Manchester City Council

Annual Statement of Accounts 2011/12

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Explanatory Foreword by the City Treasurer

Introduction to Manchester City Council

Manchester is a city of change. The birthplace of the industrial revolution, Manchester is the powerhouse of the North West region. The city boasts several key drivers that help sustain the economic growth of the area. These include its world-class universities, a knowledge-based economy, a thriving city centre, a skilled workforce, and Manchester International Airport.

Despite the recession, the city has experienced substantial economic growth in the past few decades and is a hub of business, investment, education, and culture and community activity, rivalling any other city in the United Kingdom.

And while economic challenges over the past few years have impacted on all aspects of the local economy, the level of business activity in the city along with the strength of the private sector suggests that Manchester is well placed to benefit from wider economic recovery.

Manchester’s population continues to grow, with mid-year estimates showing that in 2010, Manchester’s population is estimated to have reached 498,800. Projections show an increase to 519,000 by 2015.

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

- The City Deal is an agreement with the Government that will see key powers and responsibilities devolved to the City Region to support growth. Among other things, this will result in improved inward investment, housing, transport and infrastructure, the strengthening of the Business Growth Hub and the creation of a City Apprenticeship and Skills Hub and a Low Carbon Hub.

- The Etihad Campus is a £127million investment across 32 hectares of East Manchester, creating 250 new jobs, 80 apprenticeships and a further 155 construction posts in addition to safeguarding 310 existing jobs.

- The SHARP Project builds on developments in broadband and digital infrastructure to establish digital and creative media hubs that are currently used by Sky 1 and Channel 4. MediaCityUK in Salford establishes the Manchester area as the second most significant media centre in Europe.

- The Airport City Enterprise Zone will link a string of key sites to establish a new hub for global business and is expected to bring up to 10,000 new jobs to the area over the next decade.

- The £1.5million Greater Manchester Transport Fund has financed the extension of the Metrolink to Chorlton, with further extensions to East Manchester, Wythenshawe and the Airport underway.

- Corridor Manchester offers exceptional potential for growth, with over 20,000 jobs planned over the next decade. This includes plans to expand the Science Park to support new business incubator activity, and the development of a biomedical centre of excellence at the former Royal Eye Hospital. The most significant of these developments is the proposed establishment of an international Centre for Graphene following the development of this material by scientists at Manchester University. Graphene has the potential to revolutionise IT infrastructure and other manufacturing applications.

- The Siemens UK Industry headquarters on Princess Parkway is being expanded, with the creation of an additional 300 to 400 jobs over the next two years.

The Greater Manchester City Deal

A Greater Manchester City Deal providing a substantial transfer of powers and responsibility from central government was announced on 20 March 2012. Negotiations with central government have been led by the Combined Authority with support from the Local Enterprise Partnership and have secured a broad-ranging set of bespoke arrangements that will support the delivery of Greater Manchester's strategic priorities and deliver jobs and growth.

The Greater Manchester Deal will create conditions to maximise growth, impacting at national level as well as on the economy of the North. It is set within the context of both our strategy for growth and our long-term ambitions for greater devolution, and further moves towards becoming financially self-sustaining.

The deal reflects the maturity of Greater Manchester's civic and business leadership, ambition and ability to deliver, and sets the framework for a rebalanced relationship with central government.

Greater Manchester Combined Authority

In 2009 the Government announced that Greater Manchester would become a pilot City Region, with the potential to gain greater powers and responsibilities to help create the conditions for recovery in the aftermath of the recession and better drive forward economic growth based on the principles of the Manchester Independent Economic Review.

In April 2011 the ten authorities in Greater Manchester were the first in the country to develop a statutory Combined Authority to co-ordinate key economic development, regeneration and transport functions. The Greater Manchester Combined Authority complemented the establishment of the Greater Manchester Local Enterprise Partnership and will ensure a co-ordinated approach to key issues is delivered in the ten local authorities that make up the Manchester City Region. The new governance arrangements have been developed in order to boost economic performance and help deliver a brighter future for Greater Manchester and the North West. Under the new arrangements a new body – Transport for Greater Manchester (TfGM) – has been established. TfGM has responsibility for delivering transport across the Manchester City Region.

Greater Manchester Local Enterprise Partnership

In 2011 the Government also announced that Greater Manchester's plans for a business-led Local Enterprise Partnership (LEP) for the area had been successful. LEPs are designed to support business and local authorities to develop the local private sector, tackle major barriers to growth and formulate shared strategies for the local economy to increase job creation.

The LEP provides strategic private sector leadership for Greater Manchester, complementing the role of the Combined Authority in driving forward economic growth. It will have responsibility for a wide variety of activity designed to increase long-term sustainable economic growth, including the areas of employment and skills, business support, science and innovation, inward investment, international trade, marketing and tourism, European funding, planning, housing, transport, research, strategy development and performance management.

Greater Manchester Strategy

The Greater Manchester Strategy (GMS) is a plan designed to achieve the growth ambitions of the City Region. Now being refreshed, the delivery of the GMS is being taken forward through a series of interventions grouped under three key themes of business, people and place which embrace the 11 strategic priorities identified in the original Strategy. The interventions aim to create transformational outcomes that help increase the growth and productivity of the economy by increasing Gross Added Value (GVA) or decreasing dependency.

In terms of business the GMS will focus on encouraging the growth of Manchester's businesses through support for faster growth and better international connectivity; meeting the skills requirements of the new knowledge economy; and promoting the low carbon economy. For people the focus will be on reducing worklessness; investing in early years; improving educational achievement; and promoting greater integration and efficiency in public services. For place the focus is on critical infrastructure to support low carbon growth; promoting Greater Manchester as a spatial location for investment; and ensuring it has a good supply of housing and a good quality of 'place' for existing and new residents.

Public Sector reform

Achieving Manchester's vision against an increasingly difficult financial and economic backdrop means that greater emphasis is being placed on treating public spending as an investment and reducing dependency on high-cost services. This focus on public service reform critically underpins work to deliver our priorities, working collaboratively with partners in the voluntary and private sectors and other local authorities.

Supporting the delivery of public sector reform by working collaboratively with our partners and other local authorities will help to improve outcomes for the city and its residents. This includes initiatives such as local enterprise partnerships, which will stimulate economic growth, and programmes such as the Manchester Investment Fund (MIF), which aims to reduce dependency and improve the quality of life for complex families.

Community Budgets

Following the selection of Greater Manchester (GM) as one of 16 pilot areas to trial a new approach to tackling dependency and supporting families with complex needs, the Government announced in December 2011 that Greater Manchester would be one of four areas selected for the Whole Place Community Budget pilot. The aim is to prove the concept of Community Budgets on a significant and replicable scale. The Whole Place Community Budget pilot is central to the GM Strategy priorities of reducing dependency on public services, and supporting economic growth through greater workforce productivity, reduced worklessness and improved skills.

Outcomes and success measures will be developed during the nine-month pilot, and will include specific contributions towards:

- Private sector-led growth.
- Reduced worklessness and improving low skills to increase productivity.
- Reduced total public spending.
- Reduced dependency on public services and improved self-reliance.
- Improved quality of life and key public service outcomes (e.g. health, early years, antisocial behaviour, poverty, education and skills).
- Thriving neighbourhoods that attract and retain productive people.

The work from the first phase of a working example of a Community Budget for complex families in Manchester is feeding into the Whole Place Community Budget work. This focuses on delivering interventions with a strong evidence base and capturing the savings associated with reduced demand for services, for reinvestment and scaling up.

The Council’s aims and objectives

Corporate Aims

Manchester City Council aims to continue to develop Manchester as a City of national and international significance where people choose to live and which companies want to invest in; a city where all citizens benefit from regeneration and have equal access to the wealth, employment and other opportunities which this brings. To promote Manchester as an attractive and exciting multicultural city to encourage people to live and settle here, to invest here and to visit.

The Council aims to improve the health, education, security and quality of life of its citizens by working with them to promote and support sustainable communities which are safe, friendly and clean.

To ensure that residents receive high quality services which meet their needs and set up and work in partnerships with other organisations across all sectors to promote initiatives that are in the city's interests and provide equality of opportunity.

The Council is the only democratically elected and accountable body in the city and takes this role very seriously. It aims to improve the quality of, and access to, information about its services and consult widely and actively involve local people in decisions so that their views and interests are fully represented in the planning and future development of the city.

Corporate Objectives

The Economy

To create more jobs for local people by increasing economic activity and investment, promoting technological growth and maximising the use of major assets including the vibrant city centre.

Population

To increase the numbers of people living in the city and to reduce the turnover of people leaving the city by creating successful communities.

Crime

To reduce crime and disorder, anti-social behaviour and help people to feel safer.

Health

To prevent ill-health and improve local people's health and well being.

Services

To provide services that are relevant, efficient, effective and best value for money.

Education

To improve the educational results of the city's children at all levels, to increase the number of young people going into further and higher education, to support people into work through training and provide opportunities for lifelong learning.

Environment

To develop and sustain a healthy, safe and attractive local environment which contributes to the city's and its people's economic and social well-being.

Transport

To develop an integrated transport system which supports the city's economy, respects the environment and is safe and accessible to all.

Culture

To ensure that people have opportunities to participate in arts, sport and cultural activities that contribute to their quality of life.

The Council’s Values

The Corporate Values

The corporate values will help to make Manchester a place where people choose to live, and where companies want to invest. The values underpin the way the Council operates as an organisation. They influence choices and behaviours - they are the thread running through everything the Council does.

The Council values are: People, Pride, Place.

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

Pride
We are proud of the role we play in making Manchester a success. We will accept the responsibility invested in us and rise to meet the challenges we need to overcome.

Place
We will celebrate all things Manchester and strive to make our streets, neighbourhoods and city even greater places to live, work and visit.

The Management Structure of the Council

Supporting the work of the Elected Members of the Council is the organisational structure of officers headed by the Chief Executive and his Strategic Management Team. The Strategic Management Team consists of the Chief Executive, the Deputy Chief Executive (Performance), the Deputy Chief Executive (Neighbourhoods), the City Treasurer, the City Solicitor, the Strategic Director (Children’s), the Strategic Director (Adults) and the Chief Executive of New East Manchester Regeneration Team.

Introduction to Manchester City Council's Annual Accounts

The annual statement of accounts has been prepared in accordance with the 2011/12 Code of Practice on Local Authority Accounting (The Code) and International Financial Reporting Standards (IFRS). Changing requirements over several years have led to the increasing complexity and detail required in the accounts.

One of the purposes of this foreword is to provide a guide to the Council's accounts and the most significant financial matters contained within the statements. If you would prefer a smaller simpler version of these accounts, rather than this full version, you can obtain a copy of the Council's summary accounts from your local Manchester library or on the Council's website. This summary version contains the same financial information as in the full accounts but is presented in a simplified manner.

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) which shows the movement in the Council's reserves in the year split between usable and unusable reserves.

The Comprehensive Income and Expenditure Statement (CIES) which shows the accounting cost of the Council activities rather than the amount to be funded from Council Tax. The Council Tax position is shown in the Movement in Reserves Statement.

The Balance Sheet which shows the total assets, liabilities and reserves (net worth) of the Council.

The Cash Flow Statement which shows the reasons for the change in cash, cash equivalents and the bank overdraft during the year.

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

The main statements are followed by three further sections:

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

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

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

These are followed by notes explaining the statements.

Changes in Accounting Policies

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

There have been two further changes in 2011/12. The Code of Practice on Local Authority Accounting adopts the requirement of Financial Reporting Standard (FRS) 30 relating to the separate classification and different method of valuation of Heritage Assets. (FRS30 has been adopted as there is no IFRS that deals with tangible 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. As a result of this change in accounting policy the figures for 1 April 2010 and 2010/11 have been adjusted so they are shown on the same basis as in 2011/12.

This has resulted in a transfer from property, plant and equipment to heritage assets of £768,000 following the re-classification of these assets as heritage assets. Heritage assets are valued at current value (£391,289,000) rather than a nominal value which has resulted in an increase in the revaluation reserve (an unusable reserve) of £390,521,000. This is shown in note 3 to the financial statements.

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme in 2011/12. The scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. A creditor and an expense of £625,000 have been included in the accounts for 2011/12. No amendments to previous years were required. The creditor will be discharged by surrendering allowances.

Transfer of Services to Other Organisations

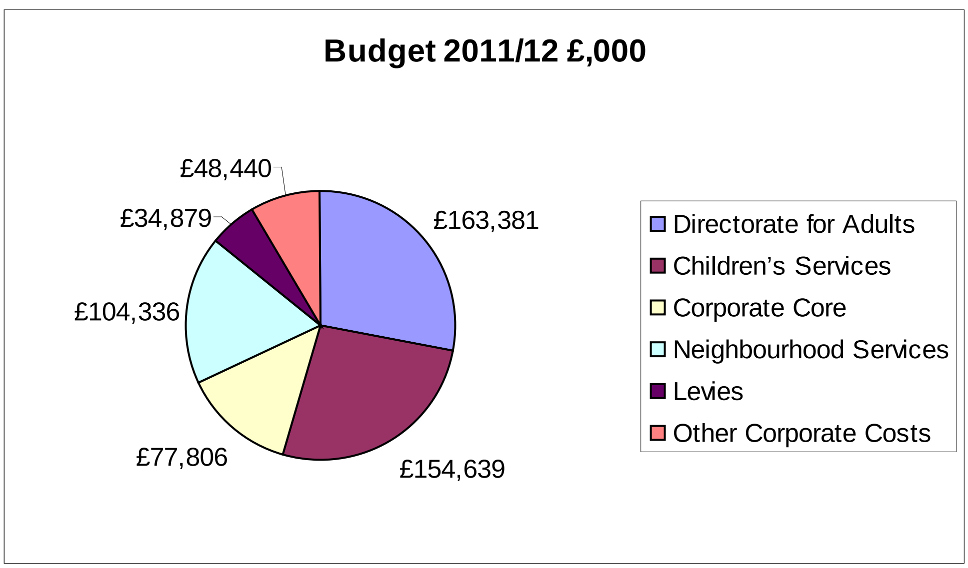
On 1 April 2011 ownership of traffic signals within Manchester transferred to the Greater Manchester Combined Authority (GMCA). As a result of this transfer, property, plant and equipment with a value of £5,877,000 have been removed from the balance sheet as at 1 April 2011 with a corresponding reduction in the capital adjustment account (an unusable reserve).

On 1 April 2011 the Greater Manchester Urban Traffic Control Unit (GMUTC) and the Greater Manchester Transportation Unit (GMTU) were transferred to Transport for Greater Manchester (TfGM). As a result of this transfer the related assets (£3,416,000), liabilities (£2,875,000) and reserves (£541,000) have been removed from the Council's balance sheet as at 1 April 2011.

These transfers are shown in note 1 to the financial statements.

Financial Summary 2011/12

The Council had a revenue budget of £583,481,000 to fund the following –



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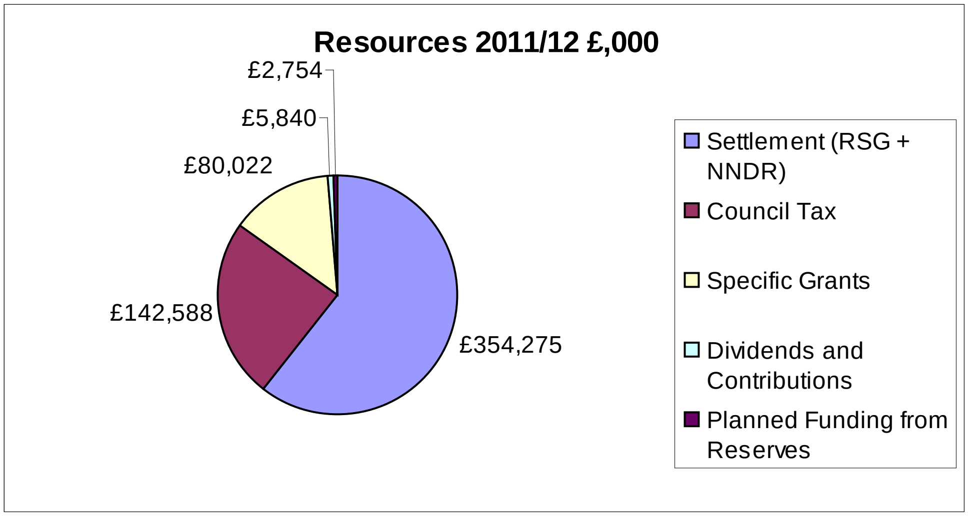
The expenditure was budgeted to be funded by the following resources which resulted in a budgeted contribution to the general fund reserve of £1,998,000 –



2011/12 has been a challenging financial year in which the council has achieved £108.832m of savings following the reduced financial settlement.

At the end of the year the budget underspent across all budgets by £2.804m or 0.48%. The underspend will go into the Council's General Fund Reserve which is now at £26.462m and is at the recommended level for the size of the budget and the potential risks facing the council.

The main reasons for the underspend are set out below. The position reflects the fact that the council is going through a two year change and savings programme and some of the savings have been delivered earlier than originally scheduled.

	£m
Directorate for Adults, Health and Wellbeing	2.134
Children's Services	(3.831)
Corporate Core	(3.872)
Neighbourhood Services	0.069
Cross cutting savings not achieved	1.150
Corporate adjustments	(5.014)
Contributions to provisions and reserves	7.662
Additional formula grant relating to the transfer of schools to academy status	(0.992)
Other underspends	(0.110)
Total (underspend) against budget	**(2.804)**

Directorate Position

- The Directorate for Adults, Health and Well-being has overspent by £2.134m. This largely relates to demographic pressures in budgets for people with learning disabilities and pressures on home care budgets.
- The underspend of £3.831m in Children's Services mainly relates to the early achievement of 2012/13 savings and underspends from a reduction in the numbers and cost of placements for Looked After Children (LAC).
- The Corporate Core underspend is made up of Corporate Services £2.520m underspend and Chief Executives £1.352m underspend. Again this is largely due to early achievement of savings planned for 2012/13.
- Finally there was an overspend of £ 0.069m in Neighbourhood Services. This relates to a variety of factors including reduced income for Leisure Services.
- Cross Cutting savings relate to savings that apply across the council predominately linked to a rationalisation of the council's assets and improved procurement. These savings are scheduled to be delivered across a two year period and will be delivered by the end of 2012/13.

Other variations

There remained at the end of the year £2m unspent within the Central Contingency. This relates to £0.5m set aside to deal with any unforeseen costs which might have arisen from the Waste Levy, £0.539m unallocated contingency and lower than planned costs for the Carbon Reduction Tax.

The savings on capital financing costs of £3.014m are due to the continuing low cost of borrowing, and the fact no new borrowing has been required. There has been lower than expected capital spend and a continued utilisation of internal borrowing from cash reserves.

The council has to make sure it has made adequate provision for all known future liabilities. Provisions are made when it is probable, but not certain, that expenditure will be incurred relating to a past event. As a result of an analysis of the outstanding legal claims it has been necessary to make an additional contribution to compensation provisions of £3.5m. A full review of bad debt and other provisions has also been carried out and the contributions have been increased by £2m. Reserves are held where there is a likely future liability but the amount cannot be accurately quantified. Again the council has assessed its position and increased the contribution to specific earmarked reserves by £2.1m to meet potential liabilities.

The Housing Revenue account (HRA), which contains the costs of owning and maintaining properties which are let to tenants and income from renting Council houses to tenants, is shown separately from the general fund revenue budget position. Overall the HRA under spent by £558k. This is due to reductions in spend on supervision and management, interest payable and Private Finance Initiative (PFI) contractor payments partly netted off against a reduction in housing subsidy.

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

The Financial Statements

The Council's Comprehensive Income and Expenditure Statement

The first section of the Comprehensive Income and Expenditure Statement shows the cost of the Council's services to give a total called Net Cost of Services. This includes items such as depreciation that would be a significant cost in a commercial organisation but which does not need to be funded by Council Tax. The Net Cost of Services totals £420,893,000.

The second section contains corporate items such as the gain or loss on the disposal of non-current assets, levies paid and payments made in relation to the pooling of HRA capital receipts. This is called Operating Expenditure and totals £68,862,000.

The third section contains Council wide items such as interest paid and received (totalling £22,261,000 credit) plus general income due to the Council from either Council taxpayers, the share of National Non Domestic Rates (NNDR) and general government grants including grants to fund capital expenditure (totalling £650,898,000 credit).

These three sections are totalled to produce the surplus on the provision of services (£183,404,000).

The surplus on the provision of services is reconciled to the movement in the Council's net worth via the Total Comprehensive Income and Expenditure section.

The surplus on the provision of services is adjusted in the Movement in Reserves Statement as follows to reflect any accounting entries that do not impact on the level of Council tax or housing rents.

	£
(Surplus) for year in the Comprehensive Income and Expenditure Statement	(183,404,000)
Items that do not affect Council tax or housing rents	178,602,000
Contribution to general fund reserve	(4,802,000)
Budgeted contribution to general reserves	(1,998,000)
(Underspend) against the budget	(2,804,000)

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

The details of this underspend are shown in the financial summary section of the foreword. This means that the general reserve has increased by an additional £2.804m above that budgeted for.

Housing Revenue Account (HRA) Self Financing

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

The Council received a debt settlement of £294.276m on the 28 March 2012. Of the debt settlement £199.966m was Public Works Loan Board (PWLB) debt which was settled directly by the Government together with the related premiums of £35.952m. The remainder was market debt which required the negotiation of redemption arrangements with lenders. The latter also attracted the payment of premiums for early repayment of borrowing which were funded by Government. However, the funding for the premium was restricted by a cap imposed by the Department of Communities and Local Government (DCLG).

No cash was received for the debt settlement or premiums relating to PWLB loans. The value of loans redeemed is shown as HRA income and then transferred in the Movement in Reserves Statement to the Capital Receipts Reserve. This balance is then transferred from the Capital Receipts Reserve to the Capital Adjustment Account. These loans have also been written out of the balance sheet. The value of the premiums, related to these loans, funded by the Government is shown as income in the HRA and then transferred in the Movement in Reserves Statement to the Capital Receipts Reserve. The amount of premiums paid by the Government on behalf of the Council is shown within HRA expenditure and then transferred in the Movement in Reserves Statement to the Capital Receipts Reserve to recognise that the capital receipt is funding the payment of these premiums.

As the HRA debt settlement exceeded the amount of PWLB loans a cash sum of £94.310m to repay market debt, together with an additional amount to repay market debt related premiums of £32.773m, was paid by the Government to the Council.

Following negotiations with lenders the Council repaid market debts of £69.425m together with related premiums of £32.770m. The balance of £3,000 that was not used to pay the related premiums was returned to DCLG.

The amount of cash received for market debt repayment is shown as HRA income and then transferred in the Movement in Reserves Statement to the Capital Receipts Reserve. An amount equivalent to the amount of debt repaid is then transferred from the Capital Receipts Reserve to the Capital Adjustment Account. This resulted in a balance of £24.885m in the Capital Receipts Reserve which was used to fund capital expenditure in 2011/12.

The value of the premiums, related to these loans is shown as income in the HRA and then transferred in the Movement in Reserves Statement to the Capital Receipts Reserve. The amount of premiums paid to redeem the market debt on behalf of the Council is shown within HRA expenditure. This is funded by a transfer in the Movement in Reserves Statement from the Capital Receipts Reserve of the amount paid by the Government to the Council.

Voluntary Early Retirements and Voluntary Severance Costs

Within the Council's net cost of service expenditure are costs incurred on the Voluntary Early Retirement (VER) and Voluntary Severance (VS) scheme that was offered to non-schools based staff during 2010/11 in response to the need to reduce the Council's expenditure by £109m in 2010/11 rising to £170m in 2011/12 following the Financial Settlement published in December 2010. The total expenditure for voluntary early retirements, voluntary severance and pay in lieu of notice costs in 2011/12 is £2,447,000 (£38,952,000 in 2010/11). The voluntary early retirement (VER) and voluntary severance (VS) costs were funded from a VER / VS reserve which was established from the release of other reserves that were no longer required or for which alternative funding could be found. 24 Staff (433 in 2010/11) shown in the disclosure of staff receiving remuneration in excess of £50,000 are in receipt of severance payments as the cost of severance pay and pay in lieu of notice are considered part of remuneration received. There is a new disclosure note required in the accounts (note 18) which shows the number and cost of exit packages agreed in 2010/11 and 2011/12.

The Council's Balance Sheet

The net worth (total reserves) of the Council is £1,713,733,000. This is split between usable reserves (£335,042,000) and unusable reserves (£1,378,691,000).

Included within the usable reserves section are reserves that are to be used to fund capital expenditure (£70,610,000) and revenue grants and contributions that have been received in advance of the expenditure being incurred (£16,292,000). This leaves a balance of other reserves to be used for revenue purposes of £248,140,000.

The major reserves within this figure are the HRA reserve £56,539,000 (£54,572,000 is earmarked for future PFI payments and other potential liabilities), capital fund reserve £42,918,000 (to fund revenue contributions to major capital schemes), general fund reserve £26,462,000, Local Management of Schools (LMS) reserve £30,957,000 (for schools use only) and the insurance reserve £19,087,000 (to meet self-insured risks). Whilst these are classed as usable reserves all but the general reserve are earmarked for specific expenditure or risks.

Included within the unusable reserves section is the minus pensions reserve totalling £647,300,000. This matches the pension liability in the balance sheet as measured under International Accounting Standard (IAS) 19.

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

Overall the net worth of the Council has decreased by £82,485,000 during 2011/12. Within this usable reserves have increased by £1,266,000 and unusable reserves reduced by £83,751,000. The reduction in unusable reserves is as a result of the increase in the IAS19 valuation of the pension liability of £279,400,000 and an increase in the capital adjustment account of £199,736,000 This is matched by a reduction in value of net assets of the Council of £82,485,000 which is mainly due to the reduction in value of property, plant and equipment.

The increase in the pension liability is mainly due to the reduction in the discount rate used to calculate the liability. The rate used in 2010/11 was 5.5% and has reduced to 4.8% in 2011/12. This reduction is due to falling bond yields.

The reason for the increase in the Capital Adjustment Account is as a result of the reduction in borrowing following the HRA debt settlement partly offset by impairment of property, plant and equipment during the year. This impairment mainly relates to the downward revaluations of assets.

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, the costs of which are, either supported or unsupported by the Government (for supported borrowing the interest and principal repayment costs for the debt are funded by central government grant).
- Grants or contributions from the Government, the European Union or another third party.
- Use of the HRA Major Repairs Allowance (an element of housing subsidy provided by the government).

- 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 needs to embrace processes that:

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

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

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

Building Schools for the Future Programme
Primary Schools Rebuilding/Additional Places Programme
Schools Maintenance Programme
Highways Planned Maintenance Programme
Asset Management Programme
ICT Investment Programme
Public Sector Housing Programme
Private Housing Assistance Programme
Library/Leisure Centre/Community Hub Investment
Town Hall Complex Transformation Programme
Co-Op Regeneration project
Football Museum Development
Collyhurst and Irk Valley Regeneration Programme
West Gorton Regeneration Programme
East Manchester Programme

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The Council spent £198,062,000 in 2011/12, which is summarised below. More details can be found in Note 30 to the Core Financial Statements

	2010/11	2011/12
	£m	£m
Non-current Assets (Property, Plant and Equipment and investment Properties)	213	163
Revenue Expenditure funded from Capital under Statute	80	34
Long-term Debtors	0	1
Total	293	198

The spend in 2011/12 was against the forecasted programme of £209.029m equating to 95% delivery.

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

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

Detail of the variances between the Outturn and the previous reported forecast are shown below.

	Outturn (31-Mar-2012)	Previous Forecast (31-Dec-2012)	Variation
Housing (HRA)	30,128	35,071	(4,943)
Housing (General Fund)	24,400	19,991	4,409
Adult Services	494	124	370
Children's Services	22,134	25,597	(3,463)
Children's Services (Building Schools for the Future)	55,636	46,691	8,945
Corporate Services	30,743	37,337	(6,594)
ICT	1,340	3,141	(1,801)
Regeneration	19,982	25,771	(5,789)
Highway Services	10,590	11,164	(574)
Neighbourhood Services	2,580	4,142	(1,562)
Total	**198,027**	**209,029**	**(11,002)**

Expenditure on capital schemes in 2011/12 was £11.002m less than the previous estimate reported to the Executive. In summary this reduction in spend is mainly due to the following:

- Re-profiling of work on the Town Hall and Central Library Complex.

- Re-phasing of the Council's Asset Management Programme.
- Delays on ICT schemes.
- A number of Housing projects met with minor delays. The completion of the new build programme in West Gorton will be early 2012/13 and there were £500,000 savings on the Northwards Housing maintenance programme.
- The primary schools rebuilding programme encountered delays due to the discovery of asbestos at one site and two other schemes were re-profiled following final agreement of a target cost plan. There were savings of £489,000 following completion of the Park View and Cravenwood new schools.
- There are revised profiles for some Regeneration schemes. The settlement of the final accounts for the BMX track at the National Cycle Centre and Public Realm works are due to be complete in 2012/13

The financing of this expenditure was by the following methods:

	2010/11	2011/12
	£m	£m
Borrowing	67	22
Government Grants	198	109
External Contributions	3	2
Capital Receipts	0	44
Major Repairs Allowance	11	7
Revenue Contributions	14	14
Total	293	198

Borrowing in 2011/12 is split between supported borrowing (£3,100,000) and unsupported borrowing (£18,792,000). Borrowing mainly relates to housing and asset management works.

Borrowing Limit

In 2011/12 the Council had an authorised limit for borrowing of £1,139,000,000 that compares to the actual level of debt outstanding at 31 March 2012 of £503,065,000. The reason for the significant variance between the authorised limit and debt outstanding at 31 March 2012 is that the authorised limit excluded the effect of the HRA debt settlement.

The debt outstanding is made up of the following figures:

	2010/11 £000s	2011/12 £000s
Long-term Borrowing	774,960	492,815
Short-term Borrowing	467	10,250
Total	775,427	503,065

During the year borrowing decreased by £272,362,000. Of this £269,391,000 was as a result of the HRA debt settlement.

The Council's Treasury Management Strategy is to use cash backed reserves in lieu of external borrowing. As a result of this strategy investments made for less than 3 months (shown within cash and cash equivalents on the balance sheet) have reduced by £43,704,000 during 2011/12.

Major Acquisitions and Disposals

The Council's major acquisitions and disposals during 2011/12 are as follows.

During 2011/12 the Council acquired the ownership of Rochdale Road Police Station and associated land for £598,000, land adjacent to Mackintosh Mill for £2,096,000 and land in Miles Platting for £1,358,000.

Major disposals in 2011/12 were land at the former Crossley Works site (disposal value £3,316,000), The Peele Care Home (disposal value £4,600,000) and various properties in the Bowes Street area (disposal value £6,644,000).

Private Finance Initiatives (PFI)

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

As at 31 March 2012, the Housing Energy Services Contract, Temple School, A6 Plymouth Grove Housing, Miles Platting Housing, Public Lighting and Wright Robinson Sports College schemes had commenced. The Housing schemes are funded by both housing subsidy and the housing revenue account. The schools schemes are funded by both PFI special grant and the Dedicated Schools Grant (DSG). The street lighting scheme is funded by both PFI special grant and Council resources. Further details on these schemes are shown in note 9.

Private Public Partnership (PPP) Schemes

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

- Manchester Working – during 2006/07 the Council established a partnership arrangement with Morrison PLC for the provision of building maintenance services for the Council and Northwards Housing.
- Indoor Leisure PPP – the Council has established a trust, which has contracted with Serco Ltd for renovation, maintenance and management of some indoor leisure facilities.
- Wythenshawe Forum PPP – the Council has established a trust, which has responsibility for the renovation, maintenance and facilities management of Wythenshawe Forum.
- Car Parks Partnership – the Council has entered into a partnership with National Car Parks Limited to manage its car parks.

Post Balance Sheet Events

Since 31 March 2012 67 housing properties have been transferred to registered social landlords as part of a small scale voluntary transfer. This is part of the Council's strategy to achieve the decent homes standard. As a result of this known transfer these houses have been revalued in the balance sheet at 31 March 2012 to the anticipated value of the capital receipt due for these properties and classified as assets held for sale.

In addition 6 schools have transferred from Council control to Academy status. As a result of this known reclassification the value of these schools has been removed from the Council's balance sheet as at 31 March 2012.

Further details of these post balance sheet events are shown in note 53 to the financial statements.

Post balance sheet events have been reviewed up to the date that the External Auditors provided their certificate and opinion on the accounts.

The Council's Group Accounts

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

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

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

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

How the Council performed in 2011/12

Value for Money

The vision for Manchester is to become a world class city; to grow and sustain the economy of the city, and to translate that growth into better lives for Manchester residents.

Achieving this vision, against an increasingly difficult financial and economic backdrop, means that even greater emphasis is being placed on changing the way we work to deliver better services and improve value for money. This means redesigning services to make better use of resources: in essence, 'doing more with less'.

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

Through our Medium Term Financial Plan and overall Business Planning Process, we have in place a clear framework for decision making. We aim to maximise resources available and put in place robust processes to ensure that value for money is continually challenged, both in terms of day-to-day service delivery, and broader transformation plans.

Performance Indicators

The targets we set ourselves and our partners are aimed at improving the quality of life in the city. We monitor our progress through the Community Strategy Delivery plan.

The public transport network has been improving across the city with congestion levels falling and more people choosing to travel into the city by other forms of transport than private car. Rail journeys are up 39% since 2005, with passenger growth and higher levels of reliability. Metrolink journeys have increased by 8% and eight new trams came into service last year to increase capacity, although track maintenance and the renewal programme impacted on passenger levels. Walking trips into the Regional Centre have increased by 74%, perhaps reflecting more city centre living and edge-of-city parking. The number of cycle trips has more than doubled – continued evidence of a growing cycling culture.

While economic challenges over the past few years have impacted on all aspects of the local economy, the level of business activity in the city, along with the strength of the private sector, suggests that Manchester is well placed to benefit from wider economic recovery. New innovations reflecting the dynamism in the city include the Airport Enterprise Zone, the SHARP Project, the Etihad Campus and the Centre for Graphene. Manchester's above-average rates of new business start-ups, diverse employment structure and competitive labour market continue to put the city at a competitive advantage. The Greater Manchester Local Enterprise Partnership also supports businesses and local authorities to create the conditions for private sector-led growth. The high profile and success of our local football teams this season and the opening of the National Football Museum in Urbis this year have the potential to attract huge investment and additional visitors to the country's capital of football. City Deal is a Manchester agreement with the Government that enhances our ability to support the local economy.

We surveyed Manchester residents again this year and were pleased that 77% of respondents were satisfied with their local area as a place to live, which is an increase of two percentage points from 2010/11. Manchester residents are more likely to be satisfied with their lives as a whole and be of a happy disposition than dissatisfied or unhappy. Overall, 86% of respondents are satisfied with their lives compared with 88% last year.

In 2011 a new Crime and Disorder Strategy was launched to reduce crime and antisocial behaviour across the city. Serious acquisitive crime has reduced by 15% over the first year of the new strategy, and by over 47% since 2007/08, which equates to over 10,000 fewer victims of serious acquisitive crime. Serious violent crime has also reduced by almost 13% over the past year.

Improvements in the education of Manchester children continues, with the percentage of pupils achieving five or more A*–C grades including English and maths increasing from 45.7% in 2010 to 51.8% in 2011. We have tackled poor attendance at schools head on with a targeted campaign reaching thousands of people, including parents, teachers, pupils and officers. As a result, persistent absence in Manchester's primary and secondary schools is steadily falling. However, there is much more work to be done, and with our partners, we are determined to help children and young people be in a position to make real choices about their future.

Manchester's commitment to increasing the amount of waste recycled was evident in 2011, as the prioritisation of recycling over residual waste since June 2011 has shown a significant increase in the proportion of material recycled. Garden and food waste increased from 14,862 tonnes in 2010/11 to 23,341 tonnes in 2011/12 – an increase of 57% or 38.5kg per household per year.

Effect of the Current Economic Climate

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

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

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

Further Information

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

Financial Accountancy

Corporate Services Department

Town Hall

Manchester

M60 2LA

The Annual Statement of Accounts can also be viewed on the Council’s website. Please contact us at the above address if you have any comments on the presentation of the Annual Statement of Accounts.

Local electors and taxpayers have a statutory right to inspect the Council’s Annual Statement of Accounts and all related books, deeds, contracts, bills, vouchers and receipts before the annual accounts audit has been completed, giving an opportunity to question the auditor. The availability of the Annual Statement of Accounts for inspection was advertised in the Manchester Evening News on 29 June and on the Council’s website. The Council also publishes its future spending plans in its Medium Term Financial Plan, which is available on the Council’s website.

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 shows the commercial cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.
The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from the earmarked reserves undertaken by the Council.

	Note	General Fund Balance £000s	Earmarked GF Reserves £000s	Housing Revenue Account £000s	Earmarked HRA Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Major Repairs Reserve £000s	Total Usable Reserves £000s	Revaluation Reserve £000s	Available for sale Financial Instruments £000s	Pensions Reserve £000s	Capital Adjustment Account £000s	Deferred Capital Receipts £000s	Financial Instruments Adjustment Account £000s	Collection Fund Adjustment Account £000s	Short term Compensated Absences £000s	Total Unusable Reserves £000s	Total Council Reserves £000s
Balance at 1 April 2010		**(23,026)**	**(192,221)**	**(4,487)**	**(44,502)**	**(14,695)**	**(67,894)**	**(1,946)**	**(348,771)**	**(629,868)**	**(1,642)**	**1,037,200**	**(1,296,042)**	**(349)**	**6,221**	**(2,662)**	**6,598**	**(880,544)**	**(1,229,315)**
(Surplus) / deficit on provision of services		(226,960)	0	176,763	0	0	0	0	**(50,197)**	0	0	0	0	0	0	0	0	**0**	**(50,197)**
Other comprehensive income and expenditure																			
(Surplus) on revaluation of non-current assets	42	0	0	0	0	0	0	0	**0**	(82,415)	0	0	0	0	0	0	0	**(82,415)**	**(82,415)**
(Surplus) on revaluation of available for sale financial assets	42	0	0	0	0	0	0	0	**0**	0	(50)	0	0	0	(59)	0	0	**(109)**	**(109)**
Actuarial (gains) on pension assets / liabilities	44	0	0	0	0	0	0	0	**0**	0	0	(440,600)	0	0	0	0	0	**(440,600)**	**(440,600)**
Total comprehensive income and expenditure		**(226,960)**	**0**	**176,763**	**0**	**0**	**0**	**0**	**(50,197)**	**(82,415)**	**(50)**	**(440,600)**	**0**	**0**	**(59)**	**0**	**0**	**(523,124)**	**(573,321)**
Reversal of items debited or credited to the comprehensive income and expenditure statement	7	171,691	23	(181,531)	0	(13,493)	(4,225)	1,166	**(26,369)**	(145)	6	(178,300)	205,787	0	212	(1,191)	0	**26,369**	**0**
Insertion of items not debited or credited to the comprehensive income and expenditure statement	7	84,832	2,785	1,976	0	816	0	0	**90,409**	0	0	(50,400)	(40,583)	0	574	0	0	**(90,409)**	**0**
Other adjustments	7	139	0	0	0	0	0	0	**139**	15,134	0	0	(15,033)	(240)	0	0	0	**(139)**	**0**
Total adjustments between accounting basis and funding basis under regulations		**256,662**	**2,808**	**(179,555)**	**0**	**(12,677)**	**(4,225)**	**1,166**	**64,179**	**14,989**	**6**	**(228,700)**	**150,171**	**(240)**	**786**	**(1,191)**	**0**	**(64,179)**	**0**
Net (increase) / decrease before transfers to earmarked reserves		**29,702**	**2,808**	**(2,792)**	**0**	**(12,677)**	**(4,225)**	**1,166**	**13,982**	**(67,426)**	**(44)**	**(669,300)**	**150,171**	**(240)**	**727**	**(1,191)**	**0**	**(587,303)**	**(573,321)**
Transfers (to) / from earmarked reserves		(28,336)	28,800	4,298	(4,290)	0	0	0	**472**	0	0	0	0	0	0	0	(472)	**(472)**	**0**
(Increase) / decrease in year		**1,366**	**31,608**	**1,506**	**(4,290)**	**(12,677)**	**(4,225)**	**1,166**	**14,454**	**(67,426)**	**(44)**	**(669,300)**	**150,171**	**(240)**	**727**	**(1,191)**	**(472)**	**(587,775)**	**(573,321)**
Balance at 31 March 2011		**(21,660)**	**(160,613)**	**(2,981)**	**(48,792)**	**(27,372)**	**(72,119)**	**(780)**	**(334,317)**	**(697,294)**	**(1,686)**	**367,900**	**(1,145,871)**	**(589)**	**6,948**	**(3,853)**	**6,126**	**(1,468,319)**	**(1,802,636)**
Transfer of Traffic Signals to Greater Manchester Combined Authority		0	0	0	0	0	0	0	0	0	0	0	5,877	0	0	0	0	**5,877**	**5,877**
Transfer of Transportation Units to Transport for Greater Manchester		0	541	0	0	0	0	0	541	0	0	0	0	0	0	0	0	**0**	**541**
Balance at 1 April 2011		**(21,660)**	**(160,072)**	**(2,981)**	**(48,792)**	**(27,372)**	**(72,119)**	**(780)**	**(333,776)**	**(697,294)**	**(1,686)**	**367,900**	**(1,139,994)**	**(589)**	**6,948**	**(3,853)**	**6,126**	**(1,462,442)**	**(1,796,218)**
Movement in reserves during 2011/12																			
(Surplus) / deficit on provision of services		99,257	0	(282,661)	0	0	0	0	**(183,404)**	0	0	0	0	0	0	0	0	**0**	**(183,404)**
Other comprehensive income and expenditure																			
(Surplus) on revaluation of non-current assets	42	0	0	0	0	0	0	0	**0**	(5,605)	0	0	0	0	0	0	0	**(5,605)**	**(5,605)**
Deficit on revaluation of available for sale financial assets	42	0	0	0	0	0	0	0	**0**	0	155	0	0	0	(61)	0	0	**94**	**94**
Actuarial loss on pension assets/liabilities	44	0	0	0	0	0	0	0	**0**	0	0	271,400	0	0	0	0	0	**271,400**	**271,400**
Total comprehensive income and expenditure		**99,257**	**0**	**(282,661)**	**0**	**0**	**0**	**0**	**(183,404)**	**(5,605)**	**155**	**271,400**	**0**	**0**	**(61)**	**0**	**0**	**265,889**	**82,485**
Reversal of items debited or credited to the comprehensive income and expenditure statement	7	(217,307)	0	277,728	0	(50,973)	39,644	(3,270)	**45,822**	0	0	60,100	(105,385)	0	(114)	(423)	0	**(45,822)**	**0**
Insertion of items not debited or credited to the comprehensive income and expenditure statement	7	88,290	5,006	146	0	776	0	0	**94,218**	0	0	(52,100)	(42,905)	0	787	0	0	**(94,218)**	**0**
Other adjustments	7	(103)	0	0	0	43,484	0	0	**43,381**	8,917	0	0	(51,446)	(852)	0	0	0	**(43,381)**	**0**
Total adjustments between accounting basis and funding basis under regulations		**(129,120)**	**5,006**	**277,874**	**0**	**(6,713)**	**39,644**	**(3,270)**	**183,421**	**8,917**	**0**	**8,000**	**(199,736)**	**(852)**	**673**	**(423)**	**0**	**(183,421)**	**0**
Net (increase) / decrease before transfers to earmarked reserves		**(29,863)**	**5,006**	**(4,787)**	**0**	**(6,713)**	**39,644**	**(3,270)**	**17**	**3,312**	**155**	**279,400**	**(199,736)**	**(852)**	**612**	**(423)**	**0**	**82,468**	**82,485**
Transfers (to) / from earmarked reserves		25,061	(26,365)	5,801	(5,780)	0	0	0	**(1,283)**	0	0	0	0	0	0	0	1,283	**1,283**	**0**
(Increase) / decrease in year		**(4,802)**	**(21,359)**	**1,014**	**(5,780)**	**(6,713)**	**39,644**	**(3,270)**	**(1,266)**	**3,312**	**155**	**279,400**	**(199,736)**	**(852)**	**612**	**(423)**	**1,283**	**83,751**	**82,485**
Balance at 31 March 2012		**(26,462)**	**(181,431)**	**(1,967)**	**(54,572)**	**(34,085)**	**(32,475)**	**(4,050)**	**(335,042)**	**(693,982)**	**(1,531)**	**647,300**	**(1,339,730)**	**(1,441)**	**7,560**	**(4,276)**	**7,409**	**(1,378,691)**	**(1,713,733)**

Cash Flow Statement

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

Restated 2010/11 £000s		**Note**	**2011/12 £000s**
(50,197)	Net (surplus) / deficit on the provision of services		(183,404)
(135,398)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		42,417
61,054	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		97,820
(124,541)	**Net cash flows from operating activities**	50	**(43,167)**
129,793	Investing activities	51	52,278
(72,504)	Financing Activities	52	28,159
(67,252)	**Net (increase) / decrease in cash and cash equivalents**		**37,270**
(1,489)	Cash and cash equivalents at the beginning of the reporting period		65,763
65,763	**Cash and cash equivalents at the end of the reporting period**	49	**28,493**

Notes to the Core Financial Statements

Note 1. Accounting Concepts and Policies

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year end 31 March 2012. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (The Code) and the Service Reporting Code of Practice 2011/12 (SERCOP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003.

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

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

1.1 Qualitative Characteristics of Financial Statements

1.1.1 Relevance

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

1.1.2 Reliability

The financial information is reliable as it has been prepared so as to reflect the reality or substance of the transaction, is free from deliberate or systematic bias, is free from material error and has been prudently prepared.

1.1.3 Comparability

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

1.1.4 Understandability

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

1.1.5 Materiality

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

1.2. Underlying Assumptions

1.2.1 Accruals Basis

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

1.2.2 Going Concern

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

1.2.3 Primacy of Legislation Requirements

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

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

1.3. Accounting Policies

1.3.1 Property, Plant and Equipment (PPE)

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

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

Capital expenditure is initially added to the value of an asset but if this expenditure is not considered to increase the value of the asset it is classed as impairment. Fees, expenditure below £10,000 and 65% of the value of expenditure on council dwellings have been classed as impairment. This percentage is the amount by which the open market value of council dwellings is reduced to give a balance sheet value of 35% (known as the social housing discount). This percentage is determined by the Department for Communities and Local Government (CLG). In addition all property, plant and equipment, where expenditure in excess of £500,000 has been incurred during 2011/12, 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, all expenditure that is directly attributable to bringing the asset into working condition for its intended use and the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. The Council does not capitalise borrowing costs incurred whilst the assets are under construction. The assets are then revalued using methods of valuation on the basis recommended by CIPFA and in accordance with the guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

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

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

Community assets and infrastructure are valued at depreciated historical cost.

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

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

Council dwellings are revalued annually. Other revaluations of property are planned at five yearly intervals unless there has been a material change in the value. Valuations are undertaken during the year with a valuation date of 1 April 2011. Any material change that occurs after the valuation date is taken account of in the balance sheet value.

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

Where decreases in value are identified and there is a balance of revaluation gains in the Revaluation Reserve relating to the asset, the value of the asset is written down against that balance (up to the amount of the accumulated gains). Where there is no or insufficient balance in the Revaluation Reserve the value of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

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

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

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

1.3.2 Depreciation on Property, Plant and Equipment

Depreciation has been calculated using a straight-line method (i.e. apportioned equally over each year of the life of the asset) for all assets unless that depreciation is immaterial. The estimated useful life of each property is determined by a qualified valuer. Land and assets not yet available for use (assets under construction) are not depreciated. Each component of property, plant and equipment that is considered to be significant in relation to the total cost of the asset is depreciated separately. Depreciation is charged to the service with a corresponding reduction in the value of the asset. The depreciation charge is reversed in the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account. Residual values, useful lives and depreciation methods are reviewed at each financial year end.

Depreciation has been charged to the Housing Revenue Account (HRA). This depreciation is subsequently reversed out and replaced by statutory amounts in the calculation of the HRA balance in accordance with the housing subsidy determinations.

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

1.3.3 Derecognition of Property, Plant and Equipment

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

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

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

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

Income from asset disposals in excess of £10,000 is classed as capital receipts. A proportion of receipts relating to HRA disposals (75% of capital receipts in relation to council dwellings and 50% of capital receipts in relation to housing land) net of costs relating to the disposal, previous costs in improving housing land, and for non-right to buy receipts, the Council’s available capital allowance (the amount of the Council’s past or planned expenditure on affordable housing and regeneration projects) is payable to the Government. The balance of capital receipts is credited to the Capital Receipts Reserve and used to fund new capital expenditure or repay debt.

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

1.3.4 Private Finance Initiatives (PFIs) and Similar Contracts

PFI and similar contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under the contract and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council holds the Property, Plant and Equipment used under the contracts on its Balance Sheet. The exception to this is certain types of schools as detailed in policy 3.7.

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

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

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

- Value of the service received (including facilities management) during the year – debited to the relevant service line in the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Contingent rents (the increase in the amount payable to the operator due to an indexation factor in the contract) - debited to the relevant service line in the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Interest cost based on the outstanding deferred liability – debited to the Financing and Investment Income and Expenditure line in the Surplus / Deficit on the Provision of Services.
- Payment towards liability – debited to the deferred liability on the Balance Sheet thus reducing the liability. For non-HRA contracts this reduction in the charge in the Surplus / Deficit on the Provision of Services is replaced by an equivalent amount of Minimum Revenue Provision (MRP) in the Movement in Reserves Statement. For HRA contracts this reduction in unitary charge is reversed in the Movement in Reserves Statement to the Capital Adjustment Account.
- Lifecycle replacement costs – posted to the Balance Sheet as a prepayment and then included as additions to Property, Plant and Equipment when the works are carried out.

Where lifecycle costs can be identified as capital in nature they have been recognised as capital expenditure. This expenditure relates to enhancements or replacement of assets.

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

1.3.5 Heritage Assets

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

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

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

Any impairment is recognised and measured in accordance with the Council's general policies on impairment (policy 3.9). The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the derecognition of property, plant and equipment (policy 3.3).

1.3.6 Investment Properties

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

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

An investment property under construction is measured at fair value once the Council is able to measure reliably the fair value.

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

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

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

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

1.3.7 Schools

The Council has assessed the legal framework underlying each type of school. The Council controls the management and running of community and voluntary controlled schools and therefore the land and buildings of those schools are shown on the Council's balance sheet. The land and buildings of voluntary aided and foundation schools are owned and controlled by the trustees of the schools or the foundation body and are therefore not shown on the balance sheet of the Council. CIPFA are currently consulting on the treatment of schools in local government accounts as part of the consultation on the 2013/14 Code of Practice on Local Authority Accounting.

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

The Dedicated Schools Grant 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 Education and Children's services.

Individual schools' balances at 31 March 2012 are included in the balance sheet of the Council as any unspent delegated schools budgets remain the property of the Council.

PFI Schemes

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

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

1.3.8 Intangible Assets

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

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

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

1.3.9 Impairment

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

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

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

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

1.3.10 Provision for Redemption of Debt

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

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

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

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

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

There is no MRP charge to the HRA.

1.3.11 Revenue Expenditure Funded From Capital under Statute

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. These are generally grants and expenditure on property not owned by the Council. Expenditure is charged to the Surplus 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 3.17c.

1.3.12 Non-Current Assets held for Sale

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

The held for sale asset is carried at the lower of the carrying amount and 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) and their recoverable amount at the date of the decision not to sell.

1.3.13 Accruals of Income and Expenditure

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

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

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

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

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

1.3.14 Inventories and Long-Term Contracts

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

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

1.3.15 Cash and Cash Equivalents

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

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

1.3.16 Provisions

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

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

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

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

1.3.17 Government Grants and Contributions

Government grants and contributions are not credited to the Comprehensive Income and Expenditure Statement unless there is reasonable assurance that the conditions relating to the grant or contribution will be complied with and the grant or contribution will be received. Conditions are stipulations that must be satisfied or the grant or contribution must be returned. Monies advanced as grants and contributions for which conditions are not expected to be met are carried in the Balance Sheet as receipts in advance.

a. Revenue Grants and Contributions

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

b. Capital Grants and Contributions

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

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

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

1.3.18 Reserves

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

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

1.3.19 Revenue Recognition

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

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

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

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

1.3.20 Overheads and Support Services

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

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

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

1.3.21 VAT

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

1.3.22 Leases

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

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

Finance Leases

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

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

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

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

Operating Leases

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

Lessor

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

1.3.23 Benefits Payable during Employment

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

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

1.3.24 Termination Benefits

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

1.3.25 Post Employment Benefits

a. Teachers' Pension Scheme

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

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability.

b. Local Government Pension Scheme

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

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

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

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

Past services costs (the increase in the liability arising from current year decisions whose effect relate to years of service earned in earlier years) are shown as non-distributed costs (costs that are not attributable to a particular service) within the net cost of services as are gains and losses on settlements and curtailments (the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees).

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

Actuarial gains and losses (changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions) are recognised within Total Comprehensive Income and Expenditure.

Financial Instruments

1.3.26 Financial Assets

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

a. Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost (when the interest received is spread evenly over the life of the loan). Credits to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement for interest received are based on the balance sheet amount of the asset multiplied by the effective interest rate for the financial instrument. For most of the loans that the Council has made that means the amount shown in the Balance Sheet is the outstanding principal receivable plus accrued interest. The amount of interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year per the loan agreement.

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

b. Available for Sale Assets

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

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

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain or loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses are incurred. Any gain or loss on the disposal of the asset are credited / debited to the Financing and

Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any accumulated gains or losses previously recognised in the Available for Sale Reserve.

c. Equity Instruments carried at cost less impairment

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

1.3.27 Embedded Derivatives

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

1.3.28 Financial Liabilities

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

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

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Financing and Investment Income and Expenditure line in the

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

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

However, the HRA item 8 and subsidy determinations require that the HRA share of premiums and discounts is written off over the unexpired period of the loan replaced, or ten years, whichever is the less.

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

1.3.29 Carbon Reduction Commitment (CRC) Allowances

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

1.3.30 Contingent Assets and Liabilities

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

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

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

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

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

1.3.32 Exceptional Items

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

1.3.33 Events after the Balance Sheet Date

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

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

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

1.3.34 Interests in Companies and Other Entities

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

1.3.35 Local Taxation

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

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

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

Note 2. Critical Accounting Judgements

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

2.1 PFI and Similar Arrangements

The Council is deemed to control the services provided 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 £115,553,000 (£116,479,000 in 2010/11) are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

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

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

2.2 Classification of Leases

The Council has undertaken an analysis to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and assets valued at £500,000 (£500,000 in 2010/11) are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

2.3 Arrangements Containing a Lease

The Council is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific underlying assets and which therefore are considered to contain a lease. The accounting treatment for leases has been applied to these arrangements to determine whether the lease contained within them is a finance or an operating lease and as a result assets valued at £3,683,000 (£4,715,000 in 2010/11) are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

2.4 Investment Properties

The Council has reviewed all assets in accordance with the accounting policy and as a result assets valued at £17,165,000 in 2011/12 have been reclassified as Investment Properties

2.5 Valuation of Property Plant and Equipment

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

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

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

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

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

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

All assets, with the exception of those valued at depreciated historical cost, are revalued as part of a five year rolling programme. Accordingly, at least 20% of the above valuations have been reviewed by Jacobs and District Valuers, external valuers commissioned by the Council and M. Robertson RICS, valuer employed by the Council. All assets reviewed had a valuation date of 1 April 2011.

Material changes after the valuation date have been accounted for.

2.6 Valuation of Heritage Assets

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

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

2.7 Schools Property, Plant and Equipment

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

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 2012 for which there is a risk of adjustment in the following financial year are:

3.1 Revaluation of Property, Plant and Equipment

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

3.2 Depreciation of Property, Plant and Equipment.

Assets are depreciated based on useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to maintain the expenditure on repairs and maintenance resulting in uncertainty in the useful lives assigned to assets by the Valuers. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge would increase by £2,803,000 for every year the useful lives are reduced.

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

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

3.3 Provisions

The Council has made various provisions in relation to compensation claims made to the Council. These provisions are based on the number of claims outstanding at the end of the financial year, the average settlement amount for each type of claim and the likelihood of each type of claim being settled. It is not certain that the precedents set in previous years will be applicable to the current outstanding claims. An increase of 1% in the estimate average settlement would have the effect of adding £136,000 to the provision required. An increase of 1% in the likelihood of each claim being settled would have the effect of adding £228,000 to the provision.

3.4 Arrears

At 31 March 2012 the Council had a balance of sundry debtors of £124,439,000, housing rents of £11,599,000 and council tax debtors of £41,700,000. A review of these outstanding balances suggests that an impairment of doubtful debts of £70,913,000 (£29,280,000 sundry debtors, £7,745,000 housing rents and £33,888,000 council tax) was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate by 1% this would require an additional £2,423,000 (£339,000 sundry debtors, £112,000 housing rents and £1,972,000 council tax) to be set aside.

3.5 Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions. A firm of actuaries are engaged by the Pension Fund to provide expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £234m a one year increase in member life expectancy would result in a £76m increase in the pension liability a 0.5% increase in the salary increase rate would result in a £59m increase in the pension liability and a 0.5% increase in the assumed pension rate increase would result in a £175m increase in the pension liability.

3.6 Employee Benefits Accrual

At 31 March 2010 an accrual for employee benefits (annual and flexi time leave) was calculated at an average of 0.58 day per Council employee excluding teachers. As the Council’s policy on the carry forward of annual leave has not changed since 2009/10 the same number of days per employee has been used to calculate the accrual for 31 March 2012. If the accrual had increased by half a day per employee, the value of the accrual would have increased by £354,000.

Note 4. Prior Year Adjustments

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

Heritage Assets

Heritage Assets (i.e. civic regalia, art gallery collections) are those assets that are intended to be preserved for future generations because of their cultural, environmental or historical associations. In 2011/12 the Code of Practice on Local Authority Accounting adopted the requirement of Financial Reporting Standard (FRS) 30 which requires the separate classification and valuation of Heritage Assets. As a result of this change in accounting policy, the Council's balance sheet at 1 April 2010 and 31 March 2011 has been adjusted so that Heritage Assets are shown on the same basis as in 2011/12.

Transfer of Services to Other Organisations

On 1 April 2011 ownership of traffic signals within Manchester transferred to the Greater Manchester Combined Authority (GMCA). As a result of this transfer, property, plant and equipment relating to the traffic signal assets have been removed from the Council's balance sheet as at 1 April 2011 with a corresponding reduction in the capital adjustment account (an unusable reserve).

On 1 April 2011 the Greater Manchester Urban Traffic Control Unit (GMUTC) and the Greater Manchester Transportation Unit (GMTU) services were transferred to Transport for Greater Manchester (TfGM). As a result of this transfer, the related assets, liabilities and reserves have been removed from the Council’s balance sheet as at 1 April 2011.

Note 4. Reconciliation of published figures in the Balance Sheet at 31 March to restated figures at 1 April

	Published 31 March 2010 £000s	Introduction of Heritage Assets £000s	Restated 1 April 2010 £000s	Published 31 March 2011 £000s	1 April 2010 Restatement £000s	Introduction of Heritage Assets £000s	Restated 31 March 2011 £000s	Transfer of Traffic Signals to GMCA* £000s	Transfer of Transport Units to TfGM** £000s	Restated 1 April 2011 £000s
Non-current assets										
Property, plant and equipment	2,248,796	(768)	**2,248,028**	2,130,373	(768)	0	**2,129,605**	(5,877)	0	**2,123,728**
Heritage assets	0	378,120	**378,120**	0	378,120	3,510	**381,630**	0	0	**381,630**
Investment properties	313,038	0	**313,038**	384,346	0	0	**384,346**	0	0	**384,346**
Intangible non-current assets	2,365	0	**2,365**	1,784	0	0	**1,784**	0	0	**1,784**
Long-term assets held for sale	0	0	**0**	0	0	0	**0**	0	0	**0**
Long-term investments in subsidiaries and associates	129,439	0	**129,439**	129,498	0	0	**129,498**	0	0	**129,498**
Other long-term investments	2,726	0	**2,726**	2,776	0	0	**2,776**	0	0	**2,776**
Long-term debtors	115,441	0	**115,441**	116,120	0	0	**116,120**	0	0	**116,120**
Total non-current assets	**2,811,805**	**377,352**	**3,189,157**	**2,764,897**	**377,352**	**3,510**	**3,145,759**	**(5,877)**	**0**	**3,139,882**
Current assets										
Short-term investments	0	0	**0**	0	0	0	**0**	0	0	**0**
Inventories	1,297	0	**1,297**	1,470	0	0	**1,470**	0	(453)	**1,017**
Short-term debtors	155,478	0	**155,478**	140,304	0	0	**140,304**	0	(3,440)	**136,864**
Cash and cash equivalents	(1,489)	0	**(1,489)**	65,763	0	0	**65,763**	0	477	**66,240**
Short-term assets held for sale	795	0	**795**	11,511	0	0	**11,511**	0	0	**11,511**
Total current assets	**156,081**	**0**	**156,081**	**219,048**	**0**	**0**	**219,048**	**0**	**(3,416)**	**215,632**
Total assets	**2,967,886**	**377,352**	**3,345,238**	**2,983,945**	**377,352**	**3,510**	**3,364,807**	**(5,877)**	**(3,416)**	**3,355,514**
Current liabilities										
Short-term borrowing	(1,508)	0	**(1,508)**	(467)	0	0	**(467)**	0	0	**(467)**
Short-term creditors	(168,598)	0	**(168,598)**	(198,098)	0	0	**(198,098)**	0	2,847	**(195,251)**
Short-term provisions	(2,970)	0	**(2,970)**	(20,058)	0	0	**(20,058)**	0	28	**(20,030)**
Short-term deferred liabilities	(8,951)	0	**(8,951)**	(10,171)	0	0	**(10,171)**	0	0	**(10,171)**
Total current liabilities	**(182,027)**	**0**	**(182,027)**	**(228,794)**	**0**	**0**	**(228,794)**	**0**	**2,875**	**(225,919)**
Total assets less current liabilities	**2,785,859**	**377,352**	**3,163,211**	**2,755,151**	**377,352**	**3,510**	**3,136,013**	**(5,877)**	**(541)**	**3,129,595**
Long-term liabilities										
Long-term creditors	(276)	0	**(276)**	(1,708)	0	0	**(1,708)**	0	0	**(1,708)**
Long-term provisions	(17,823)	0	**(17,823)**	(9,853)	0	0	**(9,853)**	0	0	**(9,853)**
Long-term borrowing	(704,947)	0	**(704,947)**	(774,960)	0	0	**(774,960)**	0	0	**(774,960)**
Long-term deferred liabilities	(172,809)	0	**(172,809)**	(178,155)	0	0	**(178,155)**	0	0	**(178,155)**
Capital grants receipts in advance	(841)	0	**(841)**	(801)	0	0	**(801)**	0	0	**(801)**
Pensions liability	(1,037,200)	0	**(1,037,200)**	(367,900)	0	0	**(367,900)**	0	0	**(367,900)**
Total long-term liabilities	**(1,933,896)**	**0**	**(1,933,896)**	**(1,333,377)**	**0**	**0**	**(1,333,377)**	**0**	**0**	**(1,333,377)**
Net assets	**851,963**	**377,352**	**1,229,315**	**1,421,774**	**377,352**	**3,510**	**1,802,636**	**(5,877)**	**(541)**	**1,796,218**
Financed by:										
Usable reserves	348,771	0	**348,771**	334,317	0	0	**334,317**	0	(541)	**333,776**
Unusable reserves	503,192	377,352	**880,544**	1,087,457	377,352	3,510	**1,468,319**	(5,877)	0	**1,462,442**
Total reserves	**851,963**	**377,352**	**1,229,315**	**1,421,774**	**377,352**	**3,510**	**1,802,636**	**(5,877)**	**(541)**	**1,796,218**

*GMCA=Greater Manchester Combined Authority

**TfGM=Transport for Greater Manchester

Note 5. Exceptional Items

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

The following exceptional items occurred during the year:

a) Impairment of property plant and equipment of £175,638,000 (£268,245,000 in 2010/11) has been included within net cost of services.

	2010/11 £000s	2011/12 £000s
Adult social care	583	157
Education and children's services	41,967	70,424
Cultural and related services	747	1,992
Environmental and regulatory services	3,641	4,012
Planning services	2,676	0
Housing Revenue Account	179,062	25,020
Highways and transport services	9,352	0
Non-distributed costs	20,663	69,142
Trading undertakings	9,554	4,891
Total	**268,245**	**175,638**

The impairment on HRA in 2010/11 is mainly due to the downward valuation of council houses following the change to the social housing discount, which is applied to the open market value of council houses and is specified by the CLG. The impairment on education and children's services relates to schools which have transferred to academy status. The impairment on non-distributed costs relates to non-operational property.

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

The Council received a debt settlement of £294,276,000 on the 28 March 2012. Of the debt settlement £199,966,000 was Public Works Loan Board (PWLB) debt which was settled directly by the Government together with the related premiums of £35,952,000. A cash sum of £94,310,000 to repay market debt, together with an additional amount to repay market debt related premiums of £32,773,000 was paid by the Government to the Council.

c) Within the Council's net cost of service expenditure in 2010/11 is costs incurred on the Voluntary Early Retirement and Severance scheme that was offered to non-schools based staff in response to the need to reduce the Council's expenditure by £109m in 2011/12 rising to £170m in 2012/13 following the Comprehensive Spending Review published in the autumn of 2010. The total expenditure for voluntary early retirements, voluntary severance and pay in lieu of notice costs was £38,952,000 in 2010/11. The voluntary early retirement (VER) and voluntary severance (VS) costs were funded from a VER/VS reserve which was established from the release of other reserves that were no longer required or for which alternative funding could be found. The VER/VS costs relating to 2011/12 are not disclosed as they are not considered to be an exceptional item.

	2010/11 £000s
Adult social care	6,472
Central Services	587
Education and children's services	12,848
Cultural and related services	3,661
Environmental and regulatory services	1,355
Planning services	2,977
Highways	893
Housing services	4,774
Housing Revenue Account	409
Corporate and democratic core	120
Trading undertakings	4,856
Total	**38,952**

Note 6. 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 2011/12 Code.

The relevant standard requiring disclosure in the 2011/12 accounts is amendments to IFRS7

Financial Instruments Disclosures (transfers of financial assets) issued in October 2010.

These amendments are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of these risks on the Council's financial position.

The Council will be required to disclose details of all transferred financial assets that are not removed from the balance sheet and of any continued involvement in the transferred asset at the balance sheet date regardless of when the transfer transaction occurred.

There are no such transfers in 2011/12.

Note 7. Adjustments Between Accounting and Funding Basis Under Regulations

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

The table below shows the adjustments made in 2010/11:

	Usable Reserves					Unusable Reserves	
	General Fund Balance (Including Earmarked Reserves)	Housing Revenue Account (Including Earmarked Reserves)	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Capital Adjustment Account	Other Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Reversal of items debited or credited to the comprehensive income and expenditure statement:							
Depreciation	(37,248)	0	0	0	(13,469)	50,861	(144)
Amortisation of intangible assets	(389)	(234)	0	0	0	623	0
Excess of depreciation charged to HRA services over the major repairs allowance element of housing subsidy	0	(3,801)	0	0	3,801	0	0
Impairment/revaluation losses charged to the comprehensive income and expenditure statement	(89,182)	(179,062)	0	0	0	268,244	0
Impairment transferred to revaluation reserve	59,523	0	0	0	0	(59,523)	0
Financing of capital expenditure on council dwellings	0	0	0	0	10,834	(10,834)	0
Non-Property related capital receipts transferred to the usable capital receipts reserve	149	0	(149)	0	0	0	0
Capital grant and contributions	63,492	7,172	0	58,266	0	(128,930)	0
Revenue expenditure funded from capital under statute	55,265	(654)	0	(62,491)	0	7,880	0
Gain / (loss) on disposal of non-current assets	(58,320)	0	(13,344)	0	0	71,664	0
Retirement benefits per IAS19	177,450	850	0	0	0	0	(178,300)
Reversal of private finance initiative charges to the HRA	0	(5,802)	0	0	0	5,802	0
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	(219)	0	0	0	0	0	219
Amount by which council tax income and residual community charge adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the General Fund in accordance with regulation	1,193	0	0	0	0	0	(1,193)
Total reversed items	**171,714**	**(181,531)**	**(13,493)**	**(4,225)**	**1,166**	**205,787**	**(179,418)**
Insertion of items not debited or credited to the comprehensive income and expenditure statement:							
Statutory provision for the repayment of debt - minimum revenue provision	20,918	0	0	0	0	(20,918)	0
Statutory provision for the repayment of debt - finance lease liabilities	1,852	0	0	0	0	(1,852)	0
Statutory provision for the repayment of debt - private finance initiatives	2,099	0	0	0	0	(2,099)	0
HRA capital receipts to housing central pool	(816)	0	816	0	0	0	0
Employers contributions to pension schemes	48,348	2,052	0	0	0	0	(50,400)
Revenue contribution to finance capital	13,495	818	0	0	0	(14,313)	0
Premiums and discounts charged to revenue	320	(894)	0	0	0	0	574
Principal repayment of ex-GMC debt	1,401	0	0	0	0	(1,401)	0
Total inserted items	**87,617**	**1,976**	**816**	**0**	**0**	**(40,583)**	**(49,826)**
Other adjustments:							
Transfer of revaluation reserve balance on assets disposed	0	0	0	0	0	(8,499)	8,499
Adjustment between capital adjustment account and revaluation reserve for depreciation that is related to the revaluation balance rather than historic cost	0	0	0	0	0	(6,635)	6,635
Write down of long term debtor	(101)	0	0	0	0	101	0
Transfer to Deferred Capital Receipts Reserve	240	0	0	0	0	0	(240)
Total other adjustments	**139**	**0**	**0**	**0**	**0**	**(15,033)**	**14,894**
Total adjustments	**259,470**	**(179,555)**	**(12,677)**	**(4,225)**	**1,166**	**150,171**	**(214,350)**

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

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

Note 8. Segmental Reporting Analysis

The table below is a reconciliation of the 2010/11 internal management reports (monitoring and outturn) used by the Council's Executive to make decisions and the 2010/11 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 (Restated)	Chief Executives £000s	Children's Services £000s	Directorate for Adults £000s	Corporate Services £000s	Neighbourhood Services £000s	Housing Revenue Account £000s	Total £000s
Fees Charges and Other Service Income	(42,633)	(58,419)	(71,528)	(47,369)	(86,016)	(65,709)	**(371,674)**
Government Grants	(17,078)	(398,340)	(16,335)	(301,343)	(6,041)	(21,569)	**(760,706)**
Total Income	**(59,711)**	**(456,759)**	**(87,863)**	**(348,712)**	**(92,057)**	**(87,278)**	**(1,132,380)**
Employee Expenses	72,560	124,812	71,670	42,484	86,220	4,669	**402,415**
Other Operating Expenses	78,115	475,609	201,974	335,703	127,127	78,064	**1,296,592**
Support Services Recharges	(20,626)	(588)	(18,868)	(17,520)	(39,857)	1,761	**(95,698)**
Total Operating Expenses	**130,049**	**599,833**	**254,776**	**360,667**	**173,490**	**84,494**	**1,603,309**
Cost of Services	**70,338**	**143,074**	**166,913**	**11,955**	**81,433**	**(2,784)**	**470,929**

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

	£000s
Cost of services in service analysis	470,929
Add amounts not reported to management*	87,352
Remove amounts reported to management not included in net cost of services in CIES	(58,291)
Net cost of services in comprehensive income and expenditure statement	**499,990**

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 & other service income	(371,674)	(18,039)	(145,718)	0	(535,431)	(224,111)	(759,542)
Interest and investment income	0	(138)	181	0	43	(24,807)	(24,764)
Income from council tax	0	0	0	0	0	(142,063)	(142,063)
Distribution from NNDR pool	0	0	0	0	0	(299,018)	(299,018)
Government grants and contributions	(760,706)	(134,296)	6,382	0	(888,620)	(201,370)	(1,089,990)
Total Income	**(1,132,380)**	**(152,473)**	**(139,155)**	**0**	**(1,424,008)**	**(891,369)**	**(2,315,377)**
Employee expenses	402,415	22,942	5,974	7,325	438,656	0	438,656
Other service expenses	1,296,592	11,332	136,442	(103,648)	1,340,718	19,379	1,360,097
Support Services Recharges	(95,698)	(625)	0	96,323	0	0	0
Depreciation, amortisation and impairment	0	185,096	(12,169)	0	172,927	0	172,927
Interest payments	0	0	(28,303)	0	(28,303)	47,426	19,123
Pension interest costs	0	0	0	0	0	149,000	149,000
Precepts and levies	0	21,080	(21,080)	0	0	52,815	52,815
Payments to housing capital receipts pool	0	0	0	0	0	816	816
Loss on disposal of non-current assets	0	0	0	0	0	71,746	71,746
Total operating expenses	**1,603,309**	**239,825**	**80,864**	**0**	**1,923,998**	**341,182**	**2,265,180**
(Surplus) / deficit on the provision of services	**470,929**	**87,352**	**(58,291)**	**0**	**499,990**	**(550,187)**	**(50,197)**

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

Note 8. Segmental Reporting Analysis

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

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

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

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

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 & other service income	(299,968)	(10,826)	(213,132)	0	(523,926)	(248,781)	(772,707)
Interest and investment income	0	(168)	(170)	0	(338)	(24,794)	(25,132)
Income from council tax	0	0	0	0	0	(143,011)	(143,011)
Distribution from NNDR pool	0	0	0	0	0	(270,624)	(270,624)
Government grants and contributions	(740,393)	(5,476)	6,657	0	(739,212)	(237,263)	(976,475)
Total Income	**(1,040,361)**	**(16,470)**	**(206,645)**	**0**	**(1,263,476)**	**(924,473)**	**(2,187,949)**
Employee expenses	300,324	6	21,523	5,324	327,177	0	327,177
Other service expenses	1,302,086	11,570	9,692	(77,081)	1,246,267	53,528	1,299,795
Support Services Recharges	(74,058)	2,301	0	71,757	0	0	0
Depreciation, amortisation and impairment	0	151,420	11,552	0	162,972	0	162,972
Interest payments	0	0	(28,509)	0	(28,509)	47,298	18,789
Pension interest costs	0	0	0	0	0	124,400	124,400
Precepts and levies	0	0	(23,538)	0	(23,538)	58,235	34,697
Payments to housing capital receipts pool	0	0	0	0	0	776	776
(Gain) / loss on disposal of non-current assets	0	0	0	0	0	35,939	35,939
Total operating expenses	**1,528,352**	**165,297**	**(9,280)**	**0**	**1,684,369**	**320,176**	**2,004,545**
(Surplus) / deficit in the provision of services	**487,991**	**148,827**	**(215,925)**	**0**	**420,893**	**(604,297)**	**(183,404)**

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

Note 9. Long-term Contracts

Undischarged obligations arising from PFI transactions as at 31 March 2012 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	156	93	191	80	520			
Payments within 2 to 5 years	813	372	574	375	2,134			
Payments within 6 to 10 years	791	256	163	311	1,521			
	1,760	721	928	766	4,175			
Miles Platting Housing						RPI	2037	Miles Platting – housing refurbishment, maintenance and estate management - services commenced in 2006/07. Total obligation as at start of contract of £496,894,000 to be met from PFI Grant and the Housing Revenue Account.
Payments within 1 year	2,938	3,476	3,984	3,934	14,332			
Payments within 2 to 5 years	10,699	13,902	14,436	20,393	59,430			
Payments within 6 to 10 years	11,517	17,378	14,324	36,223	79,442			
Payments within 11 to 15 years	10,866	17,378	11,061	46,563	85,868			
Payments within 16 to 20 years	13,075	17,378	7,508	55,179	93,140			
Payments within 21 to 25 years	16,838	17,378	3,316	63,259	100,791			
	65,933	86,890	54,629	225,551	433,003			
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	297	730	1,935	1,991	4,953			
Payments within 2 to 5 years	1,676	2,918	7,379	8,426	20,399			
Payments within 6 to 10 years	3,191	3,648	8,019	12,094	26,952			
Payments within 11 to 15 years	4,379	3,648	6,132	14,604	28,763			
Payments within 16 to 20 years	6,764	3,648	3,345	17,055	30,812			
Payments within 21 to 25 years	2,081	730	219	3,437	6,467			
	18,388	15,322	27,029	57,607	118,346			
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	73	0	313	241	627			
Payments within 2 to 5 years	461	0	1,165	1,026	2,652			
Payments within 6 to 10 years	1,108	0	1,114	1,433	3,655			
Payments within 11 to 15 years	1,541	0	401	1,281	3,223			
	3,183	0	2,993	3,981	10,157			
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	697	461	1,748	1,329	4,235			
Payments within 2 to 5 years	3,269	1,844	6,512	5,776	17,401			
Payments within 6 to 10 years	5,423	2,305	6,804	8,343	22,875			
Payments within 11 to 15 years	7,414	2,305	4,812	9,743	24,274			
Payments within 16 to 20 years	10,137	2,305	2,090	11,327	25,859			
Payments within 21 to 25 years	138	27	9	150	324			
	27,078	9,247	21,975	36,668	94,968			
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	1,128	620	2,034	2,716	6,498			
Payments within 2 to 5 years	5,780	2,479	7,463	11,060	26,782			
Payments within 6 to 10 years	9,857	3,098	7,296	15,074	35,325			
Payments within 11 to 15 years	13,126	3,098	4,288	16,983	37,495			
Payments within 16 to 20 years	7,656	1,394	680	8,552	18,282			
	37,547	10,689	21,761	54,385	124,382			
Total	**153,889**	**122,869**	**129,315**	**378,958**	**785,031**			

*The service charge is inflated annually using the relevant index.
*The service charge shown assumes no deductions will be made for poor performance.

The Council has six PFI Schemes as follows,

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

Each PFI Scheme specifies the start dates for the contractor to begin the work as well as improvement dates for cyclical planned maintenance. The contractor does not acquire ownership of the related assets at any point under the various schemes, the ownership of the assets are retained by the Council. The management and maintenance contract with the contractor expires at the end of the PFI Scheme, the contractor does not have an automatic right to renew the contract for a further period but is entitled to re-tender for the contract. If the Council defaults on the terms, the contractor can terminate the PFI Scheme. The Council is entitled to terminate the contract if the contractor defaults.

HRA (Housing) PFI Schemes

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

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

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

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

Education and Children's Services PFI Schemes

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

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

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

Neighbourhood Services PFI Scheme

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

Note 10. Trading Operations

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

	2010/11 (Surplus) / Deficit £000s	2011/12 Turnover £000s	2011/12 Expenditure £000s	2011/12 (Surplus) / Deficit* £000s
Building maintenance	1,299	(1,213)	2,326	1,113
Highways maintenance	615	(1,032)	753	(279)
Schools and welfare catering	173	(15,155)	14,233	(922)
Other catering	205	(1,785)	1,602	(183)
Corporation estates	(1,722)	(4,770)	6,381	1,611
Technical services	(127)	(755)	1,107	352
Manchester Engineering and Design	603	(127)	154	27
Industrial estates	(205)	(26)	2,272	2,246
Theatres	1,218	(385)	1,748	1,363
Markets	8,602	(7,368)	6,021	(1,347)
Manchester Temps	87	(35)	75	40
Car parking	(1,906)	(10,382)	6,731	(3,651)
Other trading	387	(154)	172	18
Total (Surplus) / Deficit	**9,229**	**(43,187)**	**43,575**	**388**

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

Note 11. Agency Activities

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

	Restated 2010/11 £000s	2011/12 £000s
Expenditure		
Prison library service	96	86
Social workers for health authorities and joint finance	1,355	1,190
Payroll Bureau	63,847	73,065
Total	**65,298**	**74,341**

Note 12. National Health Services Act 2006 Pooled Funds

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

Mental Health Pooled Budget

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

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

	2010/11 £000s	2011/12 £000s
Gross Funding		
Manchester City Council	13,381	13,164
Manchester Primary Care Trust	103,903	103,279
Total Funding	117,284	116,443
Total Expenditure	117,284	116,443
Overspend	0	0

Learning Disabilities Pooled Budget

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

	2010/11 £000s	2011/12 £000s
Gross Funding		
Manchester City Council	32,369	44,359
Manchester Primary Care Trust	14,015	0
Total Funding	46,384	44,359
Expenditure		
Commissioning	24,912	25,484
Provider - Manchester Learning Disability Partnership	21,891	21,586
Administration	842	556
Total Expenditure	47,645	47,626
Overspend	1,261	3,267

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

In 2011/12, the £3,267,000 overspend is included in the Council's accounts. In 2010/11, only the Council's share of the overspend is included in the accounts.

Note 13. Financing and Investment Income and Expenditure

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

	2010/11 £000s	2011/12 £000s
Interest payable on debt	36,082	36,278
Interest element of finance leases (lessee)	370	393
Interest payable on PFI unitary payments	10,975	10,626
Pensions interest costs	149,000	124,400
Funding of premiums following HRA debt settlement	0	(68,722)
Expected return on pension assets	(128,700)	(124,700)
Investment interest income	(12,272)	(12,382)
Investment properties Impairment	15,034	50,980
Change in fair value of investment properties	(59,524)	(9,581)
Dividends receivable	(12,535)	(12,412)
(Gain) / loss on trading accounts (not applicable to a service)	204	(182)
Rentals received on investment properties	(20,215)	(17,904)
Expenses incurred on investment properties	1,811	945
Total financing and investment income and expenditure	**(19,770)**	**(22,261)**

Note 14. Taxation and non-specific grant income

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

	2010/11 £000s	2011/12 £000s	
Council Tax Income	142,063	143,011	
Revenue Support Grant	43,420	84,643	
New Homes Bonus Grant	0	2,993	f
Early Intervention Grant	0	30,230	b
Local Services Support Grant	0	15,582	c
Council Tax Freeze Grant	0	3,502	e
Learning Disabilities Grant	0	14,480	d
Housing Council Tax Admin	0	6,254	
Contribution from Manchester PCT	0	7,372	
National Non Domestic Rates distribution	299,018	270,624	
Area Based Grant	87,900	0	a
Private Finance Initiative Grant	6,580	6,580	
Capital Grants and contributions	63,469	65,627	
Total taxation and non-specific grant income	**642,450**	**650,898**	

a. Of the £52m area based grant (ABG) issued in 2010/11, £12.2m has rolled into the RSG, £6.9m has rolled into the early intervention grant, £1m has rolled into the local services support grant and £31.9m has ended. In addition, supporting people grant of £36m was received in 2010/11 via ABG, but has now been rolled into RSG in 2011/12.

b. Early intervention grant has replaced surestart and early years grant, some ABG and funding for youth services.

c. £13m of local services support grant (LSSG) was received to ensure "Revenue Spending Power" of the Council was not cut by more than 8.8%. The balance relates to smaller grants which replaced existing funding.

d. Learning disabilities grant includes the funding transfer associated with the responsibility for Learning Disability Services that transferred from the Primary Care Trust.

e. Council tax freeze grant is additional funding in 2011/12 payable to council's who freeze 2011/12 council tax at the 2010/11 level.

f. New homes bonus grant will be payable for the next six years as a non ringfenced grant. The scheme will provide bonus equal to the national average council tax band for each additional property either built or brought back into use, plus an entitlement for each affordable home built of £350 per home.

Note 15. Revenue grants credited to the Comprehensive Income and Expenditure Statement

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

	2010/11 £000s	2011/12 £000s	
Dedicated Schools Grant	288,141	350,313	a
Housing and Council Tax Benefit Subsidy	301,277	311,497	
Pupil Premium	0	10,212	c
Surestart Grant	23,606	0	b
Standards Fund Grant	63,303	189	a
Parenting Strategy Grant	1,039	0	
Other Children's Grants	2,109	1,209	
Higher Education Funding Council	2,222	1,676	
Sixth Form Funding Grant	7,305	6,222	
Other Learning and Skills Council Grants	9,759	8,139	
Partnerships for Schools Grant	1,075	2,803	
Department of Health Grants	691	0	
Department of Communities and Local Government Grants	1,395	513	
Housing Market Renewal Grant	2,799	598	
Housing Subsidy	21,449	19,625	
Social Care Reform Grant	2,686	0	
Homelessness Grant	1,165	1,474	
Drugs Intervention Grant	2,510	405	
Other Home Office Grants	1,789	519	
North West Development Agency	869	400	
Youth Justice Board	2,242	1,847	
Asylum Seekers Grant	12,008	10,474	
Department of Transport Grants	803	3	
Museum, Libraries and Archives Council	2,651	2,288	
Other Grants	1,322	1,135	
Total revenue grants credited to the Comprehensive Income and Expenditure Statement	**754,215**	**731,541**	

Direct comparison of the Council's government grants before and after the 2011/12 settlement is not easy, as many specific grants have been rolled into the Revenue Support Grant (RSG), other grants or ceased altogether.

a. The dedicated schools grant (DSG) flat rate per pupil has remained unchanged for 2011/12. A number of standards fund grants have been added to the DSG and a number of other grants directly affecting schools budgets have reduced significantly.

b. Surestart grant has been replaced by Early Intervention Grant shown in Note 14.

c. The pupil premium is a resource available to school budgets. The funding should be targeted to disadvantaged or low achieving pupils and schools are expected to report to parents on how this funding has been used.

Note 16. Members' Allowances

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

	2010/11 £000s	2011/12 £000s
Members' allowances	1,998	1,983
Members' expenses	11	16
Total	**2,009**	**1,999**

Note 17. Officers' Emoluments

Employee Remuneration

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

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

The Council employs 8,919 non-schools based staff (10,920 in 10/11). The number of non-schools based staff in each salary band over £50,000 is shown below, split between those staff who have not received severance or other related payments and those who have. The majority of employees who left through voluntary severance did so in 10/11, the remainder in 11/12.

	2010/11 Staff Who Have Not Received Severance or Other Related Payments	2010/11 Staff Who Have Received Severance or Other Related Payments	2010/11 Total	2011/12 Staff Who Have Not Received Severance or Other Related Payments	2011/12 Staff Who Have Received Severance or Other Related Payments	2011/12 Total
£50,000 - £54,999	49	149	198	34	7	41
£55,000 - £59,999	31	84	115	26	6	32
£60,000 - £64,999	21	28	49	16	5	21
£65,000 - £69,999	15	43	58	24	1	25
£70,000 - £74,999	9	34	43	6	3	9
£75,000 - £79,999	6	24	30	8	0	8
£80,000 - £84,999	2	10	12	5	0	5
£85,000 - £89,999	6	14	20	5	0	5
£90,000 - £94,999	5	6	11	4	1	5
£95,000 - £99,999	4	6	10	2	0	2
£100,000 - £104,999	0	6	6	0	0	0
£105,000 - £109,999	2	4	6	2	0	2
£110,000 - £114,999	0	3	3	0	0	0
£125,000 - £129,999	0	1	1	0	0	0
£130,000 - £134,999	0	1	1	0	0	0
£145,000 - £149,999	0	1	1	0	0	0
	150	**414**	**564**	**132**	**23**	**155**

The Council employs 9,878 schools based staff (10,275 in 10/11). 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.

	2010/11 Staff Who Have Not Received Severance or Other Related Payments	2010/11 Staff Who Have Received Severance or Other Related Payments	2010/11 Total	2011/12 Staff Who Have Not Received Severance or Other Related Payments	2011/12 Staff Who Have Received Severance or Other Related Payments	2011/12 Total
£50,000 - £54,999	111	2	113	105	0	105
£55,000 - £59,999	62	2	64	70	0	70
£60,000 - £64,999	57	7	64	53	0	53
£65,000 - £69,999	31	5	36	29	0	29
£70,000 - £74,999	20	0	20	12	0	12
£75,000 - £79,999	9	0	9	13	0	13
£80,000 - £84,999	6	0	6	9	0	9
£85,000 - £89,999	0	2	2	3	1	4
£90,000 - £94,999	2	1	3	2	0	2
£95,000 - £99,999	4	0	4	5	0	5
£100,000 - £104,999	4	0	4	3	0	3
£105,000 - £109,999	2	0	2	2	0	2
£110,000 - £114,999	2	0	2	2	0	2
£115,000 - £119,999	1	0	1	2	0	2
£120,000 - £124,999	1	0	1	0	0	0
£125,000 - £129,999	1	0	1	0	0	0
£130,000 - £134,999	1	0	1	1	0	1
	314	**19**	**333**	**311**	**1**	**312**

Senior Employees' Remuneration

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

* During 2010/11 for the Director of Children's Services, the 'capital cost' of the payment of pension earlier than the normal retirement age is a 'notional' cost. The Council was not required to make such a payment to the Greater Manchester Pension Fund given the sufficiency of its available employer contributions during 2010/11.

** For the Deputy Chief Executive (Regeneration) the early retirement and severance costs reported and accounted for in 2010/11 were paid in 2011/12 when the employee left under the Council's Voluntary Early Retirement scheme. The employee left the Council on 30 September 2011.

	Salary, Fees or Allowances		Expenses Allowance		Employer's Contribution to Pension		Employer's Contribution to Early Retirement Costs		Severance Payments	
	2010/11 £	2011/12 £	2010/11 £	2011/12 £	2010/11 £	2011/12 £	2010/11 £	2011/12 £	2010/11 £	2011/12 £
Chief Executive of the Council and Head of Paid Service of the Greater Manchester Combined Authority, Sir Howard Bernstein	203,934	203,934	741	794	27,735	17,451	0	0	0	0
City Treasurer of the Council and the Treasurer of the Greater Manchester Combined Authority, Richard Paver	154,914	154,914	1,416	1,239	21,068	14,638	0	0	0	0
Director of Children's Services - April 2010 to March 2011 *	138,066	0	0	0	18,777	0	99,295	0	0	0
Director of Children's Services - April 2011 to March 2012	0	104,900	0	0	0	15,315	0	0	0	0
Deputy Chief Executive (Regeneration) - Left 30 September 2011 **	138,066	69,033	1,239	620	18,777	10,079	95,238	0	95,510	0
Deputy Chief Executive (Performance)	130,002	130,002	0	0	17,680	18,980	0	0	0	0
Strategic Director of Directorate of Transformation - April 2010 to March 2011	120,894	0	963	0	16,442	0	0	0	0	0
Strategic Director of Adults	120,000	120,000	0	722	16,320	17,520	0	0	0	0
Chief Executive of New East Manchester Ltd	120,000	120,000	0	0	16,320	17,520	0	0	0	0
City Solicitor of the Council and Monitoring Officer of the Greater Manchester Combined Authority	116,238	116,238	0	0	15,808	16,971	0	0	0	0
Deputy Chief Executive (Neighbourhoods)	120,000	120,000	1,045	1,041	16,320	17,520	0	0	0	0

Note 18. Exit Packages

The number of agreed exit packages and the total cost of these within each salary band is shown below. The table includes the costs of the Voluntary Early Retirement (VER) and Voluntary Severance (VS) scheme that was offered to non-schools based staff in 2010/11 in response to the need to reduce the Council's expenditure following the Financial Settlement published in December 2010.

The total cost figures shown include severance, early retirement and compensation for loss of office payments that have been agreed and accepted at the year end. There were no compulsory redundancies during the financial years 2010/11 and 2011/12.

	2010/11 Number of Staff Departures Agreed	2010/11 Total Cost of Exit Packages £000s	2011/12 Number of Staff Departures Agreed	2011/12 Total Cost of Exit Packages £000s
£0 - £19,999	1,144	11,060	341	2,742
£20,000 - £39,999	648	17,834	119	3,251
£40,000 - £59,999	135	6,522	26	1,250
£60,000 - £79,999	25	1,672	7	474
£80,000 - £99,999	11	975	1	99
£100,000 - £149,999	5	577	0	0
£150,000 - £199,999	1	191	0	0
	1,969	**38,831**	**494**	**7,816**

Note 19. Audit Fees

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

	2010/11 £000s	2011/12 £000s
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	478	428
Fees payable to Grant Thornton for the certification of grant claims and returns	100	65
	578	**493**

Note 20. Property Plant and Equipment

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

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

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

Movements on property, plant and equipment during 2010/11 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 2010/11								
Gross book value brought forward	669,161	1,220,857	18,528	387,118	21,866	35,497	186,909	2,539,936
Accumulated depreciation and impairment brought forward	(99,897)	(134,521)	(2,277)	(49,384)	(50)	0	(5,779)	(291,908)
Net book value brought forward as at 1 April 2010	**569,264**	**1,086,336**	**16,251**	**337,734**	**21,816**	**35,497**	**181,130**	**2,248,028**
Additions	36,781	55,452	7,262	20,497	2,030	35,705	32,875	190,602
Revaluations recognised in revaluation reserve	(232)	82,376	726	0	0	0	0	82,870
Revaluations recognised in surplus on the provision of services	(161,388)	(59,971)	(2,526)	0	0	0	(2,257)	(226,142)
Derecognition - disposals	(5,951)	(59,317)	0	0	0	0	(3,818)	(69,086)
Derecognition - components	(1,068)	(17)	0	0	0	0	0	(1,085)
Transferred (to) held for sale assets	0	(30)	0	0	0	0	(12,226)	(12,256)
Other transfers	(544)	(67,346)	8,860	(5,292)	0	56,521	2,872	(4,929)
Other movements in cost or valuation - newly recognised leases	0	0	2,946	0	0	0	0	2,946
Depreciation	(13,233)	(26,345)	(4,109)	(6,922)	(16)	0	(92)	(50,717)
Impairments charged to the comprehensive income and expenditure statement	(17,673)	(6,008)	(15)	0	0	0	(3,322)	(27,018)
Impairments covered by the revaluation reserve	(6)	(3,602)	0	0	0	0	0	(3,608)
Net book value carried forward as at 31 March 2011	**405,950**	**1,001,528**	**29,395**	**346,017**	**23,830**	**127,723**	**195,162**	**2,129,605**

Gross book value carried forward	595,191	1,161,929	38,322	401,157	23,898	134,514	208,208	2,563,219
Accumulated depreciation and impairment carried forward as at 31 March 2011	(189,241)	(160,401)	(8,927)	(55,140)	(68)	(6,791)	(13,046)	(433,614)
Net book value carried forward as at 31 March 2011	**405,950**	**1,001,528**	**29,395**	**346,017**	**23,830**	**127,723**	**195,162**	**2,129,605**

Note 21. Accounting for Local Government Schools

The Council has the following maintained schools:

	Community	Voluntary Controlled	Voluntary Aided	Foundation	Academy
Number of schools, excluding PFI schools	85	5	51	15	9
Value of Land and Buildings at 31 March 2012	£393,125,000	£32,308,000	N/A	N/A	N/A
Value of Land and Buildings at 31 March 2011	£429,862,000	£37,655,000	N/A	N/A	N/A
Number of schools subject to PFI contracts	1	0	0	1	0
Value of Land and Buildings at 31 March 2012	£5,764,000	N/A	N/A	N/A	N/A
Value of Land and Buildings at 31 March 2011	£5,866,000	N/A	N/A	N/A	N/A

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

Capital expenditure on community and voluntary controlled schools is added to the balances for those schools as reported in property, plant and equipment (note 20). Capital expenditure on voluntary aided and foundation schools is treated as REFCUS (Revenue Expenditure Funded from Capital under Statute) expenditure and written off each year to the Comprehensive Income and Expenditure Statement within the Education and Children's services line.

Dedicated Schools Grant (DSG) is credited to the Comprehensive Income and Expenditure Statement within gross income on the Education and Children’s Services line based on amounts due from the Department for Education.

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 are included in the balance sheet of the Council within usable reserves (note 42).

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

	Community	Voluntary Controlled	Voluntary Aided	Foundation	Total
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Opening LMS reserve	14,546	1,741	4,238	2,229	22,754
DSG funding	177,866	27,311	89,952	20,263	315,392
Net expenditure incurred by schools	(173,106)	(26,681)	(87,616)	(19,786)	(307,189)
Closing LMS reserve	19,306	2,371	6,574	2,706	30,957

PFI Schemes

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

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

Note 22. Heritage Assets

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

	Heritage Assets							
Cost or valuation	**Fine Art Works £000s**	**Civic Plate £000s**	**Lord Mayor's Regalia £000s**	**Model of HMS Manchester £000s**	**Town Hall Sculptures £000s**	**Furniture £000s**	**Monuments Statues and Fountains £000s**	**Total £000s**
Balance at 1 April 2011	**374,365**	**2,959**	**210**	**14**	**3,462**	**1**	**619**	**381,630**
Additions	0	0	0	0	0	0	0	**0**
Disposals	0	0	0	0	0	0	0	**0**
Revaluations	9,659	0	0	0	0	0	0	**9,659**
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	**0**
Impairment losses / (reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**
Depreciation	0	0	0	0	0	0	0	**0**
31 March 2012	**384,024**	**2,959**	**210**	**14**	**3,462**	**1**	**619**	**391,289**

Movements on tangible and intangible heritage assets during 2010/11 were as follows:

	Heritage Assets							
Cost or valuation	**Fine Art Works £000s**	**Civic Plate £000s**	**Lord Mayor's Regalia £000s**	**Model of HMS Manchester £000s**	**Town Hall Sculptures £000s**	**Furniture £000s**	**Monuments Statues and Fountains £000s**	**Total £000s**
1 April 2010	**370,855**	**2,959**	**210**	**14**	**3,462**	**1**	**619**	**378,120**
Additions	0	0	0	0	0	0	0	**0**
Disposals	0	0	0	0	0	0	0	**0**
Revaluations	3,510	0	0	0	0	0	0	**3,510**
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	**0**
Impairment losses / (reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**
Depreciation	0	0	0	0	0	0	0	**0**
31 March 2011	**374,365**	**2,959**	**210**	**14**	**3,462**	**1**	**619**	**381,630**

<u>a) Heritage Assets Nature and Scale of Assets Held</u>

Manchester City Galleries (MCG) currently holds 45,657 objects in trust on behalf of the People of Manchester. The collection comprises 13,063 items of fine art, 10,938 items of decorative art, and 21,656 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.

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.

Heritage furniture, Civic Regalia, Sculptures and items from the MCG collection are displayed throughout the Town Hall in appropriate public spaces, selected offices and meeting rooms. As part of the Town Hall Complex Transformation there are also heritage furniture items which are currently in storage whilst building works are in progress.

Further details can be found in the following documents:

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

b) Heritage Asset Management and Preservation

Fine Art Works and Civic Plate / Lord Mayors Regalia / Model of HMS Manchester, Town Hall Sculptures, Furniture
Management of the collection is assisted by Curator and Database records and viewing of the items is via a combination of both public display and prior arrangement access.
Items in the collection are stored and displayed in a manner which will aid their preservation. Specialised cleaning is performed as and when necessary.

Manchester City Galleries Collections
The collection is managed by The Head of Asset Management and Development in partnership with collection curators. The Council maintains a comprehensive inventory management system though which every object has been assigned a unique identification number and an individual catalogue record on a computer-based collection management database.

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 (from June 2012) the BBC/Public Catalogue Foundation ‘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 Draft 2012
- Manchester City Galleries Collections Development 2011-2014
- Manchester City Galleries Loans Policy 2010
- Manchester City Galleries Conservation and Care Policy 2010
- Manchester City Galleries Handling Guidelines 2011

c) Heritage Assets Accounting Policies

Fine Art Works and Civic Plate / Lord Mayors Regalia / Model of HMS Manchester
Specified items are included in the balance sheet at market valuation where this exceeds £100,000 and includes assets on display in the Town Hall. 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 a value cannot be attributed to a particular individual asset.

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.

The Art Collections in particular are all covered by the Greater Manchester Act 1981 whereby financially motivated disposal is prohibited by the Act.

Works of art valued in excess of £500,000 include:

		£000s
Bacon, Francis	Portrait of Henrietta Moraes	6,757
Bellotto, Bernardo	The Fortress of Konigstein: Courtyard with the Brunnenhaus	11,262
Bellotto, Bernardo	The Fortress of Konigstein: Courtyard with the Magdalenenburg	11,262
Brown, Ford Madox	Work	25,000
Gellee (called Lorrain), Claude	The Adoration of the Golden Calf	13,514
Hunt, William Holman	The Hireling Shepherd	22,523
Hunt, William Holman	The Shadow of Death	11,262
Hunt, William Holman	The Light of the World	5,631
Leighton, Lord Frederic	Captive Andromache	11,262
Millais, Sir John Everett	Autumn Leaves	11,500
Rossetti, Dante Gabriel	Astarte Syriaca	11,500
Rossetti, Dante Gabriel	The Bower Meadow	11,262
Sargent, John Singer	Albanian Olive Gatherers	6,757
School of Duccio di Buoninsegna	The Crucifixion	11,262
Stubbs, George	Cheetah and Stag with Two Indians	15,000
Turner, Joseph Mallord William	'Now for the Painter' (Rope) - Passengers Going on Board	16,892
Turner, Joseph Mallord William	Thomson's Aeolian Harp	8,000
Waterhouse, John William	Hylas and the Nymphs	7,000

Further details can be found in the following documents:

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

Town Hall Sculptures
These items are included in the balance sheet at insurance valuation. The Council's external valuer (Bonhams Valuation) last carried out a full valuation of the collection on 10 December 2007 and the large sculptures of Joule and Dalton have been valued at £1m and £500,000 respectively.
The sculptures are deemed to have indeterminate lives; hence the Council does not consider it appropriate to charge depreciation.

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.

Monuments

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

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

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

d) Heritage Assets not Reported in the Balance Sheet

Listed Buildings

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

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

Statues / Fountains

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

Rare Books, Records and Archives

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

Note 23. Valuation of Property, Plant and Equipment

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

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

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

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

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

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

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

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

Asset Type	Range	
	From	To
Council Dwellings - main structure	20 years	64 years
Schools and ancillary buildings	10 years	60 years
Sports and leisure facilities	12 years	66 years
Other buildings	8 years	47 years
Sundry operational buildings	3 years	48 years
Vehicles, plant (including boilers), furniture and equipment	1 year	19 years

All assets, with the exception of those valued at historical cost net of depreciation, are revalued as part of a five year rolling programme. Accordingly, at least 20% of the above valuations have been reviewed by the District Valuer, Jacobs, external valuers commissioned by the Council and M. Robertson RICS, a valuer employed by the Council. All assets reviewed had a valuation date of 1 April 2011. Material changes after the valuation date have been accounted for.

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

Asset Type	Year of Revaluation
Leisure Centres	2008/09
Buildings within parks	2008/09
Libraries	2008/09
Markets	2010/11
Cemeteries and Crematoria	2011/12
Depots	2011/12
Car Parks	2010/11
Day centres, luncheon clubs,	2008/09
Schools	2010/11
Youth clubs, children's centres, nurseries	2009/10
Offices	2011/12
Council dwellings	2011/12
Housing area offices	2009/10
Galleries	2007/08
Adult Education premises	2008/09
Sportcity	2008/09
Manchester Aquatic Centre	2008/09

Inspections, for the assets revalued during 2011/12 were carried out between 1 April 2011 and 31 March 2012, as part of the Council's normal revaluation process. As a result of these inspections the Council recognised revaluations of assets totalling £19,089,000 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 £80,436,000 being charged to the Comprehensive Income and Expenditure Statement.

Note 24. Assets Held For Sale

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

	Assets Held For Sale £000s
Net book value brought forward	**795**
Movement in 2010/11	
Reclassifications	12,256
Disposals	(1,489)
Revaluations	(51)
Impairments	0
Net book value carried forward as at 31 March 2011	**11,511**
Movement in 2011/12	
Reclassifications	20,597
Disposals	(24,528)
Revaluations	(65)
Impairments	(1,377)
Net book value carried forward as at 31 March 2012	**6,138**

Note 25. Assets Recognised Under PFI Arrangements

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

	Energy Services £000s	Temple Primary School £000s	A6 Plymouth Grove Housing £000s	Miles Platting Housing £000s	Public Lighting £000s	Total £000s
Net book value brought forward	**149**	**5,821**	**25,987**	**55,888**	**53,237**	**141,082**
Movement in 2010/11						
Expenditure	0	146	0	0	0	146
Disposals	0	0	0	(40)	0	(40)
Reclassifications	0	0	0	0	0	0
Depreciation	(8)	(99)	(492)	(1,152)	(1,086)	(2,837)
Revaluations	0	0	(6,971)	(14,881)	0	(21,852)
Impairments	0	(2)	0	(18)	0	(20)
Net book value carried forward as at 31 March 2011	**141**	**5,866**	**18,524**	**39,797**	**52,151**	**116,479**
Movement in 2011/12						
Expenditure	0	0	0	22	0	22
Disposals	0	0	0	0	0	0
Reclassifications	0	0	(39)	(172)	0	(211)
Depreciation	(8)	(102)	(475)	(1,124)	(1,086)	(2,795)
Revaluations	0	0	492	1,743	0	2,235
Impairments	0	0	0	(177)	0	(177)
Net book value carried forward as at 31 March 2012	**133**	**5,764**	**18,502**	**40,089**	**51,065**	**115,553**

	Energy Services £000s	Temple Primary School £000s	A6 Plymouth Grove Housing £000s	Miles Platting Housing £000s	Public Lighting £000s	Wright Robinson High School £000s	Total £000s
Deferred liability brought forward	**2,027**	**3,291**	**18,916**	**59,305**	**39,587**	**28,348**	**151,474**
Movement in 2010/11							
Additional liability	0	0	0	12,540	0	0	12,540
Write down of liability	(113)	(61)	(237)	(3,998)	(1,021)	(621)	(6,051)
Deferred liability carried forward as at 31 March 2011	**1,914**	**3,230**	**18,679**	**67,847**	**38,566**	**27,727**	**157,963**
Movement in 2011/12							
Additional liability	0	0	0	2,554	0	0	2,554
Write down of liability	(155)	(47)	(291)	(4,468)	(1,018)	(649)	(6,628)
Deferred liability carried forward as at 31 March 2012	**1,759**	**3,183**	**18,388**	**65,933**	**37,548**	**27,078**	**153,889**

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

Note 26. Intangible Assets

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

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

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

	2010/11 Purchased Software Licences £000s	2011/12 Purchased Software Licences £000s
Original cost	5,205	5,247
Amortisation at 1 April	(2,840)	(3,463)
Balance at 1 April	**2,365**	**1,784**
Expenditure	42	49
Transfer	0	6
Amortisation in year	(623)	(395)
Balance at 31 March	**1,784**	**1,444**

Comprising:		
Gross carrying amount	5,247	5,302
Accumulated Amortisation	(3,463)	(3,858)
Balance at 31 March	**1,784**	**1,444**

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

	Carrying Amount		Remaining Amortisation Period
	31 March 2011 £000s	31 March 2012 £000s	
SAP Financial System 2005/06 Licences	1,267	950	3 years
SAP Financial System 2009/10 Licences	369	327	8 years

Note 27. Assets Held as Lessee

Operating Leases

The Council has acquired the majority of its fleet of vehicles, printers and mufti-functional devices by entering into operating leases, with lives of between three and seven years.

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

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

	1 April 2010 £000s	31 March 2011 £000s	31 March 2012 £000s
Not later than one year	6,768	6,856	6,269
Later than one year and not later than five years	22,583	20,621	16,363
Later than five years	50,544	47,620	48,373
	79,895	**75,097**	**71,005**

	2010/11 £000s	2011/12 £000s
Minimum lease payments	7,439	7,244
Contingent rents	0	0
Sub lease payments (receivable)	(448)	(492)
	6,991	**6,752**

The total of future minimum sub lease payments expected to be received under non-cancellable leases as at 31 March 2012 is £4,569,000:

	1 April 2010 £000s	31 March 2011 £000s	31 March 2012 £000s
Not later than one year	448	448	470
Later than one year and not later than five years	1,792	1,792	1,792
Later than five years	3,203	2,755	2,307
	5,443	**4,995**	**4,569**

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

	2010/11 £000s	2011/12 £000s
Adult Social Care	58	237
Central Services to the Public	4	4
Children's and Education Services	224	334
Cultural and Related Services	2,302	2,664
Environmental and Regulatory Services	1,484	1,524
Planning Services	2,439	1,773
Highways, Road and Transport Services	740	516
Housing Services	188	192
Total minimum lease payments	**7,439**	**7,244**

Finance Leases

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

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

	1 April 2010 £000s	31 March 2011 £000s	31 March 2012 £000s
Land and buildings	500	500	500
Vehicles, plant and equipment	6,010	7,133	5,963
	6,510	**7,633**	**6,463**

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:

	1 April 2010 £000s	**31 March 2011 £000s**	**31 March 2012 £000s**
Finance lease liability			
current	1,543	1,987	1,819
non-current	4,850	5,528	4,495
Finance costs payable in future years	1,261	1,425	1,235
	7,654	**8,940**	**7,549**

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

	1 April 2010 £000s	**31 March 2011 £000s**	**31 March 2012 £000s**
Not later than one year	1,857	2,373	2,189
Later than one year and not later than five years	4,432	5,868	4,986
Later than five years	1,440	774	449
Total minimum lease payments	**7,729**	**9,015**	**7,624**

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

	1 April 2010 £000s	**31 March 2011 £000s**	**31 March 2012 £000s**
Not later than one year	1,543	1,987	1,819
Later than one year and not later than five years	3,673	4,907	4,144
Later than five years	1,252	696	426
Total finance lease liability	**6,468**	**7,590**	**6,389**

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 2010/11 or 2011/12.

The Council had sub-let a number of refuse vehicles held under finance leases. At 31 March 2011 the minimum payment expected to be received under non-cancellable sub-leases was £113,000 (£283,000 at 1 April 2010). At 31 March 2012 there were no sub-leases.

The Council has sub-let a number of properties held under these finance leases. At 31 March 2012 the minimum payments expected to be received under non-cancellable sub leases was £13,000 (£13,000 at 31 March 2011, £13,000 at 1 April 2010).

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

	Land and building £000s	Vehicles, plant and equipment £000s	Total £000s
Net book value brought forward	**500**	**6,010**	**6,510**
Movement in 2010/11			
Additions	0	2,973	2,973
Transfers of Assets upon Expiry of Lease - Gross Asset Cost	0	0	0
Transfers of Assets upon Expiry of Lease - Accumulated	0	0	0
Reclassifications	0	0	0
Depreciation	0	(1,850)	(1,850)
Revaluations	0	0	0
Impairments	0	0	0
Net book value carried forward as at 31 March 2011	**500**	**7,133**	**7,633**

Gross Book Value as at 1 April 2011	500	9,752	10,252
Accumulated Depreciation as at 1 April 2011	0	(2,619)	(2,619)
Net book value carried forward as at 31 March 2011	**500**	**7,133**	**7,633**

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

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

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

Note 28. Assets Held as Lessor

Operating Leases

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

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

	1 April 2010 £000s	31 March 2011 £000s	31 March 2012 £000s
Not later than one year	9,794	9,889	9,865
Later than one year and not later than five years	34,960	32,917	32,047
Later than five years	685,522	680,519	675,586
Total minimum lease payments	**730,276**	**723,325**	**717,498**

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

Note 29. Investment Properties

The value of income generating investment properties classed as operating leases is £288,106,000 (£317,731,000 in 2010/11).

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 2011/12 or 2010/11.

	2010/11 £000s	2011/12 £000s
Rental income from investment property	(20,215)	(17,904)
Direct operating expenses arising from investment property	1,811	945
Net gain	**(18,404)**	**(16,959)**

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

	Investment Properties £000s
Net book value brought forward at 1 April 2010	**313,038**
Movement in 2010/11	
Expenditure	21,895
Disposals	(4)
Reclassifications	4,928
Revaluations	59,523
Other impairments	(15,034)
Net book value carried forward as at 31 March 2011	**384,346**
Movement in 2011/12	
Expenditure	4,541
Disposals	0
Reclassifications	17,165
Depreciation	0
Revaluations	9,581
Impairments	(50,980)
Net book value carried forward as at 31 March 2012	**364,653**

Note 30. Capital Expenditure, Funding and Disposals

	2010/11 £000s	2011/12 £000s
Expenditure		
Council dwellings	36,781	29,975
Other land and buildings	147,957	115,905
Vehicles, plant, furniture and equipment	7,262	4,891
Infrastructure assets	20,497	12,149
Revenue expenditure funded from capital under statute*	79,685	33,951
Intangible assets	15	49
Long-term debtors	479	1,142
	292,676	198,062
Funded by		
Borrowing	67,304	21,892
Revenue contributions	14,313	14,433
Capital Receipts	0	44,523
Major Repairs Allowance	10,834	6,466
Government grants	197,644	108,494
External contributions	2,581	2,254
	292,676	198,062
Disposals of Assets		
Council dwellings	7,019	0
Held for Sale - Council dwellings (right to buy)	0	1,253
Held for Sale - Other	1,489	23,275
Other Disposals	63,156	11,275
	71,664	35,803

* 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.

(Gain) / Loss on Disposal of Non-current Assets

	2010/11 £000s	2011/12 £000s
Small Scale Voluntary Transfer of Council Dwellings	5,063	0
Other HRA assets	(3,419)	(912)
Removal of foundation schools from the balance sheet	58,353	0
Other non-HRA assets	(1,595)	10,763
	58,402	9,851

Further details of the small scale voluntary transfer are shown in note (l) to the HRA.

The (gain) / loss on disposal shown includes costs of disposal in the year of £136,000 (£82,000 2010/11).

Note 31. Contracted Capital Commitments

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

	1 April 2010 £000s	31 March 2011 £000s	31 March 2012 £000s
Housing	24,121	18,584	15,110
Town Hall Complex	0	0	80,816
Education	75,148	124,367	47,285
Other services	18,600	13,676	8,801
	117,869	**156,627**	**152,012**

Note 32. Investments

The Council has the following long-term investments:

	1 April 2010 £000s	31 March 2011 £000s	1 April 2011 £000s	31 March 2012 £000s
Investments in Subsidiaries				
Manchester Airport Plc Share Capital	112,354	112,354	112,354	112,354
Destination Manchester Ltd Share Capital	10,200	10,200	10,200	10,200
Manchester Mortgage Corporation Plc Share Capital	5,782	5,841	5,841	5,902
Investments in Associates				
National Car Parks (Manchester) Ltd Share Capital	1,103	1,103	1,103	1,103
Total	**129,439**	**129,498**	**129,498**	**129,559**
Other long-term investments	2,726	2,776	2,776	2,621
Total Long-Term Investments	**132,165**	**132,274**	**132,274**	**132,180**

The investments in Manchester Airport plc, Destination Manchester Ltd and National Car Parks (Manchester) Ltd are shown at cost. The investment in Manchester Mortgage Corporation is shown at cost less impairment and is the value of the reserves of the company.
Other long-term investments are shown at their market value.

The table below shows summarised financial information for each associate for 2010/11 and 2011/12. These figures show the Council's share of the associate's results:

	National Car Parks (Manchester) Ltd 2010/11 £000s	Manchester Working Limited 2010/11 £000s	National Car Parks (Manchester) Ltd 2011/12 £000s	Manchester Working Limited 2011/12 £000s
Total assets as at 31 March	7,545	4,185	11,176	3,065
Total liabilities as at 31 March	(6,339)	(2,633)	(10,352)	(2,175)
Total revenue	(12,754)	(12,651)	(12,381)	(8,956)
(Surplus) / deficit	361	(569)	(480)	(387)

Note 33. Inventories and Long-Term Contracts

	1 April 2010 £000s	31 March 2011 £000s	1 April 2011 £000s	31 March 2012 £000s
Inventories	1,287	1,460	1,007	798
Long-term contracts	10	10	10	52
	1,297	**1,470**	**1,017**	**850**

Note 34. Debtors and Payments in Advance

As the balance sheet date represents the position at the end of the financial year, there are monies owed to the Council at that date which are yet to be received in cash. The following analysis shows the amounts owed to the Council which had not been received at 31 March 2012.

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:

	1 April 2010 £000s	31 March 2011 £000s	1 April 2011 £000s	31 March 2012 £000s
Debtors				
Government departments	45,910	52,424	52,424	30,533
HM Revenue and Customs	17,855	8,192	8,192	6,136
Other local authorities	16,624	6,773	4,882	5,650
NHS Bodies	13,111	8,936	8,936	772
Other public bodies	960	754	144	54
Council tax	38,670	39,238	39,238	41,700
Housing rents	11,856	11,342	11,342	11,599
Financial institutions	420	304	304	1,191
Trade and individuals	59,239	61,950	61,022	68,381
	204,645	**189,913**	**186,484**	**166,016**
Payments in advance				
Government departments	5	31	31	0
Other local authorities	21	8	8	5
NHS Bodies	46	42	42	28
Other public bodies	0	267	267	0
Trade and individuals	14,567	14,262	14,251	11,689
	14,639	**14,610**	**14,599**	**11,722**
Impairment of Debt				
Housing rents	(9,202)	(7,783)	(7,783)	(7,745)
Council tax	(30,518)	(30,945)	(30,945)	(33,888)
Other	(24,086)	(25,491)	(25,491)	(29,280)
Total	**155,478**	**140,304**	**136,864**	**106,825**

Within debtors and payments in advance the amount outstanding for over 30 days that is not impaired is £24.9m.

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

	1 April 2010 £000s	31 March 2011 £000s	1 April 2011 £000s	31 March 2012 £000s	
Amounts falling due after one year					
Mortgages					
Housing Revenue Account	256	246	246	189	(a)
General Fund	180	114	114	136	(a)
Manchester Airport Plc	83,195	83,195	83,195	83,195	(b)
Destination Manchester Ltd/Manchester Central	23,193	21,943	21,943	21,693	(c)
Ex GMC debt	264	240	240	215	(d)
PFI prepayments	4,630	6,027	6,027	6,859	(e)
Private Sector Loans	2,438	2,674	2,674	2,740	(f)
Equity Mortgages	0	442	442	1,788	(g)
Other	1,285	1,239	1,239	1,190	(h)
Total	**115,441**	**116,120**	**116,120**	**118,005**	

a - These debtors relate to mortgages granted to individuals.

b - These debtors relate to long-term loan advances made to Manchester Airport Plc to assist in the financing of approved capital works. This figure includes loan interest accruals to 31 March 2012. This loan was renegotiated during 2009/10 and now includes debt that was previously the responsibility of the Greater Manchester Debt Administration Fund.

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

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

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

f - These debtors relate to loans to individuals given to carry out works to their properties or to provide relocation assistance following compulsory purchase orders. The majority of these loans are interest free and accounted for as soft loans (see note 41), a number of the loans have been given at commercial interest rates.

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

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

Note 35. Creditors and Receipts in Advance

As the Council's Balance Sheet represents the financial position at the end of the financial year, these are monies owed by the Council at that date which have yet to be paid. There are also amounts which the Council has received before the end of the financial year which relates to services which have not yet been provided. This analysis shows the amounts owed which had not yet been paid and the amounts received in advance as at 31 March 2012.

	1 April 2010 £000s	31 March 2011 £000s	1 April 2011 £000s	31 March 2012 £000s
Government departments	14,368	35,364	34,847	15,374
HM Revenue and Customs	10,869	11,625	11,625	10,500
Other local authorities	10,078	6,693	5,857	10,587
NHS Bodies	10,608	3,692	3,692	1,995
Other public bodies	428	53	53	761
Council tax	4,756	4,808	4,808	4,074
Housing rents	1,912	2,398	2,398	2,499
Financial institutions	8,549	19,318	19,183	285
Trade and individuals	107,030	114,147	112,788	82,087
Total	**168,598**	**198,098**	**195,251**	**128,162**

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.

	1 April 2010 £000s	31 March 2011 £000s	1 April 2011 £000s	31 March 2012 £000s
Amounts falling due after one year				
Private finance initiatives land transfer	276	0	0	0
Rental deposits	0	1468	1468	1,389
Equity mortgages - share of proceeds	0	150	150	608
Other	0	90	90	52
Total	**276**	**1,708**	**1,708**	**2,049**

Note 36. Analysis of Long-term Borrowing

a. To Balance Sheet Date

The table below shows the outstanding long-term borrowing at 31 March 2012:

	31 March 2010 £000s	31 March 2011 £000s	Range of Interest Rates Payable from %	to %	Average Interest %	31 March 2012 £000s
Analysis of loans by type						
Public Works Loans Board	131,595	201,774	0.0000	0.0000	0.0000	0
Market Loans	565,082	564,946	2.9000	10.1250	4.9475	484,584
Stocks	8,270	8,240	3.0000	4.0000	3.3660	8,231
Total Outstanding	704,947	774,960				492,815
Analysis of loans by maturity						
1-2 years	338	10,933				10,383
2-5 years	51,943	41,399				2,078
5-10 years	63,863	63,679				63,024
after 10 years	588,803	658,949				417,330
	704,947	774,960				492,815

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.

	1 April 2010 £000s	31 March 2011 £000s	Range of Interest Rates Payable from %	to %	Average Interest %	31 March 2012 £000s
Analysis of loans by type						
Public Works Loans Board	252,852	459,389	0.0000	0.0000	0.0000	0
Market Loans	1,700,468	1,665,045	2.9000	10.1250	4.9475	1,384,815
Stocks	19,268	18,927	3.0000	4.0000	3.3660	18,608
Total Outstanding	1,972,588	2,143,361				1,403,423
Analysis of loans by maturity						
1-2 years	384	12,150				11,202
2-5 years	59,047	45,338				3,015
5-10 years	104,229	99,005				94,021
after 10 years	1,808,928	1,986,868				1,295,185
	1,972,588	2,143,361				1,403,423

Note 37. Deferred Liabilities

The note below shows the amounts owed by the Council, 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.

	1 April 2010 £000s	31 March 2011 £000s	1 April 2011 £000s	Repaid in year £000s	Additions in year £000s	31 March 2012 £000s
Ex GMC debt	24,087	22,687	22,687	(1,569)	0	21,118
Finance leases	6,199	7,676	7,676	(2,107)	887	6,456
Private Finance Initiatives	151,474	157,963	157,963	(6,628)	2,554	153,889
	181,760	**188,326**	**188,326**	**(10,304)**	**3,441**	**181,463**

Note 38. Capital Grants Receipts in Advance

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

	1 April 2010 £000s	31 March 2011 £000s	1 April 2011 £000s	31 March 2012 £000s
Carrington Reinstatement Deposit	801	801	801	801
Contributions from Private Developers	40	0	0	10,215
	841	**801**	**801**	**11,016**

Note 39. Provisions

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

	1 April 2011 £000s	Transfers in year £000s	Amounts Used in year £000s	Contributions in year £000s	Amounts Released in year £000s	31 March 2012 £000s	
Compensation provisions	18,185	(96)	(3,599)	6,340	(4,367)	16,463	a
Asbestos compensation provision	925	92	(526)	130	0	621	a
Personal injury compensation provision	148	(92)	(103)	150	(30)	73	a
Adult family placement provision	330	0	(248)	18	0	100	a
Cleopatra compensation provision	2,493	0	(1,358)	1,875	0	3,010	a
Transition Costs provision	0	0	0	138	0	138	
Voluntary early retirement / severance provision	2,383	0	(1,350)	0	(1,033)	0	b
Adult services provision	3,480	0	(816)	0	(2,664)	0	c
Various other provisions	1,939	96	(877)	1,127	(812)	1,473	
	29,883	**0**	**(8,877)**	**9,778**	**(8,906)**	**21,878**	

a - The Compensation Provisions have been set up in order to compensate customers and employees for claims received by the Council as at 31 March 2012. These claims will be paid as the amount of compensation is agreed for each case. The amounts of the provisions have been calculated based on an estimate of the likely settlement of the claims. There is no expected reimbursement to fund these claims.

b- The voluntary early retirement / severance provision was set up to fund voluntary early retirement and severance payments that were approved by the Council prior to 31 March 2011 but accepted by the individual after that date. Payments have been allocated against this provision during 2011/12 as these costs have been incurred.

c- The adult services provision was set up to fund estimated liabilities relating to adult services. The liability was settled during 2011/12 and the costs incurred allocated against the provision.

Note 40. Insurance Provision

Within compensation provisions is an insurance provision, created by the Council to cover for known claims. The amount in this provision for 2011/12 was £2,598,000 (£3,589,000 2010/11).

Note 41. Financial Instruments

The Council's treasury management policy complies with the CIPFA Code of Practice on Treasury Management (Revised November 2009). This was adopted by the Council on 16 February 2011. 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 2011/12 the average net rate of interest paid and received was 4.38% (4.02% in 2010/11).

Financial Instruments Balances

	Long-Term		Current	
	Restated 31 March 2011 £000s	31 March 2012 £000s	Restated 31 March 2011 £000s	31 March 2012 £000s
Financial liabilities at amortised cost	943,198	667,588	224,543	147,561
Financial liabilities at fair value through the I&E	0	0	0	0
Total Financial Liabilities	**943,198**	**667,588**	**224,543**	**147,561**
Loans and receivables	116,120	118,005	189,582	136,353
Available for sale assets	2,701	2,546	0	0
Financial assets at fair value through the I&E	0	0	0	0
Unquoted equity investment at cost less impairment	75	75	0	0
Total Financial Assets	**118,896**	**120,626**	**189,582**	**136,353**

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

Soft Loans

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

Minor Works Loans
These loans are given by the Council to individuals to facilitate the carrying out of minor works to their homes. The value of the work required must be more than £2,500 and not more than £7,000. The loans are interest free and repayable as follows:

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

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

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

Equity Release Loans
These loans are given by the Council to individuals to facilitate the carrying out of approved improvement works. The value of the work must be greater than £7,000. The loans are interest free.

Relocation Assistance Loans
These loans are given by the Council to assist individuals relocation following a compulsory purchase order (CPO) being issued on their property. The loan amount is calculated based on a formula that takes into account the cost of the new home and the CPO cost incurred by the Council on their original home. The loans are interest free and repayable as follows:

- On sale or transfer of the replacement property
- If the loan terms are breached
- On death of the individual
- If the individual decides to repay the loan

Home Energy Loans

These loans are given by the Council to individuals to facilitate the carrying out of approved works. These works must be viewed as improving energy and thermal efficiency, and reducing fuel poverty in the City. The maximum loan given to facilitate these loans is £7,000. The loans are normally interest free and repayments are made by instalments, over a 5 to 7 year period, set at the beginning of the loan agreement.

The total value of home energy loans is shown below -

	2010/11 £000s		2011/12 £000s	
Balance at 1 April		2,270		2,480
Nominal value of new loans granted in year	423		122	
Fair value adjustment on initial recognition	(356)		(100)	
Fair value of new loans		67		22
Loans repaid		(62)		(170)
Impairment losses		0		0
Increase in discounted amount		205		214
Balance at 31 March		**2,480**		**2,546**
Nominal Value at 31 March		**7,809**		**7,761**

Fair Value of Assets and Liabilities Carried at Amortised Cost

	Carrying Amount		**Fair Value**	
Liabilities	**Restated 31 March 2011 £000s**	**31 March 2012 £000s**	**Restated 31 March 2011 £000s**	**31 March 2012 £000s**
PWLB debt	201,774	0	205,078	0
Non-PWLB debt	565,413	494,834	651,751	515,795
Stocks	8,240	8,231	6,430	6,872
Total Borrowings	**775,427**	**503,065**	**863,259**	**522,667**
Bank Overdraft	20,615	14,983	20,615	14,983
Ex GMC debt	22,687	21,118	22,687	21,118
PFI and finance lease liabilities	165,639	160,345	150,118	157,718
Trade creditors	183,374	115,637	183,374	115,637
Total Financial Liabilities	**1,167,742**	**815,150**	**1,240,053**	**832,123**

	Carrying Amount		**Fair Value**		
Assets	**Restated 31 March 2011 £000s**	**31 March 2012 £000s**	**Restated 31 March 2011 £000s**	**31 March 2012 £000s**	
Cash and cash equivalents	86,378	43,476	86,378	43,476	Note 49
Trade debtors	219,324	210,882	219,324	210,882	
Total Loans and Receivables	**305,702**	**254,358**	**305,702**	**254,358**	

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

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

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

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

The fair values for financial liabilities were determined by reference to the PWLB redemption rules and prevailing PWLB redemption rates as at the balance sheet date and include accrued interest. The fair values for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for the fair value for these instruments.

	Financial Liabilities	Financial Assets			
	Measured at Amortised Cost £000s	Loans and Receivables £000s	Available for Sale Assets £000s	Fair Value through the I&E £000s	Total £000s
Interest Expense	47,297	0	0	0	47,297
Losses on Derecognition	0	0	0	0	0
Interest Payable and Similar Charges	**47,297**	**0**	**0**	**0**	**47,297**
Interest Income	0	(12,382)	0	0	(12,382)
Gains on Derecognition	0	0	0	0	0
Interest and Investment Income	**0**	**(12,382)**	**0**	**0**	**(12,382)**

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 adaptation 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 16 February 2011 and is available on the Council's website.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is managed through the Annual Investment Strategy which was approved by full Council on 16 February 2011 and is available on the Council's website. Some of the key areas of the strategy are as follows:

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

- Term deposits – Other Local Authorities: Credit Criteria High Security
- Term deposits – Banks and building societies: Credit Criteria Varied

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

Investment Limits

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

<u>Banks</u>	
AA+	£20 million
AA/AA-	£15 million
A+/A	£10 million
<u>Building Societies</u>	
Fitch AA-	£15 million
Fitch A-	£10 million
<u>Other</u>	
Debt Management Office	£100 million
District Councils	£5 million
Other local authorities	£10 million

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

Monitoring of credit ratings

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

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

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

The trade debtor amount is £247,906,000 and the estimated exposure to default is £37,024,000.

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 £431,825,000 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, subject to influences from Government grants.

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

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

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

- LOBO risk (loans potentially subject to call £150,000,000@1%) = £1,500,000.

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares but does have shareholdings at a cost of £132,000,000 in a number of joint ventures and in local industry. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares or impairment of the assets held. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

Foreign Exchange risk

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

Note 42. Usable Reserves

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

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

	1 April 2010 £000s	**31 March 2011 £000s**	**1 April 2011 £000s**	**31 March 2012 £000s**	**Note**	**Purpose of Reserve**
Reserves Held for Capital Purposes						
Capital Receipts Reserve	14,695	27,372	27,372	34,085	a	Proceeds of non-current assets sales available to meet future capital investment.
Major Repairs Reserve	1,946	780	780	4,050	b	Resources available to meet capital investment in council housing.
Capital Grants Unapplied Reserve	67,894	72,119	72,119	32,475	c	Capital grants and contributions available to meet future capital expenditure.
Total Reserves Held for Capital Purposes	**84,535**	**100,271**	**100,271**	**70,610**		
Reserves Held for Revenue Purposes						
General Fund Reserve	23,026	21,660	21,660	26,462		Resources available to meet future running costs for non-HRA services.
Housing Revenue Account Reserve	48,989	51,773	51,773	56,539		Resources available to meet future running costs for council housing.
Home Loans Reserve	5,827	547	547	558		Resources available to meet future needs of mortgage accounts.
Unused Dividends Reserve	4,040	0	0	0		The Unused Dividends Reserve was established to hold dividends received from Manchester Airport Plc and other companies that were to be used in the following financial year.
Development Fund Reserve	3,971	0	0	0		The Development Fund was established to provide funds for investment in schemes for which other funding was not available and which would produce cost benefits for the Council over a long-term period.
On-street Parking Reserve	1,848	3,411	3,411	2,755		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.
Bus Lane Enforcement Reserve	849	1,228	1,228	1,045		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.
Service Improvement Fund Reserve	5,120	3,610	3,610	2,314		The Service Improvement Fund was established to fund improvements in Council services.
Capital Fund Reserve	48,672	37,399	37,399	42,918		The Capital Fund was established to fund revenue contributions to major capital schemes.
Town Hall Reserve	18,564	8,091	8,091	9,316		The Town Hall Reserve was established to contribute towards the refurbishment of the Town Hall Extension and Central Library.
Public Lighting PFI Reserve	6,900	6,563	6,563	5,778		The Public Lighting PFI Reserve has been established to fund future expenditure on the scheme.
Insurance Fund Reserve	17,284	17,594	17,594	19,087		The Insurance Fund has been established to fund risks that are self-insured.
Children's Services Reserve	3,565	2,430	2,430	3,300		The Children's Services Reserve was established to fund future liabilities relating to Children's Services.
Community Care Reserve	2,600	2,600	2,600	1,539		The Community Care Reserve was set up to meet future potential care costs.
LABGI Reserve	5,678	2,588	2,588	0		The LABGI reserve was set up to fund contributions towards specific schemes funded from the Local Authority Business Growth Incentive grant.
SoccerEx Reserve	0	0	0	3,255		The SoccerEx Reserve will be used to fund the SoccerEx European Forum (2010-13) and the SoccerEx Global Convention (2014-17)
Cleopatra Reserve	1,112	1,112	1,112	2,362		The Cleopatra Reserve was set up to meet future potential compensation claims.
Area Based Grant Reserve	5,775	3,358	3,358	2,007		The Area Based Grant Reserve was set up to hold unspent Area Based Grant monies.

	1 April 2010 £000s	31 March 2011 £000s	1 April 2011 £000s	31 March 2012 £000s	Note	Purpose of Reserve
Pension Contribution Reserve	4,587	2,030	2,030	2,415		The Pension Contribution Reserve was set up to fund future additional pension costs.
Productivity Fund Reserve	0	1,456	1,456	0		The Productivity Fund Reserve was set up to pump prime future investment opportunities to achieve further ongoing savings.
Voluntary Early Retirement and Voluntary Severance Reserve	0	7,818	7,818	0		The Voluntary Early Retirement and Voluntary Severance Reserve was set up to fund costs associated with voluntary early retirements and redundancies.
English Institute of Sport Reserve	0	1,013	1,013	1,332		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.
Transformation Reserve	0	0	0	13,000		The transformation reserve has been set up to fund future service transformation costs.
Supporting People Reserve	412	696	696	1,657		The Supporting People Reserve was set up to smooth the impact of any further funding reductions or demand for services.
Looked After Children Reserve	0	0	0	1,000		The Looked After Children Reserve was set up to smooth the effects of variations in looked after children numbers.
Manchester Investment Fund	0	0	0	10,772		The Manchester Investment Fund Reserve was set up to support the scaling up of community budgets work in 2012/13 and 2013/14.
Other Revenue Reserves	5,225	5,576	5,563	7,772		These are various reserves with balances less than £1million.
Total Reserves Held for Revenue Purposes	**214,044**	**182,553**	**182,540**	**217,183**		
Unused Grant Reserves						
Planning Delivery Grant Reserve	5,018	2,751	2,751	0		The Planning Delivery Grant Reserve was set up to hold unspent Planning Delivery Grant monies.
Standards Fund Grant Reserve	5,330	6,711	6,711	0		These grants were shown as receipts in advance on the Council's balance sheet under UKGAAP accounting standards as the spend they were funding had not been incurred. As these grants will not need to be repaid in accordance with the conditions on which the grant has been given, IFRS accounting standards require these grants to be classed as reserves.
Dedicated Schools Grant Reserve	2,230	1,881	1,881	709		
Asylum Seekers Grant Reserve	2,422	2,527	2,527	0		
English Partnership Reserve	7,579	3,597	3,597	1,897		
Department of Transport Grant Reserve	2,121	1,056	1,056	121		
Other Unused Grant Reserves	6,332	10,216	9,688	13,565		
Total Unused Grant Reserves	**31,032**	**28,739**	**28,211**	**16,292**		
Schools Reserves						
LMS Reserve	19,160	22,754	22,754	30,957		The LMS Reserve is committed to be spent on the Education service and is not available for the general use of the Council. This is held by schools under delegated schemes.
Total Usable Reserves	**348,771**	**334,317**	**333,776**	**335,042**		

a - Capital Receipts Reserve

	2010/11 £000s	2011/12 £000s
Balance at 1 April	14,695	27,372
Capital receipts received in year	13,493	27,127
Capital receipts received in year relating to HRA debt settlement	0	24,885
Paid to housing national pool	(816)	(776)
Applied to fund capital expenditure	0	(44,523)
Balance at 31 March	**27,372**	**34,085**

b - Major Repairs Reserve

	2010/11 £000s	2011/12 £000s
Balance at 1 April	1,946	780
Contribution	13,469	11,621
Applied	(14,635)	(8,351)
Balance at 31 March	**780**	**4,050**

c - Capital Grants Unapplied Reserve

	2010/11 £000s	2011/12 £000s
Balance at 1 April	67,894	72,119
Grants received in year	204,985	81,318
Reclassified as revenue	(23)	(10,214)
Repaid	(512)	0
Transferred to Capital Adjustment: Account General Grants and Contributions	(128,419)	(105,272)
Transferred to Capital Adjustment Account: Revenue Expenditure Funded from Capital Under Statute (REFCUS) Grants and Contributions	(71,806)	(5,476)
Balance at 31 March	**72,119**	**32,475**

Note 42. Unusable Reserves

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

Unusable Reserve	1 April 2010 £000s	31 March 2011 £000s	1 April 2011 £000s	31 March 2012 £000s	Note
Revaluation Reserve	629,868	697,294	697,294	693,982	a
Available for Sale Financial Instruments Reserve	1,642	1,686	1,686	1,531	b
Pensions Reserve	(1,037,200)	(367,900)	(367,900)	(647,300)	c, 44
Capital Adjustment Account	1,296,042	1,145,871	1,139,994	1,339,730	d
Deferred Capital Receipts Reserve	349	589	589	1,441	e
Financial Instruments Adjustment Account	(6,221)	(6,948)	(6,948)	(7,560)	f
Collection Fund Adjustment Account	2,662	3,853	3,853	4,276	g
Short-term Accumulated Absences Account	(6,598)	(6,126)	(6,126)	(7,409)	h
	880,544	**1,468,319**	**1,462,442**	**1,378,691**	

a - Revaluation Reserve

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

	2010/11 £000s	2011/12 £000s
Balance at 1 April	629,868	697,294
Revaluations relating to non current assets	86,431	22,635
Revaluations relating to assets held for sale	(51)	(65)
Depreciation	(6,492)	(6,778)
Impairment not charged to CIES	(3,608)	(10,157)
Write up of Historical Cost record - reversal of prior year impairments	0	(5,921)
Transfer of Investment Property Revaluation Reserve balance	0	(165)
Leased asset Revaluation Reserve to deferred liability	(356)	(887)
Disposals Transferred to Capital Adjustment Account	(8,498)	(1,974)
Balance at 31 March	**697,294**	**693,982**

b - Available for Sale Financial Instruments Reserve

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

	2010/11 £000s	2011/12 £000s
Balance at 1 April	1,642	1,686
Increase in Financial Instruments Market Value	51	6
Decrease in Financial Instruments Market Value	(1)	(161)
Realised Gain on Sale	(6)	0
Balance at 31 March	**1,686**	**1,531**

c - Pensions Reserve

Balancing account to allow inclusion of pensions liability in the balance sheet.

	2010/11 £000s	2011/12 £000s
Balance at 1 April	(1,037,200)	(367,900)
Net Movement in Year	669,300	(279,400)
Balance at 31 March	**(367,900)**	**(647,300)**

The increase in the pension reserve deficit is mainly due to the reduction in the discount rate used to calculate the liability. The rate used in 2010/11 was 5.5% and has reduced to 4.8% in 2011/12. This reduction is due to falling bond yields.

d - Capital Adjustment Account (CAA)

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

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

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

	2010/11 £000s	2011/12 £000s
Balance at 1 April	1,296,042	1,139,994
Repayment of ex GMC debt	1,400	1,567
Minimum revenue provision	24,893	26,905
Reversal of PFI charges to HRA	(5,802)	2,876
Capital grants and contributions	128,419	105,272
Repayment of capital grants	512	0
Revenue contributions used	14,313	14,433
Investment property revaluations	59,523	9,581
Revaluation Reserve transfers to Investment Property	0	165
Revaluation gain depreciation	6,492	6,778
Disposals transferred from revaluation reserve	8,498	1,974
Depreciation	(50,717)	(47,890)
HRA settlement - repayment of loans	0	269,391
Major Repairs Allowance	10,834	6,466
Capital Receipts Used	0	44,523
Disposals	(71,664)	(35,803)
Write down of intangible assets	(623)	(395)
Write down of long-term debtors	(125)	(1,994)
Write down revenue expenditure funded from capital under statute	(7,880)	(28,475)
Impairment of fixed assets	(268,244)	(175,638)
Balance at 31 March	**1,145,871**	**1,339,730**
Transfer to Greater Manchester Combined Authority	(5,877)	
Balance at 1 April	**1,139,994**	

e - Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of council houses under right to buy legislation but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed up by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. The value also contains the balance due to the council from the mortgagee 10 years after the granting of equity mortgages.

	2010/11 £000s	2011/12 £000s
Balance at 1 April	349	589
Equity Mortgages Granted	291	902
Equity Mortgage Fair Value Adjustments	0	(13)
Principal Repayments	(51)	(37)
Balance at 31 March	**589**	**1,441**

f - Financial Instruments Adjustment Account

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

	2010/11 £000s	2011/12 £000s
Balance at 1 April	(6,221)	(6,948)
Soft Loans	(212)	114
Premium and discounts	(574)	(787)
Manchester Mortgage Corporation investment revaluation	59	61
Balance at 31 March	**(6,948)**	**(7,560)**

g - Collection Fund Adjustment Account

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

	2010/11 £000s	2011/12 £000s
Balance at 1 April	2,662	3,853
Movement in Year	1,191	423
Balance at 31 March	**3,853**	**4,276**

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.

	2010/11 £000s	2011/12 £000s
Balance at 1 April	(6,598)	(6,126)
Movement in Year	472	(1,283)
Balance at 31 March	**(6,126)**	**(7,409)**

Note 43. 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). 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 2008. 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 2011/12 are as follows:

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2011/12			350,313
Brought forward from 2010/11			1,881
Carry forward to 2011/12 (agreed in advance)			(709)
Agreed budgeted distribution in 2011/12	32,443	319,042	351,485
Actual central expenditure	32,443		
Actual ISB deployed to schools		319,042	
Local Authority contribution for 2011/12	0	0	0
Carry forward to 2012/13	**0**	**0**	**(709)**

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 44. Local Government Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two pension schemes:

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

In order to assess the value of the employer's liabilities in the fund at 31 March 2012, the value of employer's liabilities have been brought forward from those at the formal valuation for 31 March 2010 allowing for the different financial assumptions required under IAS 19 for the year. In calculating the service cost, changes in the pensionable payroll, as estimated from contribution information, have been allowed for. In calculating the asset share the employer's share of the assets, allocated at the latest valuation, have been rolled forward allowing for investment returns, the effect of contributions paid into and estimated benefits paid out of the fund. The employer's asset share has also been adjusted to take account of the new IAS 19 disclosure requirement to use the bid value of assets.

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. In particular it would not allow for the effect of transfers of liabilities affected since the last formal valuation date. This approach will not produce any material distortions in the results provided.

The Teachers' Pension Scheme is a defined benefit scheme, administered by the Department for Children, Schools and Families. Further information is included in Note 45.

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 on 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:

	2010/11 £000s	**2011/12 £000s**
Comprehensive Income and Expenditure Statement		
Net cost of Services:		
current service cost	56,900	40,000
past service costs	(256,400)	20,300
curtailments and settlements	900	100
Net operating expenditure:		
interest cost	149,000	124,400
expected return on assets in the scheme	(128,700)	(124,700)
Net charge to the Comprehensive Income and Expenditure Statement	(178,300)	60,100
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS19.	228,700	(8,000)
Actual amount charged against the General Fund Balance for the pensions in the year:		
Employers' contribution payable to scheme	**50,400**	**52,100**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This had the effect of reducing the Council's liabilities in the Pension Fund by £258,600,000 in 2010/11 and was recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change was considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme	
	2010/11 £000s	2011/12 £000s
Balance at 1 April	2,914,600	2,273,200
Current Service Cost	56,900	40,000
Interest Cost	149,000	124,400
Contributions by Scheme Participants	18,100	15,200
Actuarial Losses / (Gains)	(521,000)	173,900
Losses on Curtailments	900	100
Benefits Paid	(88,900)	(100,200)
Past Service Cost	2,200	20,300
Past Service (Credit)	(258,600)	0
Balance at 31 March	**2,273,200**	**2,546,900**

Following the change in the method of calculation of pension increases to using CPI, rather than RPI, the change in pension increase assumption is regarded as a change in benefits and was shown in the Comprehensive Income and Expenditure Statement as a past service credit of £258,600,000 in 2010/11.

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2010/11 £000s	2011/12 £000s
Balance at 1 April	1,877,400	1,905,300
Expected Rate of Return	128,700	124,700
Actuarial (Losses)	(80,400)	(97,500)
Employer Contributions	50,400	52,100
Contributions by Scheme Participants	18,100	15,200
Benefits Paid	(88,900)	(100,200)
Balance at 31 March	**1,905,300**	**1,899,600**

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

The actual return on scheme assets in the year was £27,500,000 (return on scheme assets £125,300,000 2010/11).

Scheme History

	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s
Present Value of Liabilities	(1,841,600)	(1,791,600)	(2,914,600)	(2,273,200)	(2,546,900)
Fair Value of Assets	1,694,800	1,392,700	1,877,400	1,905,300	1,899,600
(Deficit) in the Scheme	**(146,800)**	**(398,900)**	**(1,037,200)**	**(367,900)**	**(647,300)**

The liabilities show the underlying commitment that the Council has in the long run to pay retirement benefits. The increased total liability of £647,300,000 has resulted in a decrease in the net worth of the Council of £279,400,000 as recorded in the balance sheet resulting in a positive overall balance of £1,713,733,000.

Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

- the deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year 31 March 2013 is £57,000,000.

Basis for Estimating Assets and Liabilities

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

The main assumptions used in their calculations have been:

	2010/11	2011/12
Long-term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	7.5%	6.3%
Bonds	4.9%	3.9%
Other	10.1%	7.9%
Mortality Assumptions:		
Longevity at 65 for Current Pensioners		
Men	20.1 years	20.1 years
Women	22.9 years	22.9 years
Longevity at 65 for Future Pensioners		
Men	22.5 years	22.5 years
Women	25.0 years	25.0 years
Rate of Inflation (CPI)	2.8%	2.5%
Rate of Increase in Salaries *	4.3%	4.3%
Rate of Increase in Pensions	2.8%	2.5%
Rate for Discounting Scheme Liabilities	5.5%	4.8%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum - Pre April 2008	50.0%	50.0%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum - Post April 2008	75.0%	75.0%

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

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

	31 March 2011	31 March 2012
Equities	66.0%	70.0%
Bonds	17.0%	18.0%
Other Assets	17.0%	12.0%
	100.0%	**100.0%**

Actuarial Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserve in 2011/12 can be analysed into the following categories measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
Difference between the Expected and Actual Return on Assets	(11.5%)	(28.8%)	(31.2%)	(13.3%)	(8.0%)
Experience Gains / (Losses) on Liabilities	4.7%	(0.3%)	(0.3%)	11.5%	(1.4%)

Note 45. 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 teacher's 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 44.

The pension costs charged to the accounts are at the contribution rate set by the DfE on the basis of a notional fund. In 2011/12 the Council's contribution to the DfE in respect of teachers' pension costs was £18,307,000 (£21,171,000 2010/11), the set contribution rate being 14.1% (14.1% 2010/11).

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with related increases. In 2011/12 these amounted to £6,497,000 (£6,460,000 2010/11) of which £1,507,000 (£1,488,000 2010/11) relates to former establishment employees and is refunded by the Higher Education Funding Council.

Note 46. Contingent Assets and Liabilities

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

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

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

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

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

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

b) As a result of the Council receiving a distribution of proceeds from the sale of its entire shareholding in Modesole Ltd, a liability may arise, the extent of which can not yet be determined. An indemnity was given to the buyer against any future liabilities arising in Modesole prior to the date of the sale. This indemnity is limited to the value of the sale proceeds received and will last for a period of 10 years from the date of sale, which was completed on 9 August 2005.

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

As at 31 March 2012 £1.849m of claims had already been paid, with outstanding claims of £1.801m.

GMC ceased to exist on 31 March 1986 and any residual liabilities are shared between the ten local authorities of AGMA based on the population estimated by the Registrar General on the 30 June which falls 21 months before the beginning of the financial year in which any sum recoverable falls. Manchester's share of this liability is presently 18.97%. Therefore the Council's share of the ex GMC claims paid and outstanding at 31 March 2012 are £2.027m.

As at June 2010 the MMI Annual Report and Accounts stated that the Directors were of the view that if a positive outcome could be achieved in the current litigation case a solvent run off with full payment of claims would be achieved. In the autumn of 2011 the litigation case had been considered by the Supreme Court and the judgement was released on 28 March 2012 which found against MMI. The judgement has significant implications not only for MMI and its members but also for the 729 Scheme creditors who are party to the contingent Scheme of Arrangement sanctioned by the Court in January 1994.

As at June 2012, MMI has yet to determine whether or not the Supreme Court ruling means that they have to formally trigger the Scheme of Arrangement. The latest information from MMI acknowledges the Supreme Court ruling but does not give advice as to whether or not the Scheme will be formally triggered. MMI say that they are now seeking legal, financial and actuarial advice from its professional advisers in order to determine the full implications of the judgement and the most appropriate way forward.

At the present time it is not known whether the claw back clause will be invoked and therefore no provision for the potential liability has been made in the balance sheet.

Note 47. 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	2010/11 £000s	2011/12 £000s
Central Government - revenue grants	892,115	904,516
Central Government - capital grants	197,765	76,125
Manchester Airport Plc - dividend	11,000	11,000
Manchester Airport Plc - repayment of interest	10,007	9,980
Manchester Airport Plc - net rent	6,019	5,946
Manchester Primary Care Trust	18,415	15,936
Destination Manchester Limited - interest on loans	1,101	1,258
	1,136,422	**1,024,761**

Expenditure	2010/11 £000s	2011/12 £000s
Greater Manchester Integrated Transport Authority - levy	31,365	0
Greater Manchester Combined Authority - levy	0	34,336
Greater Manchester Waste Disposal Authority - levy	21,592	23,808
Greater Manchester Police Authority - precept	17,653	17,893
Greater Manchester Fire and Rescue Authority - precept	6,440	6,527
Greater Manchester Pension Fund - employer's contributions	50,400	52,100
Teachers' Pension Agency - employer's contributions	21,171	18,307
Manchester Primary Care Trust	12,166	11,709
	160,787	**164,680**

Note 48. Trust Funds

The Council administered several charitable trusts, joint committees and special funds during the year, which in the main represent funds that have been put in trust to achieve specific objectives. Each body has its own board of trustees or management committee from which further information can be obtained. The contact details for each Trust can be obtained from the Corporate Services Department, Town Hall, Manchester, M60 2LA.

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

	Income £	Expenditure £	Assets £	Liabilities £	Purpose
Manchester City Council is Sole Trustee:					
Castlefield Heritage Trust	1,241	2,058	331,550	0	Castlefield Heritage Trust was established in 1996 to provide conservation maintenance and protection, for the public benefit, of areas and waterways in Manchester and Salford. This includes Castlefield and the adjacent areas to Castlefield and the Castlefield Basin.
Other Trust Funds:					
The Lord Mayor of Manchester's Charity Appeal Trust	148,823	48,118	800,615	3,885	Lord Mayor of Manchester Charity Appeal Trust provides unrestricted funds, which can be used for any charitable purpose in order to benefit the residents of Manchester, including providing holidays for needy families who reside within the City.
Manchester Immigration Needs Trust	4,986	740	126,330	0	Manchester Immigration Needs Trust was established in 1985 to provide financial assistance to Manchester residents who are suffering from poverty and hardship and seeking to establish a right to reside in the City. Financial assistance is provided by the payment of grants to individuals.
Manchester Safeguarding Children Board	307,579	235,275	269,072	129,489	Manchester Safeguarding Children Board is a statutory multi-agency board whose main functions are to co-ordinate what is done by each agency on the board for the purposes of safeguarding and promoting the welfare of children in Manchester and to ensure the effectiveness of what is done for this purpose.
Education Endowments					
Funds with Investments	0	0	10,820	0	Legacy fund where interest from the investment of the fund is used to provide future benefits.
Manchester Metropolitan University					
Funds with Investments	0	0	927	0	Legacy fund where interest from the investment of the fund is used to provide future benefits.
Simpson Memorial Foundation	0	0	4,824	0	Legacy fund where interest from the investment of the fund is used to provide future benefits.
School Bank Reserve Fund	0	0	152	0	Legacy fund where interest from the investment of the fund is used to provide future benefits.
Total	**462,629**	**286,191**	**1,544,290**	**133,374**	

Note 49. Analysis of Cash and Cash Equivalents

Cash and Cash Equivalents	1 April 2010 £000s	31 March 2011 £000s	1 April 2011 £000s	31 March 2012 £000s
Cash in hand	501	204	189	128
Bank overdraft	(19,174)	(20,615)	(20,123)	(14,983)
Call accounts	15,684	30,970	30,970	31,848
Investments less than 3 months	1,500	55,204	55,204	11,500
Total	**(1,489)**	**65,763**	**66,240**	**28,493**

Note 50. Cash Flow Statement - Operating Activities

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

	2010/11 £000s	2011/12 £000s
Interest received	(13,031)	(13,304)
Interest paid	44,760	43,510
Dividends received	(12,535)	(12,412)
Net cash flows from operating activities	**19,194**	**17,794**

Note 51. Cash Flow Statement - Investing Activities

	2010/11 £000s	2011/12 £000s
Purchase of plant, property and equipment, investment property and intangible assets	210,432	162,516
Proceeds from the sale of plant, property and equipment, investment property and intangible assets	(17,366)	(27,681)
Capital grants received	(54,854)	(78,437)
Other receipts from investing activities	(8,419)	(4,120)
Net cash flows from investing activities	**129,793**	**52,278**

Note 52. Cash Flow Statement - Financing Activities

	Restated 2010/11 £000s	2011/12 £000s
Repayments of long and short term borrowing	50,833	74,879
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	7,966	6,705
Proceeds from short term investments	0	(24,885)
Cash receipts of long and short term borrowing	(116,083)	(10,000)
Net payments / (receipts) relating to preceptors element of Council Tax	(9,669)	(6,898)
Net payments / (receipts) relating to national non domestic rates	(5,551)	(11,642)
Net cash flows from financing activities	**(72,504)**	**28,159**

Note 53. Post Balance Sheet Events

On 24 April 2012 49 HRA and 18 Non-HRA properties were transferred to various registered social landlords as part of a Small Scale Voluntary Transfer. The carrying value of these properties at 31 March 2011 was £1,295,000. These properties were revalued down in 2011/12 to the value of the expected capital receipt value of £513,000.

The following schools have transferred to academy status since 31 March 2012 - Gorton Mount Primary, Stanley Grove Primary, St Barnabus Primary, Briscoe Lane Primary, Cedar Mount High and Melland Special School. These were previously valued on the Council's balance sheet at £21,219,000 but have been revalued to a nil value at 31 March 2012 to reflect the fact that there is no ongoing economic benefit to the Council from these school assets.

The Council was notified of additional entitlement to Local Authority Central Spend Equivalent Grant (LACSEG) of £992,000 in July 2012. This is considered to be an adjusting post balance sheet event and the financial statements have been adjusted accordingly.

Note 54. Authorisation for Issue of the Statement of Accounts

The 2011/12 Statement of Accounts was authorised for issue by Richard Paver, the City Treasurer on 27 September 2012. 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, subsidy 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.

2010/11 £000s		Note	2011/12 £000s
	Expenditure		
36,104	Repairs and maintenance		24,116
24,144	Supervision and management		22,055
149	Rents, rates, taxes and other charges		145
192,765	Depreciation and impairment of non-current assets	e,f	36,641
25	Debt management costs		57
0	Repayment of premiums		68,722
(224)	Movement in the allowance for bad debts		481
654	Revenue expenditure funded from capital under statute	g	330
253,617			**152,547**
	Income		
53,230	Dwelling rents (gross)		56,183
443	Non-dwelling rents (gross)		761
3,455	Charges for services and facilities		2,330
7,367	Contributions towards expenditure		6,060
0	Income relating to repayment of debt in relation to the introduction of HRA self financing		294,276
21,449	HRA subsidy receivable	h	19,625
85,944			**379,235**
167,673	**Net Cost / (Surplus) of HRA Services as included in the Council's Comprehensive Income and Expenditure Statement**		**(226,688)**
96	HRA services share of corporate and democratic core		96
(3,349)	HRA share of other amounts included in the Council's net cost of services but not allocated to specific services		180
164,420	**Net Cost / (Surplus) of HRA Services**		**(226,412)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
1,644	(Gain) / loss on disposal of HRA non-current assets		(912)
19,524	Interest payable and similar charges		20,987
0	Premiums income		(68,722)
(274)	Interest and investment income		(261)
266	Pensions interest cost and expected return on pension assets		(3)
(7,172)	Capital grants and contributions receivable		(7,338)
178,408	**Deficit / (Surplus) for the year on HRA services**		**(282,661)**

Movement on the Housing Revenue Account Statement

2010/11 £000s		2011/12 £000s
(48,989)	**Balance on the HRA at the end of the previous year**	**(51,773)**
178,408	Deficit / (Surplus) for Year on the HRA Income and Expenditure Statement	(282,661)
	Adjustments between accounting basis and funding basis under statute	
(3,801)	Transfer (from) Major Repairs Reserve	(1,885)
(893)	Difference between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined in accordance with statute	(1,110)
818	Capital expenditure funded by the HRA	400
(1,644)	Gain / (Loss) on disposal of HRA non-current assets	949
7	Transfer to short term accumulating absences account	21
850	HRA share of retirement benefits per IAS19	(476)
2,052	HRA share of employer contribution to pension scheme	856
(179,062)	Impairment of non-current assets	(25,020)
(234)	Amortisation of intangible assets	0
(654)	Amortisation of Revenue Expenditure Funded from Capital under Statute	(330)
(5,803)	Reversal of PFI Charges	2,876
0	Income relating to repayment of debt	294,276
7,172	Capital grants and contributions receivable	7,338
(2,784)	**Net (Increase) in Year on the HRA**	**(4,766)**
(51,773)	**Balance on the HRA at the end of the current year**	**(56,539)**

Notes to the Housing Revenue Account

(a) Housing Stock

The Council was responsible for managing an average of 17,317 dwellings during 2011/12.

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

	1 April 2010	31 March 2011	31 March 2012
Houses and bungalows	10,002	9,856	9,790
Flats	7,312	7,330	7,203
Others	105	105	105
	17,419	**17,291**	**17,098**

The change in stock is as follows:

	2011	2012
Stock at 1 April	17,419	17,291
Sales	(35)	(50)
Demolitions	(71)	(327)
Transfers	(147)	0
New buildings	123	182
Acquisitions	2	2
Stock at 31 March	**17,291**	**17,098**

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

	1 April 2010 £000s	31 March 2011 £000s	31 March 2012 £000s
Operational			
Council dwellings	569,264	405,950	402,603
Other land and buildings	4,132	4,019	3,814
Vehicles, plant and equipment	210	86	82
	573,606	**410,055**	**406,499**
Non-operational			
Surplus properties	0	0	92
Assets under construction	0	68	107
	573,606	**410,123**	**406,698**

(b) Vacant Possession of Dwellings

The vacant possession value of dwellings within the Council's HRA at 1 April 2011 was £1,139,929,000. The difference between the vacant possession value and balance sheet value of dwellings within the HRA shows the cost of providing council housing at less than open market rents.

(c) Major Repairs Reserve

	2011 £000s	2012 £000s
Balance at 1 April	1,946	780
Transferred from capital adjustment account during year (equivalent to HRA depreciation)	13,469	11,621
Financing of capital expenditure on council dwellings	(10,834)	(6,466)
Transfer to the HRA	(3,801)	(1,885)
Balance at 31 March	**780**	**4,050**

(d) Capital Expenditure, Funding and Receipts

	2010/11 £000s	2011/12 £000s
Expenditure		
Council dwellings	30,687	29,798
Revenue expenditure funded from capital under statute	654	330
	31,341	**30,128**
Funded by		
Borrowing	12,209	15,924
Revenue contributions	818	400
Major repairs reserve	10,834	6,466
Government grants	7,400	6,840
External contributions	80	498
	31,341	**30,128**
Receipts		
Council dwellings	1,823	2,201
Other land and buildings	3,633	0
Mortgage repayments	52	37
	5,508	**2,238**

(e) Depreciation

	2010/11 £000s	2011/12 £000s
Property, plant and equipment		
Council dwellings	13,233	11,504
Other land and buildings	113	112
Vehicles, plant and equipment	123	5
	13,469	**11,621**
Intangible assets	234	0
	13,703	**11,621**

(f) Impairment Charges

	2010/11 £000s	2011/12 £000s
Non-enhancing capital expenditure	16,379	12,626
Downward revaluation of assets	161,389	11,125
Reversal of previous downward revaluation of assets	0	(4,640)
Damaged properties / demolitions	1,294	5,909
	179,062	**25,020**

The main reason for the reduction in impairment relating to downward valuations is that the social housing discount reduced from 52% to 65% in 2010/11.There has been no change in this rate in 2011/12.

(g) Revenue Expenditure Funded From Capital Under Statute

Revenue expenditure funded from capital under statute of £330,000 (£654,000 in 2010/11) has been charged to the HRA.

(h) HRA Subsidy Payable to the Council

	2010/11 £000s	2011/12 £000s
Management allowance	13,729	13,687
Maintenance allowance	20,297	20,129
Major Repairs allowance	9,677	9,736
Charges for capital	13,639	14,908
PFI allowances	15,441	15,441
Guideline rent income	(51,318)	(54,264)
Interest on receipts	(16)	(12)
	21,449	**19,625**

(i) Contribution from the Pension Reserve

The cost of the HRA has decreased by £380,000 after the replacement of employer's pension contributions by current service costs and a share of the corporate items (pensions interest costs, expected return on pensions assets, past service credits, settlements and curtailments). The HRA share of the contribution to the pensions reserve is £380,000. The overall amount to be met from rent payers remains unchanged.

(j) Rent Arrears

	2011 £000s	2012 £000s
Arrears at 31 March	11,342	11,599

	Restated 2010/11 £000s	2011/12 £000s
Provision at 1 April	9,202	7,783
Contributions / (released) in year	(393)	544
Amounts written off in the year	(1,026)	(582)
Provision as at 31 March	**7,783**	**7,745**

(k) Small Scale Voluntary Transfer

As part of its strategy to achieve the decent homes standard the Council has a programme of transfers of part of its housing stock to registered social landlords. In 2011/12 the Council did not transfer any properties in a small scale voluntary transfer to registered social landlords.

In 2010/11 144 properties were transferred with a loss on disposal of £5,063,000.

(l) HRA Self Financing

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

As a result of this new financing regime the Council received a debt settlement of £294.276m on 28 March 2012. Of the debt settlement £199.966m related to Public Works Loan Board (PWLB) debt which was settled directly by the Government together with the related premiums of £35.952m.

As the HRA debt settlement exceeded the amount of PWLB loans outstanding a cash sum of £94.310m to repay market debt, together with an additional amount to repay market debt related premiums of £32.773m, was paid by the Government to the Council.

Following negotiations with lenders the Council repaid market debts of £69.425m together with related premiums of £32.770m. The balance of £3,000 that was not used to repay the related premiums was returned to the Government.

Collection Fund

Income and Expenditure Account

This account reflects statutory requirements for billing authorities to maintain a separate collection fund to account for the income from council tax and business rates. This income finances payment of business rates to the national pool and the net expenditure requirements of the Council and pay precepts to the Police and Fire and Rescue Authorities.

2010/11 £000s		2011/12 £000s	
	Income		
122,004	Council Tax - net amount receivable		124,033
	Transfers from General Fund		
48,504	- Council Tax benefits		48,935
263,792	Collectable from business ratepayers		294,157
434,300			**467,125**
	Expenditure		
	Precepts and demands		
138,214	- Manchester City Council	140,087	
17,653	- Greater Manchester Police Authority	17,893	
6,440	- Greater Manchester Fire and Rescue Authority	6,527	
			164,507
	Business rates		
262,696	- Payment to national pool	293,059	
1,096	- Costs of collection	1,098	
			294,157
	Impairment of debts		
3,209	- Write offs of uncollectable amounts		1,544
473	- Allowance for impairment		3,484
	Contribution		
3,094	- Towards previous year's estimated collection fund surplus		2,936
432,875			**466,628**
1,425	Movement on fund balance		497
3,098	Fund balance brought forward		4,523
4,523	**Fund Balance Carried Forward**		**5,020**

Notes to the Collection Fund Account

(a) National Non-Domestic Rates

The Council collects national non-domestic rates (NNDR) for its area on behalf of central government. These rates are based on rateable values for properties set by the Valuation Office, part of HM Revenues and Customs, which are multiplied by a uniform business rate set by central government. The NNDR for the year was set at 43.3p (41.4p for 2010/11). The total non-domestic rate at 31 March 2012 was £857,175,000 (£849,407,000 at 31 March 2011).

(b) Calculation of the Council Tax Base

For 2011/12 there were 218,533 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 135,340 equivalent number of dwellings after taking account of discounts, exemptions and disabled relief. These equate to 177,316 equivalent Band D properties, which are used for the calculation of the tax base.

In 2011/12 the tax base was 135,340 properties. The table below shows the total number of equivalent properties after discounts, exemptions and disabled relief and the number of chargeable Band D equivalents.

Valuation Band	Total Equivalent Number of Dwellings after Discounts, Exemptions and Disabled Relief	Chargeable Band D Equivalents
A	105,015	69,979
B	28,605	22,249
C	25,170	22,373
D	11,741	11,740
E	4,383	5,356
F	1,701	2,458
G	651	1,085
H	50	100
	177,316	135,340

The number of chargeable Band D equivalents for 2010/11 was 132,772.

(c) The Collection Fund surplus is split as follows

	Surplus 2010/11 £000s	Surplus 2011/12 £000s
Manchester City Council	2,657	2,500
Greater Manchester Police Authority	316	319
Greater Manchester Fire and Rescue Authority	121	117
	3,094	2,936

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 (ie. inventory). Non current assets are assets that yield benefit to the Council for a period of more than one year (ie. land).

Balances

The reserves of the Council, which include the accumulated surplus of income over expenditure.

Capital Expenditure

Expenditure on the acquisition or enhancement of property, plant and equipment that have a long-term value to the Council. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own property, plant and equipment.

Capital Receipts

Money received from the sale of property, plant and equipment or repayment of a capital advance.

Collection Fund

The fund maintained by the Council into which are paid the amounts of Council Tax and National Non-Domestic Rates that it collects and out of which are to be paid precepts issued by precepting authorities, its own demands and payments into the NNDR pool.

Community Assets

These are assets that the Council intends to hold in perpetuity, which have no determinable finite useful life and may have restrictions on their disposal (e.g. parks).

Contingent Assets

Sums due from individuals or organisations that may arise in the future but which cannot be determined in advance.

Contingent Liabilities

Sums due to individuals or organisations that may arise in the future but which cannot be determined in advance.

Corporate and Democratic Core

This comprises the activities that all local authorities engage in because they are elected multi-purpose authorities. The cost of these activities is over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services.

Creditors

Amounts owed by the Council for goods and services provided by the balance sheet date, where payment has not been made at that date.

Current Service Cost

The increase in present value of a defined benefit pension scheme’s liabilities expected to arise from employee service in the current financial year.

Curtailments

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces the accrual of defined benefits for a number of employees for some or all of their future service.

Debtors

Sums of money owed to the Council at the balance sheet date but not received at that date.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciated Replacement Cost

A method of valuation that provides a proxy for the market value of specialist properties.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of property, plant and equipment.

Exceptional Items

Material items which derive from effects or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Return on Pension Assets

For a funded defined benefit pension scheme, the average return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Expenditure

Amounts paid by the Council for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment - expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arms length transaction.

Fees and Charges

Income arising from the provision of services, e.g. the use of leisure facilities.

Finance Lease

A finance lease is one that transfers substantially all the risks and rewards of ownership of items of property, plant and equipment to a lessee.

General Fund

The total services of the Council except for the Housing Revenue Account and the Collection Fund. Council Tax, Government Grants and NNDR meet the net cost of this.

Impairment

A reduction in the value of a property, plant and equipment below its carrying amount in the balance sheet.

Income

Amounts due to the Council for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve cash being received - income is deemed to have been earned once the goods or services have been supplied even if the cash has not been received.

Infrastructure Assets

These are inalienable assets, expenditure on which is recoverable only by continued use of the asset created. Examples of such assets are highways and footpaths.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Financial Reporting Standards (IFRS)

These are statements prepared by the International Accounting Standards Board to ensure consistency in accountancy matters. Many of these standards now apply to local authorities and any departure from these must be disclosed in the published accounts.

Inventory

Raw materials and consumable items the Council has purchased to use on a continuing basis and has not used by the end of the financial year.

Investment Properties

These are property or land that is held solely to earn rentals or for capital appreciation or both.

Liabilities

Amounts due to individuals or organisations that will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Long-term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or service where the time taken to complete the contract is such that the contract activity falls into different accounting periods.

Minimum Revenue Provision (MRP)

This is the amount that is charged to an authority's Movement in Reserves Statement each year and set aside as a provision for credit liabilities.

National Non-Domestic Rate (NNDR)

All non-domestic properties have been valued and the Government determines a national rate poundage each year, which is payable to all local authorities. Local authorities collect the national non-domestic rate but the proceeds are pooled and distributed by the Government.

Operating Lease

A lease other than a finance lease.

Past Service Cost

For a defined benefit pension scheme, the increase in present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Past Service Credit

For a defined benefit pension scheme, the decrease 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 reductions, in retirement benefits.

Precept

The amount levied by the various joint authorities (e.g. police authority), which is collected by the Council on their behalf.

Provisions

These are sums set aside to meet liabilities or losses that have been incurred but where the amount and/or timing of such costs are uncertain.

Public Works Loan Board (PWLB)

A Government agency that lends money to local authorities. Local authorities are able to borrow some or all of their requirements to finance capital expenditure from this source.

Residual Value

The net realisable value of property, plant or equipment at the end of its useful life.

Reserves

These are sums set aside to meet possible future costs where there is no certainty about whether or not these costs will be incurred.

Revenue Contributions

The method of financing capital expenditure directly from revenue.

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

These are items of capital expenditure that do not result in, or remain matched by, the Council's property, plant and equipment.

Revenue Support Grant (RSG)

A grant paid by the Government to each local authority to help to finance its general expenditure.

Settlement

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligations and the assets used to effect the settlement.

Manchester City Council
Annual Governance Statement 2011/12

1. Scope of Responsibility

1.1 Manchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards are followed. It must also ensure that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Manchester City Council also has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

1.2 In discharging these responsibilities, the Council must put in place proper arrangements for the governance of its affairs and for facilitating the effective exercise of its functions, which includes arrangements for the management of risk. Manchester City Council adopted a Code of Corporate Governance in June 2008 which is incorporated in the Council's Constitution (part 6 section G). 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 (2007).

1.3 This Annual Governance Statement (AGS) explains how the Council has complied with the Code of Corporate Governance and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an AGS that accompanies the Annual Accounts.

1.4 The AGS aims to provide brief information about the different elements of our governance framework, key issues and the main areas of work that have been progressed during 2011/12 and are being developed going forward in 2012/13. Further details on any areas of particular interest can be accessed by clicking on the hyperlinks (highlighted and underlined throughout the document).

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, cultures and values by which the authority is directed and controlled, and through which it accounts to, engages with, and where appropriate, leads the community. It enables the authority to monitor the achievement of its strategic objectives as set out in the 'The Manchester Way: Manchester's Community Strategy 2006 – 2015' and the Corporate Plan 2011-2014**,** and to consider whether those objectives have led to the delivery of appropriate, cost effective services. These are underpinned by the values of People, Pride and Place.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Manchester City Council policies, aims and objectives. It should also evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 Manchester City Council has been working to its Code of Corporate Governance for the year ended March 2012 and up to the date of approval of the Annual Report and Statement of Accounts.

3. Context of 2011/12 AGS

3.1 In Autumn 2010 the Government published its Comprehensive Spending Review (CSR) which outlined the spending plans for 2011/12 to 2014/15. This indicated substantial reductions in public expenditure. The CSR outlined real term reductions of 28% in Central Government funds for local government. While the CSR covers a four year period, it was made clear that the financial settlement would only cover a two year period (2011/12 and 2012/13). During this time a fundamental review of how local government would be funded in future would be carried out. The implications of the local government settlement 2011-13 were reported to Manchester City Council's Executive on 16 February 2011.

3.2 The delivery of a sustainable budget over the longer term is dependent on the delivery of economic growth and linking this to the residents who live in the City. Through public sector reform we need to reduce levels of dependency and hence the need for public sector spend.

3.3 Throughout 2011/12, the Council has been driving its public service reform work. This has culminated in the agreement of the award of the Whole Place Budget Pilot in December 2011 and a package of proposals agreed with Whitehall as part of the City Deals announced in March 2012. The whole area budget pilot will test the concept of community budgets as a way of accelerating the pace and scale of reform to integrate health and social care, transform the justice system, increase early intervention with children in their early years and reduce the number of troubled families.

Economic Growth

3.4 Greater Manchester has significant economic potential which if properly supported can generate jobs and growth that will impact on the economy of the UK as a whole. The Greater Manchester Local Economic Partnership (LEP) and all ten local authorities in Greater Manchester are working to deliver a single investment strategy, underpinned by a new Greater Manchester Investment Team who are based at Manchester City Council. The strategy is underpinned by the availability of a range of financial support, totalling more than £100m. These include the Regional Growth Fund (RGF), Growing Places Fund (GPF), Evergreen Fund, European Regional Development Fund (ERDF), Homes and Communities Agency. Each of the funds has different eligibility criteria, which means that a broad spectrum of development propositions can be considered.

3.5 The City Deal empowers the region to maximise economic growth through a range of agreements between the Government and Greater Manchester Combined Authority (GMCA). The centrepiece of the City deal is a payment by results Infrastructure Fund where Greater Manchester will 'earn back' part of additional tax revenue from Gross Value Added (GVA) increases resulting from up front investment in infrastructure. This is forecast to unlock £1.2bn of infrastructure investment, generating a 30-year revenue stream of up to £30m a year from 2015. A Greater Manchester Investment Framework will be established to align core economic development funds.

3.6 At the heart of Manchester's Community Strategy 2006 - 2015 is the imperative to link Manchester residents with the economic growth of the city, to reduce worklessness and to improve skills. Public Sector Reform involves reforming the way residents receive services and in doing so reduces dependence on high cost public services.

Manchester Investment Fund (MIF)

3.7 The objectives of public sector reform and community budgets are to:
- Adopt progressive approaches to resource reduction to sustain improvement;
- Create incentives and removing blockages for investment across agency boundaries and into earlier intervention;
- Be underpinned by integrated decommissioning and recommissioning;
- Drive cashable savings from investment to scale up reform and reduce levels of spend.

3.8 The MIF is Manchester's version of a Community Budget for Complex Families. The Budget and Council Tax 2011/12 Budget established the MIF in order to pull together the budgets that are focused on complex families into a single budget across the Council. The fund includes elements of the Supporting People Budget, Early Intervention Grant (EIG), funding for family intervention projects and funding for drug and alcohol treatment. The work will be underpinned by an Investment Agreement with partners underpinned by robust evidence on what works.

Review of the Manchester Partnership

3.9 Throughout 2011/12 there have been significant changes to the governance structures of the Manchester Partnership. The Partnership includes Executive Members. Locally elected members take an overview of partners' contribution to strategic priorities for the city through the scrutiny process. Thematic Partnerships have been rationalised but continue to direct and co-ordinate activity that deliver Manchester's the Community Strategy 2006-2015. The main governance changes are summarised in paragraph 5.16.

Service Transformation

3.10 A service transformation programme was underway before the announcement of the financial CSR settlement in autumn 2010. However, the pace and scale of change required to deliver the priorities for the Council and the City was accelerated. This has resulted in fundamental changes to the way in which the Council is organised and services are delivered. The impact of this transformation process has been significant with more than 2,000 people leaving the Council mainly through the large scale voluntary early retirement / voluntary severance scheme. This pace and extent of change presented risks to the delivery of budget savings and achieving objectives. These risks have been managed and monitored through the Medium Term Financial Plan 2010/11 to 2012/13 and ***m people***.

3.11 ***m people*** was agreed with Trade Unions in November 2010 in preparation for the scale of transformation required. It set out a framework to more flexibly deploy the workforce to areas of greatest need and develop skills for the future. ***m people*** enables movement and development of the existing workforce, providing entry level rates for Manchester residents through apprenticeships. This, in turn, supports the Council's priority of reducing worklessness in the City. The direction of travel and approaches to resourcing is reflected within the refreshed People Strategy. (See paragraph 4.18-4.20 for further information).

3.12 2011/12 was also a period of considerable legislative change.

The Localism Act 2011

3.13 The Localism Act 2011 was passed on 15 November 2011. Implications for governance include the abolition of the Standards Board and greater local control over business rates. With the abolition of the Standards Board the Council will need to adopt its own Code of Conduct for elected and co-opted members of the Council and put into place its own arrangements for investigating allegations of misconduct by elected Members and for decisions to be made in relation to them. It will also be a criminal offence for an elected Member to deliberately withhold or misrepresent a “disclosable pecuniary interest” in a matter. See paragraph 8.5 for further information and paragraph 6.10 for how the Council has progressed implementing the Act.

Health and Social Care Act 2012

3.14 The Health and Social Care Act 2012 will lead to major restructuring of healthcare services, councils' responsibilities for health improvement and the coordination of health and social care. The Act devolves power and responsibility for commissioning of NHS Services, creates a new role for local authorities in public health and establishes new accountability and scrutiny arrangements. An independent NHS Commissioning Board and statutory health and wellbeing boards, at local authority level, are expected to be in place by April 2013. Paragraph 5.16 outlines Manchester’s Health and Well-Being Board that is currently operating in shadow form.

Education Act 2011

3.15 The Education Act 2011, passed on 15 November 2011, signalled significant changes to the relationship between local authorities and schools. The Council has establishment and commissioned One Education, a wholly owned Manchester City Council company, to assist the local authority to respond to the changes in a positive way, both in terms of the interface with schools and in providing challenge as champions of children in the City. See paragraph 8.11 for further information about One Education.

Greater Manchester Combined Authority (GMCA)

3.16 From 1 April 2011 the first ever Combined Authority came into being. Greater Manchester Combined Authority (GMCA). The GMCA is a unique model of governance for a city region, provided for by the Local Democracy, Economic Development and Construction Act 2009. Whilst it builds on the AGMA model of voluntary collaboration between local authorities through a Joint Committee, the GMCA is a statutory body with its functions set out in legislation. These functions, which cover the Greater Manchester area, include all the transport functions previously overseen by GMITA, plus some economic development and regeneration functions. A new set of transport functions, notably those adopting responsibility for traffic light signals and reports on road traffic levels have also been delegated by the constituent councils to the GMCA. The aims of GMCA will also be complemented by the work of AGMA which continues to collaborate across the city region on health; public protection; housing; strategic planning; environment; improvement and efficiency; and grants.

Greater Manchester Local Enterprise Partnership (GMLEP)

3.17 The Greater Manchester Local Enterprise Partnership (GMLEP) is a business-led partnership between local government, businesses, further and higher education bodies and voluntary and community sector organisations. GMLEP plays a key role in shaping strategy and overseeing delivery in a number of areas:

- Employment and Skills
- Business Support for New Businesses and Growth
- Inward Investment and International Trade
- Marketing and Tourism
- European Funding
- Low Carbon Economy
- Planning, Housing and Transport
- Research and Strategy Development

3.18 Although not a formal part of the GMCA governance arrangements, the GMLEP includes representation from the Chair and Vice Chairs of the GMCA. Minutes of the GMLEP are reported to GMCA, who integrate Local Authority economic development functions as delegated by the Greater Manchester districts.

3.19 In March 2011 a new Local Investment Plan (LIP2) was agreed as a prospectus for public and private sector investment in GM regeneration and housing. This supported all GM authorities working together through AGMA and with the Homes and Community Agency (HCA) in developing new models of investment, agreeing overall priorities and improving autonomy around sign off processes.

3.20 The key governance arrangements for the GMCA and the Transport for Greater Manchester Committee (TfGMC) are prescribed in the GMCA Order 2011. These arrangements are supplemented in the GMCA constitution and the GMCA Operating Agreement, which deals with the respective roles of the GMCA, the TfGMC and Transport for Greater Manchester (TfGM) in delivering efficient and effective transport arrangements for the Greater Manchester Region. As a statutory body, GMCA is obliged to produce an Annual Governance Statement (AGS) which provides fuller details about its governance arrangements and a review of their effectiveness.

3.21 Transport and Economic Development Protocols deal with arrangements for the GMCA to discharge functions (including Post-16 Education and Training; Air Quality; Housing Strategy; Sustainable Community Strategy; Visitor and Conference Promotion) which are more efficiently and effectively dealt with at a "regional" level.

3.22 Following the creation of GMCA and GMLEP, AGMA's governance arrangements were reviewed and a revised AGMA constitution has been adopted.

4. The Governance Framework

4.1 Manchester City Council's Code of Corporate Governance has been aligned with the guiding core principles contained with the CIPFA/SOLACE framework for delivering good governance in local government (2007). Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a Council relates to the communities that it serves. The Code of Corporate Governance, contained within the Council's Constitution supports the Council in translating the Council's Pride in Manchester as a Place and its Pride in the People of

Manchester, into better lives for all of the city's citizens and communities. This section of the AGS summarises the six principles of the Code of Corporate Governance and the wider governance framework that supports its delivery.

- Principle 1: Focussing on the Council's Purpose and Community Needs;
- Principle 2: Having clear responsibilities and arrangements for accountability;
- Principle 3: Good conduct and behaviour;
- Principle 4: Taking informed and transparent decisions that are subject to effective Scrutiny and risk management
- Principle 5: Developing the Capacity and Capability of Members and Officers to Be Effective
- Principle 6: Engaging With Local People and Other Stakeholders to Ensure Robust Public Accountability

<u>Core Principle 1: Focusing on the Councils Purpose and Community needs</u>

Manchester's Vision

4.2 Manchester's vision is to be a world-class city with a larger population that is wealthier and living longer, happier and healthier lives in diverse, stable and cohesive communities. This is articulated in The Manchester Way: Manchester's Community Strategy 2006 – 2015 which outlines the commitment to:

- Building and sustaining economic growth;
- Reducing dependency of complex families;
- Supporting public service reform.

4.3 The Manchester Partnership is a mature partnership of public, private and third sector organisations that work together to deliver Manchester's Community Strategy Delivery Plan 2011-2015. The delivery plan describes the context and purpose of the strategy, along with the partnership structures and governance arrangements that have been developed to deliver the strategy.

4.4 Manchester City Council's Corporate Plan 2011-2014 sets out further information about our vision, key strategies, priorities and related activities. It also includes the corporate values that underpin all our work.

Our Vision articulated in the Budget Setting Process

4.5 Spending decisions are based on the Council's priorities and the budget principles agreed as part of the 2011/13 budget process. These principles are based around the organisation's role as a leader of public service reform and provider and commissioner of universal and targeted services. It is also based on a strong commitment to neighbourhood focused working supported by a streamlined core of corporate services. The budget proposals are set out in the suite of budget reports for 2011/13. This work has been underpinned by the Council's values of People, Pride and Place and a commitment to developing the skills of the workforce aligned to the principles of ***m people*** (see paragraphs 4.18-4.20).

Creating a Vision for the Local Area

4.6 Local councillors alongside local businesses, residents, public, private and voluntary sector organisations are crucial in creating a vision for their local areas. Underpinning the vision are local plans and ward plans. Local Plans have been developed where neighbourhoods will undergo significant long-term transformation. These plans analyse the existing physical, social, economic and environmental conditions in an area. Ward Plans are developed for every ward in the city and their key focus is in improving services at the local level. Ward plans highlight the aims and objectives being undertaken to achieve the transformation of neighbourhoods across the city and clearly articulate the priorities for each ward.

4.7 Ward councillors will, through structures such as ward coordination, ensure that a neighbourhood focus is maintained and outcomes are delivered that meet the needs of individual wards and its communities. The ward coordination process will be responsible for identifying the needs of residents and their respective neighbourhoods. Services that are integral to the ward coordination process will ensure that issues raised are dealt with and outcomes fed back through the ward coordination system.

Implementing a Vision for the Local Area

4.8 Manchester as a geographical area has been grouped into six Strategic Regeneration Framework (SRF) areas. Strategic Regeneration Frameworks (SRF) provide a long term vision for an area. They set a broad spatial framework within which investment can be planned and guided to make the greatest contribution to social and economic objectives. SRFs reflect the aims of the Community Strategy and address how they contribute to the City's objectives.

4.8 The Strategic Regeneration Framework (SRF) Delivery Groups deliver SRF priorities. Membership of the SRF Delivery Groups includes Senior Management Team (SMT) officers and representatives from Job Centre Plus, further education colleges, third sector organisations and primary & secondary healthcare providers.

4.9 The SRF Delivery Groups ensure the co-ordination and effective delivery of neighbourhood focused services; develop shared outcomes and performance management tools and structures, derived from citywide models. This enables all members of strategic partnerships to learn from, scale-up and roll out lessons from specific initiatives. There needs to be consistency of approach adopted across all SRF delivery groups. Governance arrangements of SRF's including member engagement, are under regular monitoring to ensure a consistent approach across the city.

4.10 For neighbourhood working citywide, accountability and scrutiny is via the Manchester Board, Neighbourhoods Board and Manchester Investment Board. At neighbourhood level, wards remain the fundamental building blocks for service delivery and the key accountability to Members is through ward co-ordination. Members are consulted and engaged with key regeneration initiatives at SRF member briefings, through ward co-ordination and where relevant local plan steering groups.

4.11 The <u>Neighbourhood Focus Strategy</u> sits at the heart of Council priorities. It is an essential component in the delivery of the Community Strategy and our services enabling us to create successful neighbourhoods which attract and retain people from diverse communities and in which people feel secure and supported. It is central to the way we respond to the needs of the communities that live and work in Manchester. Working at a neighbourhood level allows us to be much more responsive as well as more efficient and effective in our use of resources.

Reviewing the Vision

4.12 We review the implications of our vision on our governance arrangements through:

- Regular refreshes of the Community Strategy and Strategic Regeneration Frameworks.

- The Medium Term Financial Strategy (MTFS) 2010/11 to 2012/13 and the Budget Report for 2013/15 sets the approach for the next two years.

- A new Performance Management Framework (PMF) introduced in 2011/2012 presents robust performance and financial information to inform how best to use resources to focus on achieving the outcomes of the Corporate Plan 2011-2014 and The Manchester Way: Manchester's Community Strategy 2006 – 2015. The new PMF has strengthened the business planning process, the corporate and Directorate performance dashboard reporting and has enabled an improved understanding of the drivers for performance through the interdependencies between performance, cost, risk and value for money. This has enabled reporting of performance data to be more open and transparent. Scrutiny is provided through the Overview and Scrutiny Committees.

- Regular resident consultation and engagement activities.

- Engagement with staff, to help assess how we support them and deliver against our commitments to People. Staff engagement is through a number of mechanisms; including appraisals, 1to1 meetings between staff and managers and regular employee surveys. The last employee survey took place in 2011.

Communicating the Vision

4.13 Effective external communication of our vision, purpose, and performance is through:

- The Council website. SOCITM (national body for local authority communications and IT management) awarded our website 4 stars, the highest possible rating. The website has also been named best in the North West;
- Key publications such as The Annual Report; State of the City and State of the Wards;
- Activity-based consultation - providing people with an opportunity to share views and opinions on our future plans and our performance in delivering services. Consultation exercises included The Budget and Council Tax 2011/12 Budget
- Communication tools including social media sites; Blog Networks to make use of key bloggers across the city to promote our key messages;
- Effective working arrangements with our media partners, including the Manchester Evening News (MEN), local media news services, Manchester Confidential, business specific media and online marketing solutions;
- Manchester Library Business Information Services ;
- Business Enterprise Network;
- Housing Association links;
- The Manchester College;
- Marketing Manchester ;
- Cityco Monthly communications;
- Regeneration Teams and Ward Coordinators;

- School Newsletters;
- Leaflets such as About Your Services and Education Benefits;

Value for Money

4.14 Manchester City Council Value for Money Strategy 2010-2013 was approved in 2010. The Strategy defines Value for Money (VfM) as: *“about obtaining the maximum benefit from the resources available to the organisation. It is often defined as achieving the right balance between economy, efficiency and effectiveness, the 3 E's - spending less, spending well and spending wisely. For Manchester this means delivering the best services at the lowest possible costs to our residents.*”

4.15 The VFM Strategy is regularly monitored through the VfM action plan. In addition, VfM is an integral component of the Council’s business planning process and is integrated and monitored through the Performance Management Framework (PMF).

Failure in Service Delivery

4.16 The Council is committed to ensuring the highest possible standards of public accountability. It operates a well published Complaints procedure. Grievances against the Council can be reported directly to the Council’s Corporate Complaints team, local Councillors or the local government ombudsman. The Complaints procedure is published in the booklet “Comments, Compliments and Complaints **–** Let us know what you think about Council services”. Staff policy and procedures guidance is also available.

<u>Principle 2: Having Clear Responsibilities and Arrangements for Accountability</u>

Having clear responsibilities and arrangements for accountability;

4.17 In order to achieve this we have:

- A clear statement of the respective roles and responsibilities of all Councillors and senior officers;
- Clear guidance for Councillors on their individual and collective roles and responsibilities when working with partners;
- The Council’s Constitution which includes a Scheme of Delegation that states which senior officers have which delegated powers. The Constitution is reviewed annually to ensure it reflects political and organisational changes in the national and local context;
- The Code of Conduct for Members and Code of Conduct for Employees in the Council's Constitution (Part 6, Section A and Part 6, Section E respectively);
- The Member/Officer Relations Protocol set out in Part 6, Section F of the Council's Constitution. The Protocol ensures Members receive objective and impartial advice and that Officers are protected from accusations of bias and any undue influence from Members;
- A Chief Executive who is responsible and accountable to the Council for operational management;
- The Handbook for Leaders which is an internal Guide for senior managers to assist them to better understand and perform their duties. It brings together and summarises the various codes, policies and protocols concerned with the governance of the Council. Throughout the guide there are signposts to more detailed policies and procedures and training opportunities.

Principle 3: Promoting the Values for The Authority And Demonstrating Values Of Good Governance Through Maintaining High Standards Of Conduct And Behaviour.

*People Strategy and **m people***

4.18 The People Strategy sets out the organisation's key priorities in relation to developing and supporting its people between now and 2015. The Strategy was refreshed in March 2012 within the context of the evolving role of the local authority from direct provider to enabler of public services and the people requirements of the Council's transformation programme. It is supported by ***m people*** and also the organisation's Values of People, Pride and Place.

4.19 ***m people,*** launched in January 2011, provided a structured framework for supporting staff movement across the organisation and enabling staff development. ***m people,*** with its nine underpinning principles, drives transformation to a smaller, more agile and skilled workforce. ***m people*** has enabled over 40 large scale service redesigns to be delivered during 2011/12, directly impacted over 5,000 employees and supported the achievement of circa. £57 million in workforce savings. Since March 2011 over 3,000 ***m people*** placements have been made.

4.20 The focus in the coming year will be on developing staff whilst continuing to stimulate movement and embedding ***m people*** within the organisation.

Officer Competencies

4.21 As part of the Council's Transformation Programme, services have been redesigned to strengthen their outward focus on achieving outcomes for residents. Employee job roles have been reassessed to clearly identify the key competencies of the job profile. We have moved from specific job descriptions towards generic, flexible role profiles that reflect the organisation's evolving role in light of public service reform. To reflect this approach, we now have nine behavioural competencies. Demonstrating the competencies and values is a core component of the recruitment and selection process, staff assessment and appraisal.

Conduct and Behaviour

4.22 The Code of Conduct for Members and Code of Conduct for Employees, referred to in paragraph 4.17 above, sets out high standards of personal conduct and behaviour based on the 7 principles of public life enunciated by the Nolan Committee. The shared object of these codes is to enhance and maintain the integrity (real and perceived) of local government. The Member/Officer Relations Protocol, also referred to in paragraph 4.17 above, reflects the principles underlying the Code of Conduct for Members ("the Members' Code") and the Code of Conduct for Employees ("the Employees' Code").

4.23 The Standards Committee reports annually on ethical governance within the Council. Alongside the Audit Committee it has overview of the Council's Whistle Blowing Procedures. The Council's Whistle Blowing Policy enables employees and others to raise matters of concern about potential malpractice, in any respect of the Council's work.

4.24 To prevent Members from being influenced by prejudice, bias or conflicts of interest, we maintain and perform regular checks on our Register of Interests for Members.

4.25 The Council also operates an Anti Fraud and Anti-Corruption Policy relating to anti-bribery and money laundering regulations, all supported by detailed operational procedures. Further guidance on the policies is provided in the Handbook for Leaders, a guide for Senior Managers.

4.26 The Council's diverse learning and development programme raises staff awareness and equips staff with the skills and tools required to effectively deliver good customer service and sound financial management practices.

Principle 4: Taking Informed and Transparent Decisions that are Subject to Effective Scrutiny and Managing Risk

Informed and transparent decision making

4.27 The Council's Constitution sets out the decision making framework and processes. Paragraph 4.17 above provides further information.

4.28 Key and major decisions taken by the Executive and Regulatory Committees are made in public meetings (subject to limited exemptions). Agendas and reports are made available to the public well in advance of meetings. The Personnel Committee makes key decisions in relation to the workforce, including the establishment of senior posts. From April 2012, these decisions will be made within the framework of the Council's Pay Policy Statement, which will be refreshed annually in line with the requirements of the Localism Act 2011.

4.29 The Council continues to deliver both its strategic objectives and services through partnership arrangements. The 2011 Register of Significant Partnerships lists details of those arrangements that are of key significance to the achievement of our outcomes. These partnerships are not uniform in their nature and cover a wide range of activities from The Manchester Partnership to major regeneration partnerships such as New East Manchester. The Council annually reviews the Register as part of the process of reviewing our governance arrangements.

4.30 A Partnership Governance Framework is in place to provide guidance and support to Council staff engaged with partnership working. The framework covers issues of accountability, managing risk, rationalise working arrangements and achieve value for money.

4.31 The Manchester Partnership's annual suite of State of the City reports and other needs assessments such as the Joint Strategic Needs Assessment (JSNA) informs our vision for Manchester, directs the development of commissioning intentions and the subsequent procurement activity within each of the partner organisations.

Business Planning

4.32 The Council's Business Planning process is a three year rolling cycle. The current cycle runs from 2012-2015. Overarching business plans are produced for the Directorate for Adults, Health and Well Being, Children's Services, Neighbourhood Services, the Corporate Core and the Manchester Investment Fund. Each Strategic Director provides assurance and evidence of how its directorate operationalises the delivery objectives of The Manchester Way: Manchester's Community Strategy 2006 – 2015. Directorate Business Plans also set out how corporate values of *People, Pride and Place* and corporate priorities are reflected in the directorate's work. The business plans include budget delivery and workforce development plans. Business plans are available for call in by Scrutiny Committees. The final versions of the plans are informed by feedback from the scrutiny committee process.

4.33 Directorate Business Plans direct the work of individual services and teams. Staff are set objectives to further their service/team plans via the appraisal process. Communication events and information is circulated to assist staff to understand how their daily work impacts on achieving positive outcomes for residents.

Use of Information

4.34 The Performance Management Framework (PMF) provides decision makers with the performance and financial information needed to allocate resources. PMF aligns people, physical assets and financial resources across agencies. (See paragraph 4.12 for further details).

4.35 The Council's is continuing to develop an Intelligence Hub to support integrated commissioning. The prototype version will be in place by 31 May 2012. It will be further developed in 2012-13. The Intelligence Hub will become a live source enabling decision makers and commissioners to access more timely information. It will include an interactive, public-facing web tool that will bring together:

- The State of the City reports;
- Joint Strategic Needs Assessments;
- ward profiles;
- performance information dashboards and statistics;
- Links to advice and guidance about procurement, commissioning and the provisions of the Data Protection Act 1998 and the Freedom of Information Act 2000.

The Equality Act 2010

4.36 The Council must consider its obligations under Section 149 of the Equality Act 2010. The Council is committed to demonstrating due regard in the execution of all of its existing and planned functions by extending its Equality Impact Assessment (EIA) framework. An internal audit of this framework in October 2011 offered substantial assurance over its robustness and effectiveness in assisting the decision making process. The internal audit report made recommendations to strengthen some areas that impact governance arrangements, including the approval process for final sign-off of the EIAs, publication arrangements and accessibility improvements to improve website navigation. The Council will continue to address these areas and progress improvements.

Scrutiny Committees

4.37 Scrutiny Committees review decisions made by the Council and makes recommendations to ensure that the people of Manchester get the best out of their public services and that they are delivered in the way residents want. Membership includes at least seven elected members.

Publication of Committee Papers

4.38 The Forward Plan contains all the key decisions that the Council expects to make over the next four months. The plan is rolled forward every month. The Forward Plan and Executive and Committee agendas are published in advance of the scheduled meetings. They are available to the public, along with reports and Minutes, on the Council's website. Key decisions delegated to officers are recorded and publically available on request.

Risk Management

4.39 The City Treasurer has overall responsibility for the Risk Management function and the Head of Internal Audit and Risk Management manages these functions. The Risk Management function is primarily concerned with:

- Reviewing governance, risk management and internal control arrangements;
- Providing support in improving arrangements for the identification, evaluation and management of risks, including the provision of health and safety support, business continuity planning and insurance;
- Reviewing strategic risk management and business continuity arrangements as set out in the Corporate Risk and Resilience Strategy 2012.

4.40 The Corporate Risk and Resilience Strategy 2012 sets out the objectives and priorities for risk and business continuity. It is set within the context of changes in governmental policy, Public Service Reform, fiscal constraints and the Council's transformation programme.

4.41 The Corporate Risk and Resilience Team (CRRT) has designed and implemented an approach to corporate risk reporting that reflects the Council's growing risk maturity. It allows a sharper focus on intervention and action within the broader context of the risk landscape in which the Council operates. The approach distinguishes between the external, strategic risks and the key risks relating to internal operation and governance. The key strategic, external "outward facing" risks are at least partially dependent on external factors such as changes in national policy and the external economic environment. "Inward facing" internal operation and governance risks are those directly within the control of the Council through its strategies, policies, structures, business planning and reporting frameworks.

4.42 The Council's Strategic Directors and their management teams identify, scrutinise and manage the risks to the delivery of their business plans and broader strategic risks to their service in a Directorate Risk Register.

<u>Principle 5: Developing the Capacity and Capability of Members and Officers to Be Effective</u>

4.43 A cross party Member Development Group chaired by the Deputy Leaders meets regularly to discuss the development needs of Councillors. The group agrees their overall strategy for learning and development as well as considering individual training requests. A new personal Member development planning programme was successfully piloted during 2011/12 and will be rolled out during 2012/13. The induction programme for new members has been revised in light of feedback received from newly elected councillors during the May 2011 election. It includes sessions on the decision making process and appropriate Members conduct and behaviour. We will continue to operate internal training courses and signpost Members to training opportunities, including online courses and programmes provided by The North West Employers Organisation.

4.44 Public Sector Reform (PSR) is increasingly important. Briefing sessions continued to be offered by Strategic Directorate teams on changes and potential changes as a result of PSR.

4.45 During 2011/12 Members training sessions included:

- Putting Fairness at the Heart of Budget Decisions;

- Early Intervention for Families at Risk;
- Championing Health in Your Community;
- Localism for the New Councillor;
- MCC's Budget & Business Planning Process;
- Equality Impact Assessments;
- Localism Act Seminar: Preparing a Pay Policy Statement;

4.46 The Member's dedicated Intranet Site has been developed to signpost Councillors to information that is specifically of relevance to them. Members also have access to the same information as staff via the Council's Intranet Site.

Connect Events 2012

4.47 The Council operates an internal communication events programme: 'Connect 2012' to help staff gain a better understanding of:

- The neighbourhoods working approach;
- Community budgets and complex families;
- Work to achieve economic growth;
- The skills, knowledge and behaviours needed now and in the future;
- How staff can share information about what works best and what can be built on.

<u>Principle 6: Engaging With Local People and Other Stakeholders to Ensure Robust Public Accountability.</u>

4.48 Councillors are democratically elected and accountable for the decisions in their local area. This gives them a clear leadership role in building sustainable communities. Robust public accountability is achieved by:

- Maintaining a robust scrutiny function (see paragraph 4.37);

- Engaging with all sections of the community, recognising that different sections of the community have different priorities (see paragraph 4.36);

- Ensuring that we have a clear policy on the types of issues that warrant us to consult with the public and services users;

- Identifying within Directorate Business Plans, key engagement and communication activities that will provide opportunities for local people to influence decision making;

- Operating a Council Complaints Procedure (see paragraph 4.16);

- Publishing a Corporate Plan (see paragraph 4.4);

- Publishing annual financial statements and the Council's Annual Accounts. These are also reviewed by the Council's external auditor, whose opinion is also published;

- Publishing an annual State of the City Report (see paragraph 4.35 above);

- Publishing ward newsletters, ward plans and regular ward updates;

- Consulting with businesses and local residents about the budget process, published on the budget consultation pages of the Council's website. We also make available a suite of budget reports to local business representative groups such as the local Chamber of Commerce;

- Operating a paper and e-petition scheme;

- Operating a Publication Scheme describing the information that the Council routinely makes available to the public together with the Council's obligations for public access to information under the Freedom of Information Act 2000, Environmental Information Regulations 2004 and for handling Section 7 requests under the Data Protection Act 1998;

- Responding to the Department for Communities and Local Government's Code of Recommended Practice for Local Authorities on Data Transparency and amendments to the Freedom of Information Act 2000 in the Protection of Freedoms Bill 2011 , which became The Protection of Freedoms Act 2012 on 1 May 2012. This Bill requires public authorities to proactively consider releasing information in re-usable electronic machine readable formats.

5. Annual review of effectiveness of the governance framework

5.1 Manchester City Council (MCC) has a legal responsibility to conduct an annual review of the effectiveness of its governance framework, including the systems of internal control. MCC has gained assurance and concluded that's its governance systems are robust through its review of effectiveness carried out during 2011/12. The six principles of the Code of Corporate Governance (paragraph 4.1) were reviewed though the following mechanisms:

- Audit Committee's challenge and scrutiny of the work of internal audit and review of the internal systems of risk and governance (paragraph 5.4)
- Internal Audit's ongoing review across the Code (paragraphs 5.7 – 5.11)
- External Auditors opinion of the effectiveness of our systems of risk and governance as part of their annual Value for Money assessment (paragraph 5.12)
- Our internal business planning process that requires our Chief Officers to review how effectively they manage their Directorate's governance arrangements (paragraph 5.17)
- External assessments carried out by regulatory bodies (paragraphs 5.20 – 5.21)

5.2 The Council has four committees jointly responsible for monitoring and reviewing the Council's governance. These are:

- the Executive;
- the Audit Committee;
- Finance Scrutiny Committee (formerly known as Resource and Governance Overview and Scrutiny Committee);
- The Standards Committee.

The Executive

5.3 Responsible for proposing the budget and policy framework to the Full Council, and for discharge executive functions. The Executive is responsible for taking in-year decisions on resources and priorities in order to deliver the budget and policy framework.

Audit Committee

5.4 Responsible for approving the Council's Annual Accounts and responding to the External Auditor's recommendations. It also oversees the effectiveness of the Council's governance and risk management arrangements, the internal control environment and associated anti fraud and anti corruption arrangements.

Finance Scrutiny Committee

5.5 Responsible for scrutinising the implications for our governance arrangements in relation to financial and budgets management, corporate, partnership and city region governance and the Council's Transformation Agenda.

The Standards Committee

5.6 The Standards Committee is responsible for promoting and maintaining high standards of conduct amongst Members, advising on the adoption and revision of the Code of Conduct for Members, and for monitoring the operation of the Code of Corporate Governance. The end of the national standards framework for conduct of elected members means that the Council must put in place, by 1 July 2012:

- A new code dealing with the conduct of Members and co-opted members that is consistent with the Nolan Principles of Public Life;
- Arrangements for the recruitment of one or more independent persons;
- Adopt arrangements for the investigation of allegations that a member of the Council or Ringway Parish Council has failed to comply with the Code;
- Establish and maintain a register of interests of Members and Co-opted Members;
- Consider whether to establish a voluntary Standards Committee and if so what form it should take.

Reviews conducted by Internal Audit and Risk Management

5.7 The Head of Internal Audit and Risk Management is responsible for providing an independent opinion on the adequacy and effectiveness of the Council's systems of internal control. This is delivered through an annual programme of audit work designed to raise standards of governance, risk management and internal control across the Council. Internal Audit Assurance Reports are presented to Audit Committee to provide assurance that the annual programme is being delivered as planned. This culminates in the Annual Opinion Report.

Head of Internal Audit and Risk Management Annual Opinion 2011/12

5.8 Based on the programme of planned Internal Audit work and other than in respect of a small number of significant control issues that have arisen during the year which have been referred to in reports to the Council's Audit Committee, the Head of Internal Audit and Risk Management has provided substantial assurance that the Council's systems of governance, risk management and internal control are generally sound and operate reasonably consistently across departments. Areas of concern reported to Audit Committee and subjected to scrutiny in the year included purchasing arrangements in schools, care home monitoring, control of ICT assets and the resilience and security of the Council's ICT infrastructure. Audit processes ensure improvement actions are taken by management on all agreed reports and progress in the implementation of these actions are reported regularly to the Committee throughout the year.

5.9 There are no specific governance, risk management and internal control issues which cause any qualification of the above opinion. The main issue and priority, as recognised by management, is that the Council sustains and completes the programme of transformational change and embeds improvement across the Council whilst maintaining service delivery and the effective operation of key controls. Good progress has been made in the following key governance, risk management and internal control areas which are integral to continued improvement:

- ICT resilience and reliability;
- revised social care offer and customer journey;
- information governance and security;
- youth and early years;
- neighbourhood focus and delivery models; and
- workforce capacity and development

5.10 In a Council of Manchester's size and complexity, with its significant change agenda and the impact of the Comprehensive Spending Review (CSR) settlement in 2010, there is a heightened risk of reduced compliance with control mechanisms, particularly where roles and systems are changing. Areas of potential risk and areas for improvement have been identified, recommendations have been made to address the risk and management action plans have been agreed.

Review of effectiveness of the system of Internal Audit

5.11 In accordance with the requirements of the Accounts and Audit Regulations 2003 (Amended 2006 and 2011) the Council conducts an annual review of the effectiveness of its system of internal audit to be considered as part of its governance assurance processes, including the production of the AGS. The 2011/12 review demonstrated that we have an effective system of internal audit including a policy framework, internal audit function, Audit Committee and effective management engagement. Internal Audit continues to operate in line with professional standards and codes of ethics for the delivery of audit work. Grant Thornton, our external auditors, confirmed that they take assurance over the quality and extent of audit work done in 2010/11 including assurance over the core financial systems activity. They have also agreed to the approach taken in the 2011/12 audit plan.

External Auditor's Review of Effectiveness of our Governance Arrangements

5.12 The External Auditor's Annual Audit Letter summarises the key issues arising from the work that Grant Thornton (external auditors) carried out. The Annual Audit Letter for 2011/12 is due to be reported to Audit Committee on 6 December 2012. The External Audit Recommendations Monitoring Report provides assurance to the Audit Committee and Grant Thornton that external audit recommendations have been, or are being, implemented in a timely and satisfactory fashion. During 2011/12 Grant Thornton issued three reports:

- The Audit of Accounts 2010/11 reviewed the accounting risks, issues and audit responses identified within the Accounts Audit Plan 2010-11 and the Council's Internal Audit function. Of its 10 recommendations, four were implemented and six have implementation due dates that are in the future. Their status will be reported in the next monitoring report due in September 2012. The report concluded that:

  "In providing our opinion on the financial statements, we are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion). We are pleased to report that we propose to issue an unqualified Value for Money conclusion."

- The Financial Resilience Review considered the robustness of the Council's financial systems and processes. All six recommendations were implemented. A separate financial resilience report detailing VFM conclusions, findings and recommendations will be presented in the Annual Audit Letter to Audit Committee in December 2012. The report concluded that:

  "..the Council has demonstrated a robust approach to medium term financial planning and has been able to respond quickly to the significant financial challenges; and that it has strengthened its financial governance arrangements in the last 12 months with strong financial leadership from the top of the organisation, earlier business planning processes and increased member involvement and challenge in these processes."

- The Certification work report summarised our overall assessment of the Council's management arrangements in respect of the certification process. Progress in implementing the report's four recommendations will be reported in the next monitoring report in September 2012. The report concluded that:

  "Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns".

<u>Annual Review of Senior Finance Officer</u>

5.13 As part of its work on governance and financial management across public services, the Chartered Institute of Public Finance and Accountancy issued its *Statement on the role of the Chief Financial Officer in Local Government* (the Statement) in 2010. The Council has undertaken a review of the role of its Chief Financial Officer (CFO), the City Treasurer, against the governance arrangements set out in the Statement which are required to ensure the CFO is able to operate effectively and perform their core duties. The Council's financial management arrangements fully conform to those set out in the Statement.

<u>Annual Update of the Council's Constitution</u>

5.14 The City Solicitor reported the 2011/12 review of the Council's Constitution to the Council on 16 May 2012. The review took into account all aspects of the constitution including the Scheme of Delegation; the Financial Regulations; and Rules of Procedure, with the exception of the Codes and Protocols contained in Part 6 of the Council's Constitution (the Code of Conduct for Members, Planning Protocol for Members and Officers, Use of Resources Guidance for Members, Gifts and Hospitality Guidance for Members, Code of Conduct for Employees, Member/Officer Relations Protocol and the Code of Corporate Governance). The Codes and Protocols contained in Part 6 of the Council's Constitution will be reviewed and revised later in the municipal year in to take account of significant changes to local authority governance contained in the Localism Act 2011.

5.15 As a result of the review and in response to implementing the Localism Act 2011, the Constitution, was amended to include reference to the requirement to adopt a Council Pay Policy Statement; a local Code of Conduct for elected and co-opted Members and a Tenancy Strategy.

Review of the effectiveness and the Restructure of the Manchester Partnership

5.16 Throughout 2011/12 there have been significant changes to the governance structures of the Manchester Partnership. The Manchester Board continues to drive collaborative leadership across the public, private, voluntary and community sector partners, ensuring local democratic accountability. The main governance changes are below:

- The Manchester Investment Board (MIB) replaces both the Public Services Board and the Place Board. Its remit combines the strategic overview previously provided by the two Boards. MIB drives delivery of the Community Strategy priorities and provides strategic leadership and direction to public service reform, including integrated commissioning.

- The Health and Wellbeing Board (HWBB) will be a statutory board from April 2013. It currently operates in shadow form. The HWBB is responsible for health and wellbeing in its broadest sense, from birth to death. It covers health and wellbeing issues regarding children as well as adults. The HWBB develops the Joint Strategic Needs Assessment (JSNA) and Joint Health and Wellbeing Strategy. The JSNA is currently being refreshed. It will include clear commissioning intentions to inform the Health and Wellbeing Strategy. The HWBB reports to the Manchester Board.

- The Neighbourhoods Board provides a central forum for managing, at city wide level, the neighbourhood aspects of key strategic and cross cutting issues. The Board's main focus is to strengthen / align current place-based governance arrangements and strengthen links to front line delivery of projects.

- The Strategic Housing Board, the Culture Partnership, the Community Cohesion Board and the Environment Strategy Programme Board all have a place/neighbourhood focus and an obvious fit with the Neighbourhoods Board. Each partnership will continue to have strategic responsibility for managing delivery and reporting on an exception/variation basis to the Neighbourhoods Board.

Review of the effectiveness of Governance through Business Planning

5.17 In 2011/12 the AGS assurance process was aligned with the business planning process in order to reduce duplication and ensure that the process added value to Directorates. The self assessment element of the Business Plan included questions on governance issues. Directorates provided an overall indication of the level of assurance of their governance arrangements, and identified improvement and development objectives.

Refresh of our Register of Significant Partnerships

5.18 The Council's Register of Significant Partnerships comprises all our key partnership arrangements. The Register contains a summary of the governance arrangements and contacts for each partnership. Partnerships range from joint venture partnerships, thematic partnerships and their subsidiaries to key contractual agreements managing substantial amounts of public money. The Register is annually refreshed to keep sight of any potential governance issues in our partnership arrangements. The main contact officer for each Partnership is responsible for completing an annual self assessment of the governance arrangements and providing details of any significant changes to the membership and circumstances of the partnership. This information is then used by senior officers of the Council to score the potential risk that the partnership presents to the reputational or financial standing of the Council. Officers work to support and strengthen governance arrangements for those partnerships that are considered to be of high risk. During the 2011/12 refresh, no partnership was considered high risk and no significant governance issues were identified.

The Council's internal governance and internal control management groups

5.19 Overall officer responsibility for internal governance and internal control lies with the Chief Executive and Strategic Management Team (SMT). The SMT Use of Resources and Governance Sub-Group is responsible for evaluating the effectiveness and fitness for purpose of the Council's corporate governance arrangements and for leading the development and implementation of changes necessary to bring about improvement. The Annual Governance Statement (AGS) Working Group is responsible for supporting the work of the (SMT) Use of Resources and Governance Sub-Group and developing this AGS.

The Care Quality Commission (CQC)

5.20 The Care Quality Commission (CQC) is the regulatory body responsible for the quality of health, mental health and adult social care in England. The CQC produces an annual assessment of how each local authority has commissioned services for people in their local area. However, in future, Councils will be required to instead 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. Although not yet a legal requirement, Manchester has drafted a shadow 2011/12 Local Account which will be published later in the year.

The Office for Standards in Education, Children's Services and Skills (Ofsted)

5.21 Ofsted inspects and regulates services which care for children and young people, and those providing education and skills for learners. As of 4 April 2012, Ofsted inspection reports were published for 42 schools (including three Academy Schools). Ofsted concluded that 52% of schools inspected were good or better for overall effectiveness. One of the Academy Schools was judged to be good or better for overall effectiveness. Two were judged to be good or better for Leadership and Management. All school inspection reports are published on the Ofsted website.

Outcome of SIP Quality Assurance Review of Governing Bodies in Schools

5.22 Schools Quality Assurance Reports received in September 2011 indicated that 64% of schools self evaluated their overall effectiveness, including governance, as: good or outstanding; 31% satisfactory and 5% inadequate. During 2011 those schools self evaluating as satisfactory, who were also inspected by Ofsted, were judged to be at least satisfactory with the exception of two schools.

5.23 Additional governors have been placed on a number of Governing Bodies where greater levels of challenge were required to improve attainment. Work is ongoing with the Manchester Governors Association to provide additional support. Governing bodies can also access a number of bespoke training and development support packages provided by One Education, who play a key role in supporting governing bodies. (For further information about One Education see paragraph 8.11).

Investors in People (IiP) 2011 Assessment

5.24 In November 2011 the City Council was subject to an external reassessment of its Investors in People (IIP) accreditation. It focused on how the Council manages change and people's experience of that change. The IiP Managing Assessor reported *"satisfied beyond any doubt that Manchester City Council continues to meet the requirements of the Investors in People Standard*." The reassessment outcome identified a number of continuous improvement opportunities and a clear programme is in place to support delivery of these opportunities.

6 Progress on governance issues identified from last year's (2010/11) Annual Governance Statement

6.1 This section summarises the activity against each of the governance actions from the 2010/11 AGS.

Governance of the Manchester Partnership

6.2 The restructure of the Manchester Partnership has been outlined in paragraph 5.16.

Performance Management Framework (PMF)

6.3 The PMF has facilitated a move toward greater integration of information on finance, performance, risk, HR/OD, research and intelligence, with a shift of emphasis to reporting intelligence rather than performance indicators. See paragraph 4.10 for information.

Manchester Investment Fund (MIF)

6.4 Paragraphs 3.7 – 3.8 outlines the MIF and its significance to driving the work of the Council over the past year and into future years. Phase one of the MIF developed a New Delivery Model to provide integrated support to complex families and individuals in Gorton/Longsight and Wythenshawe. This work was underpinned by a robust evaluation methodology. Phase two of the MIF was rolled out in April 2012. Integrated commissioning will take place through the North Strategic Regeneration Framework.

6.5 The MIB, chaired by the Deputy Chief Executive (Performance) has oversight of the MIF. It is the key forum for the strategic engagement of external partners at a senior level. The MIB reports to the Manchester Board, chaired by the Leader of the Council. MIB papers are also subject to scrutiny.

6.6 The MIF Commissioning Board (MIFCB), chaired by the City Treasurer, presents quarterly progress reports to the Greater Manchester Community Budgets Investment Board. Membership of MIFCB is being developed and will comprise partners who make a financial investment into the MIF. A prospectus is being finalised to set out the arrangements and encourage investment from partners. This Board is responsible for:

- The commissioning and decommissioning of services;
- Investing the Manchester Investment Fund monies;
- Maintaining links directly into Whitehall;
- Monitoring delivery of the Community Budgets Project, New Delivery Models and New Investment Models.

6.7 The Public Service Reform Governance Board (PSR GB) reports to the Manchester Investment Fund Commissioning Board (MIF CB) and the Manchester Investment Board (MIB). The PSR GB provides strategic direction to the four Community Budget programmes that form our Public Service Reform work. They are Troubled Families, Health and Social Care, Early Years and Transforming Justice, underpinned by the work to develop New Delivery Models and Investment Agreements.

Integrated Commissioning

6.8 Work has been progressing throughout 2011/12 to identify options for the establishment of a Commissioning Hub. This Hub will support Integrated Commissioning at Greater Manchester, citywide and neighbourhood level and support the growing focus on integrated commissioning based on families and place. The options will be considered by the Council's Senior Management Team in June 2012. They will inform substantial changes to link the key commissioning components within the commissioning cycle i.e. the Intelligence Hub, Commissioning, Contract Management and Procurement.

6.9 The Intelligence Hub, described in paragraph 4.35, supports integrated commissioning.

Localism Act 2011

6.10 The Localism Act 2011 has many different parts which will take effect at different times during 2012/13. In implementing the Act, the Council has:

- Worked with Whitehall departments on a range of devolution and growth measures allowed by the Act (Sections 15-20) and contained in a 'Greater Manchester City Deal' that will permit accelerated economic growth in the city region;
- Responded to the consultation on powers for City Mayors in January 2012;
- Preparations for the City Mayor referendum on 3 May 2012 are being made subject to the City of Manchester (Mayoral Referendum) Order 2012;
- Updated the Council's Constitution Article 4 Policy Framework for approval at the Council AGM in May 2012 to include a Council Pay Policy Statement; Code of Conduct for Members and a Tenancy Strategy, as required by the Act;
- Engaged with other AGMA local authorities on the Community Infrastructure Levy and development of local charging schedules;

- Considered how the future elements of the Local Development Framework could take full account of the potential for a stronger neighbourhood structure, which can support updated Strategic Regeneration Frameworks and offer more resource-efficient responses to neighbourhood-level planning;
- Prepared the first annual Pay Policy Statement which was approved by full Council in March 2012. The Statement sets the framework for all decisions in relation to pay and remuneration, including senior pay.

School Governance and Financial Management Arrangements

6.11 The Financial Management Standard in Schools (FMSiS) was replaced by the Schools Financial Value Standard (SFVS). Schools are required to self-assess and report directly to the Department for Education (DfE) rather than the Local Authority. The content of the SFVS is similar to the school audit programme used in Manchester; audit work will still address the key issues in the SFVS. In 2011/12 specific interventions were targeted at those schools that did not meet the previous FMSiS standard, to help them make the necessary improvements to achieve SFVS. Overall there has been an improvement in the assessed governance and financial management arrangements across schools, based on Internal Audit work. The 2011/12 Head of Internal Audit Annual Opinion noted that overall there has been an improvement in the opinions issued following school audits. Some key themes remain where Internal Audit continues to make recommendations but based on audit work the overall understanding and appreciation of governance, financial management and control in schools appears to have improved.

6.12 As well as standard school audits, Internal Audit has undertaken specific audits of particular risk issues identified in individual schools as well as audits ensuring compliance with agreements for schools transferring to academies. It has also undertaken two thematic audits looking at arrangements for management of the payroll and purchasing arrangements in schools. As a result of this work guidance notes were issued to all schools. Purchasing remains an area of risk and the need for all schools to clearly demonstrate value for money has been reflected in updated Schools Financial Regulations. The engagement of Internal Audit and Education Finance in schools forums and other events has continued schools to engage positively in discussion and debate on how best to evidence the economy, efficiency and effectiveness of their procurement and purchasing arrangements.

6.13 Some schools have engaged well and clearly understand the benefits of clear, transparent and effective financial management and governance arrangements. For those schools that engage less and see less immediate benefit from local authority challenge and support, Internal Audit explore other ways to engage including the direct engagement of governors. The Local Authority compliance role applies only to maintained schools so the approach to school development is to support and influence good governance through advice, guidance and the provision of direct support. Advice has been provided, for example, to schools transferring to academy status to ensure staff and governors understand the principles of good governance and how best to embed these in new systems, structure and processes.

6.14 Scrutiny of financial management and governance arrangements has continued through the Schools Finance Board. The Board coordinates and communicates performance within an agreed Quality Assurance Framework. A robust Scheme of Delegation to Schools and new Schools Financial Regulations, have been issued to schools. Within the Scheme of Delegation, the Notice of Concern has been revised to deal more effectively with financial management. Two Notice of Concerns have so far been issued. Regular finance briefings and bursars meetings are held for High School Head Teachers. Service

Level Agreements (SLAs) and a formal performance review process are now in place with One Education.

The Education Act 2011

6.15 Please see Section 3, paragraph 3.15 for further information on the Education Act 2011.

New Service Delivery Models within Children's Services

6.16 Both One Education and the re-commissioning of Early Years are key elements of our drive to improve outcomes for children, young people and families in the City. Governance arrangements have been put in place for both initiatives. An Early Years Transformation Board has been established, Chaired by the Deputy Director of Children's Services, accountable to SMT, with support and challenge from Children's Services SMT and a Corporate Challenge Group. The Transformation Board manages progress against the transformation delivery plan. The Board links through the Integrated Design Authority and the Children's Board to create integrated care pathways. The Health Visiting Task Force ensure engagement and integration with key partner agencies.

6.17 In light of the Education Act 2011 and changing policy landscape, current arrangements are being reviewed in order to determine how the leadership and influencing role of the Council can be strengthen across an increasingly diverse education system which will include more academies as well as free schools. This is highlighted in the actions to further improve governance arrangements.

Public Health Manchester

6.18 Please see paragraph 8.7 for information.

Third Sector

6.19 Work has progressed to improve governance and strategic links with the third sector. Manchester Alliance for Community Care (MACC) have been given a grant agreement, for an initial 18 month period (with a view to extending the agreement for a further 12 months) to provide a single infrastructure service for the third sector. The Service will focus on developing skills, supporting groups to bid for commissioned services, strengthening volunteering and community engagement. The restructuring of the MACC Executive Board will allow for two Council representatives to be represented on the Board.

6.20 Extensive consultation exercises with communities are underway on the service design of a volunteering centre for Manchester, a specialist commissioning support service and a revised community engagement programme. An interim volunteering service is now in operation providing basic volunteer centre functions. Both the governance and management of the organisation will be reviewed following the outcomes of the consultation.

6.21 Proposals for a third sector assembly are currently in development. The assembly will provide a strategic interface between MACC and the broader third sector as well as between the public and third sector.

6.22 The third sector grants management system is under review to develop new processes that will ensure all third sector funding is transparent, reportable and accountable. A grants gateway for applications for funding, better due diligence and contract management of third sector providers will be part of the new approach. This will ensure consistency of practice across all commissioning services using third sector grant funding and will avoid duplication.

Business Continuity

6.23 The new Corporate Risk and Resilience Team, formed in October 2011, merged the Business Continuity Team with the Corporate Risk Management Team. There is good evidence of sustained improvement throughout the year. Corporate incidents over the year, for example, ICT outage, severe winter weather and industrial action have tested the Council's Business Continuity arrangements and essential services have continued to be delivered. The lessons learnt from these incidents continue to further develop our systems for incident triage and allocation of essential corporate resources.

6.24 Directorate Business Continuity needs are now resourced corporately through an established network of named Risk and Resilience Leads. Much of the directorate focussed work is driven by the refreshed risk management health checking process. Integration of risk management and business continuity into a unified structure will, over time, ensure that all directorates develop a streamlined approach to risk and resilience service planning, evaluation and scrutiny. The Corporate Performance Management Framework will include specific performance data relevant to risk and resilience.

6.25 The transformation of Council Business Continuity and AGMA Civil Contingencies services is a critical component of current workstreams. The Business Continuity service contributes to the management of effective resilience within the City as part of a wider Greater Manchester Emergency Planning response. The approach developed was presented as part of an informal visit to the Emergency Control Centre by members of Audit Committee on 22 March 2012. Members were satisfied that effective arrangements were emerging for joint working as and when appropriate.

6.26 A new emerging training offer will provide training and awareness raising opportunities for Council officers and significant partnerships, at a series of levels of seniority and appropriate to their level of engagement with risk management and business continuity workstreams. This training offer will be launched in summer 2012.

ICT Service

6.27 An ICT Strategy is in place with clear objectives and timelines. Its delivery is supported by an ICT Business and Delivery Plan which informs, and has been informed by- service and directorate business plans. New Leadership and a new ICT Service structure are in place to establish an ICT Centre of Excellence. However, a review of operations and staff skills has demonstrated that there are gaps in both processes and knowledge. The ICT Service is working with HR to address this.

6.28 Governance in ICT continues to be strengthened. The ICT Board is chaired by the Chief Executive and meets monthly to oversee the ICT Strategy, infrastructure changes and skills development. The ICT Project Board also meets monthly and a number of sub-groups exist to ensure progress on key ICT linked projects. Regular meetings are also held to support procurement of major tenders, contract reviews and people management issues. This ensures ICT is integrated into the organisation and focused on delivering service improvements and supporting the transformation agendas. Regular performance updates are provided to the ICT Board and the Senior Management Team (SMT).

6.29 Collaboration with Salford on projects like the Data Centre, Disaster Recovery and the Wide Area Network improvements are providing value for money. Ongoing improvement work includes:

- Delivering a SAP upgrade;
- Delivering a fit-for-purpose Data Centre (at Sharp);
- New telephony;
- Improved Wider Area and Local Area Networks;
- Property rationalisation;
- A digital workplace strategy to support neighbourhood and mobile working.

6.30 Information governance and security arrangements have been further developed. The Corporate Information Assurance and Risk Group (CIARG), chaired by the City Solicitor provided corporate oversight of the development of policies and procedures. The Council has approved a revised Information Security Policy. A range of detailed supporting policies and procedures are currently being drafted. A wider communications and awareness campaign is being implemented to increase organisation wide understating of information security risks. This is supported by briefings, on-line training resources and information assurance reviews undertaken by the Internal Audit and Risk Management Service.

6.31 In conjunction with improvements in the ICT infrastructure, a separate Data Governance Team has been established within the Research and Performance function. This team oversee a programme of data quality improvement to underpin the Information Strategy. The Strategy aims to use information more effectively for decision making.

<u>Handbook for Leaders</u>

6.32 See paragraph 4.17 for further information about The Handbook for Leaders. A communications strategy will be developed to help embed the Handbook within the organisation and develop robust internal channels of communication.

7 Significant governance issues identified during 2011/12

7.1 In addition to the governance risks identified in the 2010/11 AGS, the 2011/12 AGS also considers any governance issues and risks which may have emerged during 2011/12. These risks and emerging governance issues were identified through a four stage process:

- Business Plan Self Assessments, which incorporated the Annual Governance Questionnaire. (See paragraph 5.16 for further information);
- Analysis of key performance documents, such as the Budget Monitoring Reports and Risk Reports;
- Discussions with our external auditor, Grant Thornton, and an analysis of external audit recommendations reports;
- A meeting of key SMT Leads to identify and discuss any potential emerging governance issues.

8 Future actions for further improvements to our governance arrangements

8.1 The review of governance arrangements has identified eleven areas where the Council will need to focus its efforts during 2012/13. Some of the issues highlighted arise from national changes in policy that we need to ensure we have robust governance arrangements in place for.

Greater Manchester City Deal

8.2 In March 2012 Government announced a City Deal for Manchester which includes a radical Earn Back Model. The Model is based on the principle that up to £1.2 billion invested up front in infrastructure improvements by Greater Manchester will be 'paid back' to the combined authority as real economic growth is seen. These 'earned back' funds will be reinvested in further infrastructure improvements to allow Greater Manchester to reach its economic potential. Manchester City Council will support GMCA to implement the City Deal Agreements (see paragraph 3.3 for more details). Future investments that would underpin the City Deal operate under the AGMA/Combined Authority Governance Structure, in particular the AGMA Investment Group and AGMA Core Investment Team. Council officers will work to provide support to the AGMA governance structures in place.

Implications of the appointment of Police Commissioner

8.3 On 15 November 2012, Greater Manchester will elect a Police and Crime Commissioner, with responsibility for:

- Appointing the Chief Constable and holding them to account for the running of their force;
- Setting out a five year Police and Crime Plan based on local priorities, developed in consultation with the Chief Constable, communities and others;
- Setting the annual local precept and annual budget;
- Making grants to organisations aside from the police (including but not limited to Community Safety Partnerships).

8.4 There are a number of governance implications for local authorities arising as a result of Police and Crime Commissioners coming into post. As required by the Police and Social Responsibility Act 2011, a Greater Manchester Police and Crime Panel will be established. The role of the Panel will be to scrutinise and challenge the decisions of the Police and Crime Commissioner, particularly on those areas of responsibility mentioned above. It is intended a shadow Panel will be in place from June, with the formal Panel meeting from November. It will be important as these changed governance arrangements become established that effective links are maintained between the relevant Manchester Scrutiny Committees and the Community Safety Partnership with the new arrangements across Greater Manchester.

Localism Act 2011

8.5 The Localism Act 2011 has many different parts which will take effect at different times during 2012/13. Government will be publishing statutory guidance and regulations on the different parts of the Act. After this information is released, we will be better able to assess the implications for our governance arrangements. The sections of the Act that have yet to be implemented are:

- Community rights - In May 2012, Government published the draft statutory Regulations and draft Statutory Guidance on the 'Community Right to Challenge' part of the Localism Act 2011 (Sections 82 -86). The Government has announced that the Community Right to Challenge and associated Regulations and Statutory Guidance will come into force on 27 June, 2012. The Community Right to Challenge will impose a new duty on the Council to "consider expressions of interest" from "relevant bodies" in providing a Council service. For the purposes of the Community Right to Challenge, "relevant bodies" are voluntary and community bodies, organisations set up for purely charitable purposes, parish councils and two or more Council employees. The Community Right to Challenge applies to any service provided on or on behalf of the Council in the exercise of its functions, unless specifically excluded by the Regulations. The Council must consider an expression of interest which is in writing and meets the requirements set out in the Regulations. An expression of interest may be rejected by the Council, but only on the grounds set out in the Regulations and Statutory Guidance. Where the Council accepts an expression of interest for a Council service, it must carry out a procurement exercise for the service.

- Assets of Community Value and the Community right to Bid for these Assets (Sections 87 – 108) will enable community organisations to bid to take over land and buildings that are important to them. They can nominate them for inclusion to the community assets register. If that asset then comes up for sale communities are able to trigger a pause for up to six months in order to raise capital and bid to purchase before it goes on the open market.

8.6 We will assess the implications of these new powers on our governance arrangements, in particular on the new skills and knowledge our staff will need to respond to Community Right to Challenge. Governance implications for this part and all the other parts of the Localism Act will be monitored during 2012/13 and reported to Constitutional and Nomination Committee, Finance Scrutiny Committee and full Council as appropriate. (See paragraph 6.10 for details of the parts of the Localism Act 2011 already implemented).

<u>Health and Social Care Act 2012</u>

8.7 The Health and Social Care Act 2012 signalled wide ranging reorganisation of the NHS with significant implications for local government. It places greater emphasis on integration between health agencies, social care and other council services to deliver person centred support that promotes early intervention, independence, health and wellbeing. The Act brings in changes to governance arrangements:

- The Health and Wellbeing Board has been established as a formal Council Committee (this Board will be statutory from April 2013) with a remit to develop a joint Health and Wellbeing Strategy and to oversee the joining up of services;
- Replacement of NHS Manchester (the Primary Care Trust) with three Clinical Commissioning Groups;
- Integration of the public health function into the Council by April 2013. The latter is currently the subject of an ongoing transformation project with support from the MCC Transformation Team.

8.8 The ongoing implementation and emerging implications of these changes will be formally considered both by the Health and Wellbeing Board and by the Health and Wellbeing Overview and Scrutiny Committee. Some aspects of the changes are likely to require formal decisions to be made by the City Council and these will be taken through the Executive and other MCC Committees as appropriate.

Public Sector Reform and the Manchester Investment Fund (MIF)

8.9 With the development of the Whole Place Budget pilot and the roll out of Phase two of the MIF from April 2012 it is important that governance structures are in place to oversee this development. We will continue to develop and monitor the effectiveness of the governance arrangements both within the council and in the work with out partners.

The Local Authority's leadership and influencing role in School Governance

8.10 In light of the Education Act 2011 and changing policy landscape, current arrangements are being reviewed in order to determine how the leadership and influencing role of the Council can be strengthen across an increasingly diverse education system which will include more academies as well as free schools. A separate piece of work has been commissioned to ensure:

- That the Council has in place systems and capacity to provide strong leadership;
- Strategic governance arrangements are in place to provide an effective means for driving performance and that that schools are supported to carry out a full role in delivering the Community Strategy;
- Local Authority governors are effectively supported to discharge their role; this means providing specific support and training for LA governors.

One Education Effectively Manages the Balance between Autonomy and its Client Side

8.11 One Education Limited is now a successfully established organisation providing school improvement services which schools can commission. It started on 1 September 2011 following an extensive period of development including consideration of the governance arrangements for the new company. One Education is a wholly owned City Council company with the facility for Council representation on the Board. There is currently one Council Officer represented on the Board. One Education operates under a Service Level Agreements (SLAs) with the Council and is subject to a formal performance review process.

Managing Reductions in Resources

8.12 The combined impact of the Local Government Resource Review and other changes to funding arrangements means that there is still significant uncertainty about the level of resource that will be available to support Council services after 2012/13. Whilst difficult to quantify, this will lead to further significant funding reductions and pressures over 2013/15. It is a priority to ensure that effective arrangements are in place to manage these reductions during 2012/13.

Third Sector

8.13 Work has progressed to improve governance and strategic links with the third sector. Extensive consultation exercises with communities is underway regarding the final service design of a volunteering centre for Manchester, a specialist commissioning support service and a revised community engagement programme. Both the governance and management of the organisation will be reviewed in light of the outcomes of the consultation. (See paragraphs 6.19-6.22).

Workforce Development

8.14 The extent of organisational movement and change over the past year has presented an organisational challenge in ensuring the workforce remains aware of and compliant with both organisational and departmental governance processes and practices. ***m people,*** launched in January 2011, provided a structured framework for supporting staff movement across the organisation and enabling staff development. Work will continue during 2012/13 to implement the People Strategy and to support effective workforce and skills development within the council and with our partners.

8.15 Part of this work will involve ensuring that there are the right skills and capacity in place to deliver the ICT service.

Compliance with internal processes and procedures

8.16 The Handbook for Leaders is also a tool for assisting managers to better understand and perform their duties and has been informed by the work reviewing the effectiveness and understanding of processes and procedures within the council. It brings together and summarises the various codes, policies and protocols concerned with the governance of the Council. The guide will be re-launched in 2012/13 with an associated programme of training and support.

Signed: ………………………………………………………………………………………
Leader of the Council

Signed: ………………………………………………………………………………………
Chief Executive