015.
- Membership and governance structure have been strengthened so that there is now an Executive, chaired by the Board's Vice Chair. The Executive has developed the strategy, business plan and the sub-groups required to drive forward improvements.
- The Board has developed a quality assurance framework so that it can assure itself that adults at risk throughout Manchester are safeguarded from neglect and abuse. This focuses on the quality of the safeguarding work being undertaken by all partners throughout Manchester.
- A Case Review sub group that will take responsibility for delivering any Safeguarding Adults Reviews that are commissioned by the Board.
- Performance monitoring and reporting is now in place with revised procedures enabling the measuring of quality along with volume of delivery of safeguarding activity across Manchester.
- The support structure for the Board has been reviewed and revised, and there is an integrated Board Manager, Co-ordinators for both MSAB and MSCB along with integrated professional and administrative support.

An Annual Report has been produced for the Board which explains its structure, strategy, development, and programmes of work in detail. The MSAB is currently developing a comprehensive website that will provide a source of information for professionals and the general public.

Improving partnership governance: mental health services

Arrangements in relation to partnership governance have continued to move in a positive direction. At a strategic level, the Trust Development Authority (TDA) have agreed, following due process and through the Sustainability Steering Group, to lead a targeted procurement process to facilitate the acquisition of the Manchester Mental Health and Social Care Trust (the Trust) by one of the two other existing Mental Health Trusts in Greater Manchester. The Council and the CCGs are jointly producing the required specification for the social care and clinical services that will form this transaction.

This process began in March 2016 with the preferred provider due to be announced by the end of June 2016.

The Council leads monthly performance meetings relating to the Trust's social care contract, these meetings include public health commissioners, health commissioners as well as Trust staff. There is a quarterly strategic contract monitoring meeting which is attended by senior Trust staff. In future, this meeting will be attended also by the Director of Public Health. Executive to Executive meetings take place monthly involving the Council, the CCGs and the Trust.

Arrangements that are currently in place will continue as they are whilst the transaction is taking place. Commissioners from CCGs, and the Council (including Public Health) will be closely involved in supporting the transaction process. A Transaction Board has been set up with senior representation from all partners.

In January 2016 Health Scrutiny Committee dedicated a separate meeting to discuss the future of mental health services in the city. The purpose was to discuss how improvements to mental health services could be made, particularly in light of the Mental Health Improvement Programme, the new service specification and developments at a Greater Manchester level.

Governance Area: External Inspections and Reviews

Responding to the findings of the external peer review of Adult Social Services by the Association of Directors of Adult Social Services (ADASS).

The Council commissioned a Peer Review to provide an independent assessment of how well the Council is delivering adult social care as there was a view within Adult Social Care (ASC) that service delivery was inconsistent and variable. For example a safeguarding audit earlier in the year identified that the delivery of Adult Safeguarding was not consistent in respect of timeliness and practice.

The Peer Review took place in March 2015, prior to the site visit there was a requirement to undertake a self-assessment which was used as part of a process of establishing a baseline. This model of Adults Peer Challenge intends to help local government to help itself to respond to the changing agenda in adult social care.

Following the review, twenty recommendations were made around the themes of adult safeguarding, social work practice and end to end delivery. All of the actions have now either been delivered, or those requiring time to embed within the service have migrated into the Transforming Adult Social Care (TASC) programme.

The TASC is focused on developing the systems, standards, processes and workforce required for Health and Social Care integration through the Living Longer Living Better (LLLB) programme. The key theme of the programme is to successfully reform ASC, delivering sustainable improvement, within this overarching context. A practitioner design team was put in place to reconfigure out-of-hospital care in the community, with representatives from the Council and acute trusts. This has lead to the delivery of new integrated target operating models, which use as a blueprint the work being led by the local government association (LGA) in respect of the national improvement initiative to reform the delivery of ASC.

The governance arrangements to assure the delivery of the TASC programme and the constituent workstreams were established as a framework to ensure the successful delivery of the programme. Alongside ASC reform, the programme includes planning for integration with Health, and Care Act related work. Delivery of the change programme has now moved into Phase 2 which includes some of the specific overarching deliverables required for health integration, ongoing Care Act compliance and ensuring the embedding of changes identified in Phase 1 (for example Care Standards and new safeguarding policies and procedures).

Continuing to make governance improvements through the Children's Services Ofsted improvement plan.

The Ofsted Improvement Plan has now been developed and restructured to correspond to the four key Ofsted judgements, one of these is 'Leadership, Management and Governance'. This provides a particular focus to governance within the improvement work.

The governance arrangements supporting the improvement programme have been implemented and running since January 2015. As outlined in last year's Governance Statement, this includes a monthly Operational Board, Improvement Board Executive, an Executive Members Ofsted sub group and the Improvement Board.

The Ofsted Improvement Board is chaired by an independent chair and attended by partners and a representative from the Department for Education. It monitors progress against the agreed objectives within the Improvement Plan and provides a reporting forum for all partners involved in the Ofsted journey. The Operational Board represents views of front line staff within the improvement programme.

Robust internal governance mechanisms are in place, which focus on the children's improvement journey and as part of this support preparation for the next Ofsted inspection. The next inspection could take place at any date from summer 2016 onwards.

The Ofsted Improvement Board cycle has provided independent scrutiny of the progress against the Ofsted Improvement Plan for the last year. As good practice becomes embedded within the service, the independent, multi- agency scrutiny of the service will shift from being the responsibility of the Improvement Board to being the responsibility of the Manchester Safeguarding Children's Board (MSCB). A strong and influential Local Children's Safeguarding Board will provide the governance to support the future development and scrutiny of safeguarding policy and practice, both in the service and across the city.

Children and Young People Scrutiny Committee receive regular updates to closely monitor and challenge progress. These include briefings on Ofsted improvement support visits which have taken place since the full inspection in 2014, and provide valuable testing and feedback on individual areas of Childrens' Services.

Governance Area: Implementing Savings

Delivery of savings in line with the requirements of the final 2015/16 budget.

The 2015/16 approved budget included £55.004m of new savings proposals and £1.7m of proposals carried forward from 2014/15, a total target to be achieved in 2015/16 of £56.704m.

The achievement of the savings is considered by the relevant Directorate Management Teams (DMTs) and Executive Members monthly and the detailed savings tracker and summary note is provided to SMT Business Planning and Transformation monthly. In addition any issues are reported to the Senior Management Team and Executive throughout the year as part of the budget monitoring process.

As at the end of the 2015/16 financial year there is a reported underspend of £3.893m which gives assurance that the full target was broadly achieved. Within the position there are savings that were not achieved as originally planned however these were mitigated by savings elsewhere. Areas of high risk were considered as part of the 2016/17 budget setting process.

Strategic Directors have worked to identify budget proposals for 2016/17, taking account of a range of factors including cost, efficiencies, impact on equalities and local factors such as resident need and access to services. The proposals were considered by

the Council's six Scrutiny Committees in January, followed by the Executive meeting to propose the budget in February 2016. A full public consultation on the proposals was held for four weeks from 25 January 2016.

The final budget was approved by full Council in March 2016. The achievement of savings is now being monitored by DMTs, Executive Members and SMT throughout the year via a detailed savings tracker, the full detail of which was considered by SMT Business Planning and Transformation on 9 May 2016.

Governance Area: ICT

Governance and delivery of ICT infrastructure improvements.

Effective ICT infrastructure is vital to support the Council's services in their delivery of its objectives. Over the past year substantial progress has been made both in terms of establishing more robust governance arrangements, and the delivery of infrastructure improvement programmes.

As part of the new ICT Operating Model, a Governance and Project Management Office (PMO) has recently been established. The main areas of accountability for the PMO are; ICT and Project Reporting, Financial Governance, Service Performance, Resource Management, Compliance (joint working with Audit and Risk Management), Business Continuity Planning and Disaster Recovery.

Significant programmes of infrastructure improvement work include;

Public Services Network (PSN): The Council has recently been granted a 'PSN Connection Compliance Certificate' by the Cabinet Office, to confirm that it has met the government-based security standard for digital information. This has involved upgrading and replacing infrastructure to up to date technical platforms to reduce risks and ensure optimum performance.

Digital Workplace Strategy: This is a project which is currently in progress to replace out-dated software and hardware used by staff across the Council. Once complete this will ensure that all the desktop computer and laptop used across the Council are cost effective, meet a minimum standard, and have better information security.

Disaster Recovery: Following the successful exit from the old data centre at Daisy Mill at the end of August 2015 and the move to the new building in Manchester, the overall resilience of the Council's systems has been improved. This is the first step in the overall

programme to provide a true Disaster Recovery service for the Council in 2016, and a review of the options for Disaster Recovery is underway.

Collaboration: Since October 2015 a review has been undertaken of core technologies which will allow collaboration between staff, for example by video conferencing. The review has assessed technologies over the following key deciding factors; Full suite capabilities, affordability, scalability, industry trends, simplicity, availability, and risk reduction. The available options are being appraised, based on the assessment outcomes following the review.

ICT Strategy: So that the ICT service can effectively support the ambitions of the Council within the context of Greater Manchester, Public Service Reform and Devolution, a new ICT Strategy has been produced covering the period 2016-19.
A high level work programme, setting out priority activity, will be reported to SMT in May 2016. Progress against this work programme will be reported to Resources and Governance Scrutiny Committee and ICT Board.

Governance Area: Protecting Information

Continue to implement recommendations following the ICO audit

The Information Commissioner's Office (ICO) conducted a consensual audit of the Council's data protection practices over three days in December 2014 in relation to three areas; Governance, Training and Awareness and Subject Access Requests.

The ICO issued its report in March 2015 setting out that its overall opinion was there was limited assurance that processes and procedures were in place and being adhered to. The majority of the agreed recommendations made by the ICO auditors were fully implemented by the Council by the time the ICO conducted a desk based follow up audit in October 2015, and the ICO in its follow up report acknowledged that improvement has taken place in a number of areas. Work is now continuing, with oversight by the Council's Corporate Information Assurance Risk Group, to refresh and review priorities in the light of the anticipated requirements of the forthcoming EU General Data Protection Regulation, which will replace the Data Protection Act 1998 in summer 2018.

Governance Area: The Operational Property Estate

Robust Governance and delivery of the Capital Programme and Operational Property Estate

Capital Programmes have undergone a full restructure to ensure robust and efficient delivery of the Capital Programme. A review of governance arrangements has led to significant changes including the introduction of a Highways and Transport Strategy Board and an Estates Board. The Schools Organisation Strategy Board and Leisure Board have continued to meet and there is a varied governance structure covering residential growth in the City. The restructure has brought together all of the relevant operational teams to deliver the day to day Estates management and maintenance function, and records management for the estate. The Estates Board operates as a sub group of SMT and as such takes a holistic view of operational estate issues including, when appropriate, those relating to leisure facilities and the educational estate where the Council has responsibility. The Estates Board provides both a strategic and corporate overview to ensure any issues of conflict between boards is effectively dealt with. The Estates Board reports in to the Executive Members Estates Board which has ultimate responsibility for decision making concerning operational estate matters.

Property:

An Estates Board has been formed, Steering Group Members will attend in a supporting capacity or on an 'as required' basis. The first meeting of the Estates Board took place in August 2015, and meetings have taken place every six weeks since that time.

Three steering groups report to the main Estates Board;

- **Facilities Management Steering Group:** This is an operational Steering Group that has oversight of the performance and spend of the Facilities Management function, and continuous service improvement activity as the service matures and develops.
- **Estates Asset Management Steering Group:** This is an operational group that will monitor and manage delivery of the annual Estates Asset Management programme. The group will be responsible for ensuring delivery is in line with corporate objectives and local service delivery plans, is to cost, quality and time requirements and will identify dependencies with other estates activities to ensure a smooth programme of delivery.
- **Estates Transformation Steering Group:** An Estates Transformation Steering Group will be established, with Terms of Reference that covers the roles and responsibilities for both the transformation and rationalisation activities. It will be responsible for the delivery of the programme of activity to planned timelines, cost and quality. They will be the Council's 'delivery wing' for a wider GM One Public Estate programme of activity.

Work has also been progressing on approval and funding for the following activities:

- Undertaking a full Stock Condition Survey of the operational estate to inform a programme of maintenance activity based on risk and priority. Stock Condition Survey work commenced at the end of February 2016, and data returns are expected by early summer 2016.

- Introduction of a Statutory Compliance role to ensure that there is ongoing monitoring of discharge of statutory duties (e.g. legionella testing, asbestos management plans, fire safety activities, portable appliance testing etc). This activity will progress throughout 2016/17 to embed good practice and ensure statutory compliance.
- Seeking approval to the resourcing (people and capital investment) of the Estates Transformation and Rationalisation team. Initial approval and investment has been made to support delivery of the first phase of Early Help Hub work. This team will also support the transformation activity in the Living Longer Living Better programme, and engage in the One Public Estates work.

Capital Programmes:

Following the restructure, the Capital Programmes team have now largely been recruited to, however, the current buoyant market conditions have resulted in difficulty in filling some posts. Agency staff and consultants have been used to fill essential roles, market testing will continue to fill roles as soon as is practical.

Resource modelling tools have been introduced to support managers in understanding the resource requirements for their teams, based on demand and workload. A Profit and Loss account for the service has been developed and this is regularly maintained with resource, costs and project income monitored on a monthly basis. The Education and Place Making Teams are settling into the new structure and delivery model, and there are regular Senior Management Team meetings to ensure continuous service improvement in both the development of teams, individuals and the wider service.

Work is progressing to re-procure major contracts for the service area and these include:

- Replacement for the Engineering Professional Services (EPS) framework.
- The development of a framework for securing Strategic Partners and procuring this.
- Replacement arrangements of the Manchester Working joint venture.
- Highways Framework 2016 which is a brand new framework.

The Highways Team, which was not included in the original service redesign due to the high level of unknown factors that might impact on any final structure at that time, is now in the process of progressing a separate review.

The Highways and Transport Strategy Board has full oversight of all transport issues, and a Highways Steering Group has been formed to progress activity at a tactical level. There will be further governance developments to strengthen arrangements in this area.

The School Organisation Strategy Board continues to provide strategic oversight of the education capital programme and the Education team continue to deliver the required increase in school places through new schools and the expansion of existing schools.

7. Action Plan: Future actions for further improvements to governance arrangements

The review of governance arrangements has identified eleven main areas where the Council will need to focus its efforts during 2016/17, to address changing circumstances and challenges identified. These are set out in the action plan below. Completion or substantial progress against these objectives is due by the end of the financial year, in March 2017.

What action is to be addressed	Who is responsible for delivery
Delivering "Our Manchester"; embedding the new Manchester Strategy, implementation of an asset based approach along with related Council wide transformation work and behaviour change. Ensuring high levels of staff motivation and planning for the skills and capacity which the Council will need in the future.	Deputy Chief Executive (Growth and Neighbourhoods), Head of Reform and Innovation, City Solicitor, Head of Strategic Communications.
Review of the Corporate Core Directorate; ensuring business processes for Finance, HROD and other services are as simple and effective as possible and managers are equipped to follow them. Reviewing commissioning processes to ensure the right skills and expertise are available within the Council and across its partners.	City Treasurer, City Solicitor, Deputy Chief Executive (People)
Continued improvement of Children's Services and preparation for Ofsted re-inspection.	Strategic Director (Children's Services)
Maintaining a strategic leadership role for the Council in the context of changing national policy in relation to schools, and the reducing role of local authorities.	Director of Education and Skills
Supporting the integration of health and social care by ensuring effective governance of integrated teams and commissioning of services.	Strategic Director (Adult Social Services)
Improving the resilience of ICT systems, and the Council's arrangements for disaster recovery	Chief Information Officer
Information governance; improving data quality, preparing for the introduction of EU General Data Protection Regulation, and improving the speed of response to Freedom of Information and Subject Access Requests.	City Solicitor, Head of Internal Audit and Risk Management
Changes to the local government finance system, alongside development of longer term financial planning and delivery of continued significant savings	Chief Executive, City Treasurer
Embedding an effective risk management approach across services	Head of Internal Audit and Risk

	Management
Communication of policies and procedures such as Whistle Blowing, Anti-Fraud and Corruption and the Code of Conduct for Employees.	City Solicitor, Head of Internal Audit and Risk Management
Continuing to ensure robust governance and delivery of the Capital Programmes, Highways and the Operational Property Estate.	Strategic Director (Highways)

Conclusion

The governance arrangements as described above have been applied throughout the year, and up to the date of the approval of the Accounts, and have provided an effective framework for identifying governance issues and taking mitigating action. Over the coming year the Council will continue the operation of its governance framework and take steps to carry out the actions for improvement identified in the review of effectiveness to further strengthen its governance arrangements.

Signed: .....
Leader of the Council

Signed: .....
Chief Executive