

**Manchester City Council**

**Annual Statement of Accounts 2007-08**

**Subject to Audit**

## **Annual Statement of Accounts 2007-08**

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## **Foreword by Richard Paver, City Treasurer**

### **Introduction**

Welcome to Manchester City Council's Annual Statement of Accounts for 2007-08. The statements have been prepared in accordance with all the relevant prescribed Codes of Practice and Reporting Standards.

The purpose of this foreword is to provide a guide to the Council's accounts and the most significant financial matters as well as setting out the Council's financial position. If you would prefer a smaller simpler version of the accounts, rather than this full version, you can obtain a copy of the Council's summary accounts from your local Manchester library or at [www.manchester.gov.uk/accounts](http://www.manchester.gov.uk/accounts).

The following paragraphs give a brief explanation of the purpose and relationship between each of the main statements that make up the Council's Annual Statement of Accounts. The figures in these statements for 2006-07 have been re-stated where there has been a change in accounting policy or amendments have been identified to provide a more accurate comparison with 2007-08.

### **Statement of Responsibilities for the Statement of Accounts**

The statement confirms the responsibilities of the Council and the City Treasurer for the production and content of the Annual Statement of Accounts.

### **Statement of Accounting Policies**

The statement explains the accounting convention adopted to present the Annual Statement of Accounts and the accounting policies applied.

### **Income and Expenditure Account**

The income and expenditure account reports the annual net cost of each of the Council's functions and demonstrates how these costs have been financed through government grants and income from local taxpayers.

### **Statement of Movement on the General Fund Balance**

The statement reports amounts in addition to the Income and Expenditure account deficit that are required by statute and non-statutory proper practices to be charged or credited to the general fund in order to determine local taxation levels.

### **Statement of Total Recognised Gains and Losses (STRGL)**

The statement brings together the unrecognised gains and losses from the Council's balance sheet with the deficit on the Income and Expenditure Account to show the total movement in the Council's net worth for the year.

### **Balance Sheet**

The balance sheet is fundamental to the understanding of the Council's financial position at the end of the financial year. The statement reports on the Council's balances on assets (fixed and current), liabilities (long and short-term) and reserves.

### **Cash Flow Statement**

The statement facilitates the assessment of the Council's cash flow performance, providing information that assists in assessing the Council's liquidity, solvency and financial adaptability.

### **Notes to the Financial Statements**

These are all the notes relating to the above statements.

### **Housing Revenue Account**

The Council has a statutory requirement to maintain separate records of the income and expenditure on council housing. The statement shows the major elements of housing revenue expenditure (maintenance, administration and capital financing costs) and how this is met by rents, subsidies and other income.

### **Collection Fund**

The Council acting as a billing authority has a statutory requirement to maintain a separate fund showing its transactions relating to non-domestic rates and council tax. The statement illustrates the way in which these have been distributed to preceptors and the general fund.

### **Group Accounts**

For a variety of legal, regulatory and other reasons, the Council may choose or be required to conduct its activities through separate undertakings more or less under its ultimate control. The Group Accounts give a full picture of the Council's economic activities, financial position, service position, accountability for resources and exposure to risk by reflecting the full extent of the Council's involvement with its group undertakings.

## **Annual Governance Statement**

This statement summaries the Council's review of the effectiveness of its overall governance arrangements including its system of internal control.

## **Glossary of Financial Terms**

This is intended to be a 'jargon-buster' assisting the reader to understand the specialist accounting terms and unfamiliar public sector concepts that are contained within the Annual Statement of Accounts.

## **How the Council Performed in 2007-08**

### **Improving our Services**

The Council is committed to improving the services it provides. A recent report published by the Audit Commission judged the Council to be performing well. The Council achieved a three star rating (out of a maximum of 4) maintaining last year's rating. In their report the Audit Commission commented that services are improving adequately highlighting that the Council is well managed with strong ambition and robust partnerships which continue to improve services for local people.

The Council recognises that major improvements are needed in a number of key service areas as Manchester tackles the complex urban problems within the City. The Council is working effectively with its partners to achieve these improvements, through a robust improvement programme.

### **Value for Money**

Manchester City Council is an ambitious authority, driving forward service improvements whilst maintaining low council tax levels and delivering efficiencies. The Council has a strong financial standing and a prudent level of reserves, and has successfully maintained council tax increases below inflation for the last 9 years. Deprivation is a significant factor influencing the levels of spend, and overall costs in Manchester are below average for similarly deprived authorities. In addition to achieving challenging government efficiency targets, we have created headroom for investment in corporate priorities through the Medium Term Financial Strategy, and investment in significant change programmes to transform service delivery in priority areas and deliver improved outcomes for the residents of Manchester.

### **Performance Indicators**

The targets we set ourselves are aimed at improving the quality of life in the city with our partners in delivering Manchester's Community Strategy.

Manchester's employment base is thriving as the number of people working in the city is on the increase. There are 306,000 people employed within the city, a 14.3% increase on eight years ago, and it is predicted that 100,000 more jobs will be created in the next 15 years.

The percentage of pupils gaining level 4 or above at Key Stage 2 has remained relatively stable over the past three years. English has shown an increase of two percentage points, with maths and science both improving by one percentage point in 2007 compared to 2006. Performance at GCSE level is improving year on year at a faster rate than the national average, with 51.8% of pupils achieving this level in 2007.

Safety and crime are big issues for Manchester, with tackling antisocial behaviour a key priority. Manchester's overall performance for 2007-08 was good. Overall BCS Crime (British Crime Survey) has fallen by more than a fifth since the baseline year, with more than 14,000 fewer victims of crime citywide.

Manchester is making good progress in creating the conditions where local people from different background get on well together, with 77% of residents agreeing that this is the case. In addition, 39% of residents agree that they can influence decisions that affect their local area.

During 2007-08, 81% of our Best Value Performance Indicators either improved or maintained their level of performance when compared to 2006-07 and we have action plans in place to improve our performance where we are not achieving the target.

### **Financial Summary 2007-08**

The accounting practice governing local authority accounts has undergone significant changes over the last few years. One of the main aims of these changes has been to harmonise the accounting requirements of the public sector with those of the private sector. Most notably is the requirement to complete an Income and Expenditure Account and a related Statement of Movement on the General Fund Balance. The Income and Expenditure Account shows the Council's financial position for the year before taking into account any statutory adjustments to standard accounting practice required in local government accounts. The Statement of Movement on the General Fund Balance reflects these statutory overrides and shows how the financial performance for the year has impacted on the Council's general reserves.

For 2007-08 the Council's Income and Expenditure Account shows a deficit for the year of £175,944,000 (2006-07 £487,653,000). The main item contained within this deficit relates to the large scale voluntary transfer (LSVT) of council dwellings to registered social landlords (RSLs) as part of the strategy to achieve the decent homes standard. Without this item the Council would have an in year surplus of £62,825,000 in 2007-08 (2006-07 deficit of £32,164,000).

The net cost of providing the Council's services in 2007-08 was budgeted at £432,317,000 In line with the Council's commitment to keep council tax increases to no more than general inflation. This allowed an increase in expenditure of £16,557,000 on the comparable budget for the previous year. As a result council tax increased by 2.94%. Excluding the precepting authorities increases; the level of increase in tax for Manchester's services was 2.5%

### Revenue Expenditure

The actual income and expenditure against budget including the Housing Revenue Account (HRA) is summarised below:

	Actual £m	Budget £m	Variance £m
Employees	579	541	38
Running Expenses	1,023	994	29
Capital Charges	132	138	-6
Contribution to Reserves	59	8	51
Contingency Fund	0	4	-4
<b>Expenditure Total</b>	<b>1,793</b>	<b>1,685</b>	<b>108</b>
Government Grant	852	806	46
Distribution of Non Domestic Rate Pool	262	262	0
Dividends	16	15	1
Other Income	537	476	61
Precept on Collection Fund	126	126	0
<b>Income Total</b>	<b>1,793</b>	<b>1,685</b>	<b>108</b>

The contribution to reserves of £59m consists of contributions to the general fund reserve - £6.145m (shown in the income and expenditure account), contribution to the housing revenue account reserve - £13.512m (shown in the housing revenue account), contribution to local management of schools reserve (LMS) - £9.102m (shown in Note 15 statement of movement on the general fund balance), contribution to other revenue reserves - £23.876m (shown in note 15 statement of movement on the general fund balance) and contribution to pension reserve £6.200m (shown in note 44 local government pension schemes).

The budget for 2007-08 contained an assumed contribution from the General Reserve of £3.825m. The actual outturn position is a contribution to the General Reserve of £6.145m representing an under spend across all budgets of just under £10m.

The table below shows the components of the total underspend against budget.

	<b>2007-08</b> <b>£000's</b>
Underspend of Departmental controllable budgets	1,219
Unused Contingency	-4,043
Reduced Levies	-33
Increased Dividends	-676
Savings on Capital Financing Costs including	
Transferred Services	-5,777
Rebate from Waste Disposal Authority due to late start of PFI scheme	-1,135
Other Items	475
<b>Total Underspend Against Budget</b>	<b>-9,970</b>

### **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 either supported or unsupported by the Government
- Grants or contributions from the Government, the European Community or another third party
- Proceeds from the sale of capital assets or the repayment of advances
- Contributions from the Income and Expenditure Account



The Council spent £267,166,000 in 2007-08, which is summarised below:

	2006-07	2007-08
	£m	£m
Tangible Fixed Assets	157	199
Intangible Fixed Assets	1	0
Deferred Charges	36	67
Long-term Debtors	4	1
<b>Total</b>	<b>198</b>	<b>267</b>

The financing of this expenditure was by the following methods:

	2006-07	2007-08
	£m	£m
Borrowing	38	82
Capital Receipts	36	20
Revenue Contributions	10	2
Government Grants	110	160
External Contributions	4	3
<b>Total</b>	<b>198</b>	<b>267</b>

### Major Acquisitions and Disposals

Major acquisitions in 2007-08 related to private sector housing acquisitions (£20,443,000) and east Manchester land and property acquisitions (£2,450,000). Major disposals were South Manchester LSVT (£348,726,000) and the site of the former Coppice care home (£1,105,000).

## Large Scale Voluntary Transfers

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 2007-08 the Council transferred 5,951 properties (7,385 properties in 2006-07) to registered social landlords. At the point of transfer these assets are removed from the Council's balance sheet and a proportion of the Council's debt with the Public Works Loan Board (PWLB) is written off by the government (£109,957,000 in 2007-08, £131,259,000 in 2006-07). The difference between the value of the assets on the Council's balance sheet (£348,726,000 in 2007-08, £586,748,000 in 2006-07) and the amount of loan written off plus any capital receipt received is shown as a loss on disposal of fixed assets in the Income and Expenditure Account. This loss is then reversed out through the Statement of Movement on HRA Balances so there is no effect on the HRA. This figure was £238,769,000 in 2007-08 (£455,489,000 in 2006-07). Since the end of the financial year two further LSVTs have been completed. Details of the treatment of the resulting transactions are shown in note 40 Post Balance Sheet Events.

## Borrowing Limit

In 2007-08 the Council had an authorised limit for external debt of £1,223,000,000 that compares to the actual level of debt outstanding at 31st March 2008 of £691,996,000. This is made up of the following figures:

	<b>2007-08</b> £000's
Long-term Borrowing	786,687
Short-term Borrowing	19,230
Less	
Short-term Investments	25,304
Airport Long-term Debtor	85,307
Airport Short-term Debtor	3,310
<b>Total Outstanding Debt</b>	<b>691,996</b>

During the year borrowing reduced by £176,330,000. Of this reduction £109,957,000 is attributable to the write off of PWLB debt following Large Scale Voluntary Transfers of elements of the housing stock.

## **Accounting Policies**

In accordance with the 2007 Statement of Recommended Practice the Council has adopted the following new accounting policies, in 2007-08, which have significantly impacted upon the 2006-07 comparative figures.

The Fixed Asset Restatement Account and the Capital Financing Account have been replaced by the Revaluation Reserve and the Capital Adjustment Account. The SORP requires that the opening balance on the Revaluation Reserve for 2007-08 should be zero.

The adoption of FRS25, 26 and 29 relating to the recognition, measurement, disclosure and presentation of financial instruments has resulted in the following changes in accounting policies.

Deferred Premiums and Discounts have been transferred to the Financial Adjustments Account.

Investments where there is an active market have been valued at the quoted price. The gain in share price has been accounted for through the available for sale reserve. Non-active market investments have been valued at cost less impairment and any loss or gain accounted for through the financial instruments adjustment account.

Loans given at less than a market rate of interest have been accounted for as soft loans showing a reduction in long-term debtors and accounted for through the financial instruments adjustment account.

Accruals of interest have adjusted the value of the carrying amount of the loan. Previously these were shown as creditors.

The impacts of these changes on the 2006-07 closing balance sheet values are shown in note 1 to the core financial statements.

Note 1 also shows other amendments that have been made to the 2006-07 closing balance sheet following re-examination of the accounting treatment to be followed for 2007-08. To aid comparison figures for 2006-07 have been amended. All prior year adjustments to the income and expenditure account (with the exception of the reclassification of Children's services within the best value analysis) fall into this category.

### **Private Finance Initiatives (PFI)**

As at 31st March 2008, the Energy Services Contract, Temple School, A6 Plymouth Grove, Miles Platting, Public Lighting and Wright Robinson Sports College schemes had commenced. Further details on these schemes including funding sources are shown in note 2.

These assets are currently considered to be off balance sheet and are therefore not shown within the Council's fixed assets. The introduction of international financial reporting standards (IFRS) is likely to mean that these assets will be brought back on the Council's balance sheet. Local government's accounts will be prepared using IFRS for the first time in 2010-11 but for PFI transactions it is likely that the implementation will be one year earlier.

### **Private Public Partnership (PPP) Schemes**

The Council has also developed the following Private Public Partnership Schemes:

- Manchester Working – during 2006-07 the Council established a joint venture arrangement with Morrison PLC (a private sector partner) for the provision of building maintenance services for the Council and Northwards Housing.
- Indoor Leisure PPP – the Council has established a trust, which signed a contract for renovation, maintenance and management of 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 (a private sector partner) to manage its car parks.

### **Retirement Benefits**

Additional information is provided on the provisions of FRS17 Retirement Benefits. The objective of FRS17 is to ensure the accounts reflect the assets and liabilities underlying the obligations relating to retirement benefits. Further information on FRS17 is shown in the notes to the core financial statements.

### **Further Information**

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

The Corporate Services Department  
Town Hall  
Manchester  
M60 2JR

The Annual Statement of Accounts can also be viewed on the Council's website, [www.manchester.gov.uk/accounts](http://www.manchester.gov.uk/accounts). 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 before the annual accounts audit has been completed, giving them an opportunity to question the auditor. The availability of the Annual Statement of Accounts for inspection was advertised in the Manchester Evening News. The Council also publishes its future spending plans in its Annual Budget Book, which can be inspected at your local Manchester library as well as on the Council's website.

## **The Statement of Responsibilities for the Annual Statement of Accounts**

### **The Authority's Responsibilities**

The authority is required:

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

### **The City Treasurer's Responsibilities**

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

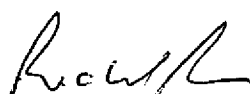
In preparing this statement of accounts, the City Treasurer has:

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

The City Treasurer has also:

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

The statement of accounts presents fairly the position of the authority as at 31st March 2008 and its income and expenditure for the year ended 31st March 2008.



R. Paver  
City Treasurer  
20 June 2008

## **Statement of Accounting Concepts and Policies**

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, issued in 2007 by the Chartered Institute of Public Finance and Accountancy (CIPFA). The code constitutes proper accounting practice under the terms of section 21(2) of the Local Government Act 2003. The Code is based on approved accounting standards, except where these conflict with specific statutory accounting requirements, so that the Council's accounts present fairly the financial position and transactions of the authority. All accounting policies are disclosed where they are material. Details of changes in accounting policies are shown in the foreword.

The accounting convention adopted in these accounts is historic cost, modified by the revaluation of tangible fixed assets, excluding community assets and infrastructure, and financial instruments.

### **1. Fundamental Accounting Concepts**

#### **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.

#### **1.2 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.

#### **1.3 Comparability**

In addition to complying with the code of practice the accounts also comply with the Best Value Accounting 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.

#### **1.4 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.

## 1.5 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.

## 2. Pervasive Accounting Concepts

### 2.1 Accruals

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.

### 2.2 Going Concern

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

### 2.3 Primacy of Legislative Requirements

In accordance with the Code of Practice where an accounting treatment is prescribed by law then it has been applied even if it contradicts accounting standards or generally accepted accounting concepts.

## 3. Accounting Policies

### 3.1 Tangible Fixed Assets

Expenditure on the acquisition, creation and enhancement of fixed assets has been capitalised on an accruals basis. Tangible fixed assets are valued on the basis recommended by CIPFA and in accordance with the guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

Properties classified as operational, excluding council dwellings, are 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 are valued on the basis of existing use for social housing.

Community assets and infrastructure are valued at historical cost net of depreciation.

Properties classed as non-operational are valued on the basis of market value.



Council dwellings are revalued annually. Other revaluations of tangible fixed assets are planned at five yearly intervals, although material changes to valuations will be adjusted as they occur. Secondary schools, special schools, associated land; various other education establishments, art galleries and the town hall have been re-valued during 2007-08.

Assets acquired under finance leasing are capitalised in the authority's accounts.

### 3.2 Depreciation

Depreciation has been calculated using a straight-line method for all assets (where a finite life could be estimated by the Valuer) in accordance with the Accountancy Code of Practice unless that depreciation is immaterial. Land and non-operational investment properties are not depreciated. Depreciation is charged to the service revenue account with a corresponding reduction in the value of the fixed asset. The depreciation charge for assets that do not provide a service (non-operational) is shown as non-distributed costs within the Income and Expenditure Account. To neutralise the impact of the depreciation charge a credit entry is made on the Statement of Movement on the General Fund Balance and a debit to the Capital Adjustment Account.

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

### 3.3 Impairment

Assets have been reviewed for any impairment loss in respect of the consumption of economic benefit (e.g. fire damage). Where an impairment loss occurs this is charged to the service revenue account with a corresponding reduction in the value of the fixed asset. To neutralise the impact of the impairment loss a credit entry is made on the Statement of Movement on the General Fund Balance and a debit to the Capital Adjustment Account. Impairment relating to downward revaluations in fixed assets and capital expenditure that does not add to the value of assets have also been recognised and treated similarly.

### 3.4 Intangible Assets

Purchased intangible assets (e.g. software licences and patents) have been capitalised as assets at cost. Expenditure on intangible assets is charged to the Income and Expenditure Account over the estimated life of the asset. To neutralise the impact of the intangible asset charge a credit entry is made on the Statement of Movement on the General Fund Balance and a debit to the Capital Adjustment Account.

### 3.5 Deferred Charges

Deferred charges are payments of a capital nature where no fixed asset is created. Expenditure on deferred charges is charged to the Income and Expenditure Account as the expenditure is incurred. To neutralise the impact of this charge a credit entry is made on the Statement of Movement on the General Fund Balance and a debit to the Capital Adjustment Account.

### 3.6 Redemption of Debt

The Council's treasury management activities are managed through a Central Loans and Investment Account. Operating a Loans Account enables the Council to borrow on advantageous terms, minimise administration costs and dampen the effects of large interest rate changes. In 2007-08 the average rate of interest of net borrowing was 5.86% (6.14% in 2006-07).

Where capital expenditure has been funded from borrowing there is a provision for the redemption of debt to be made in accordance with the minimum revenue provision (MRP) requirements. These regulations have replaced the detailed formula for calculating MRP with a requirement to be prudent. For capital expenditure incurred before 1<sup>st</sup> April 2008 the Council's policy is to adopt existing practice (4% of capital financing requirement). The exception to this is short life assets (e.g. vehicles) where MRP has been calculated based on asset lives. Total MRP charged in 2007-08 was £19,488,000, of which £546,000 relates to short life assets.

### 3.7 Capital Receipts

Capital receipts arise from the sale of fixed assets. They are credited to the Usable Capital Receipts Reserve and can be used to finance capital expenditure or to repay debt. Certain categories of HRA capital receipts have been paid to the national pool including 75% of capital receipts in relation to Council dwellings and 50% of capital receipts in relation to housing land. The amount paid to the pool is reduced by costs relating to the disposal, previous costs in improving housing land, and the Council's available capital allowance. All other capital receipts are usable.

### 3.8 Creditors and Debtors

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Accounting Code of Practice. Expenditure is charged to the account in the period in which goods or services are received; similarly, income is credited in the period the consideration is earned. The payment or receipt of cash does not determine the period of account. Revenue and capital grants are accrued and credited to income in the same period in which the related expenditure was charged.

### 3.9 Stocks and Work in Progress

Stocks are valued in the accounts using a variety of methods. The majority of stocks are valued at their current cost. The Accounting Code of Practice states the stocks should be shown at the lower of cost or net realisable value. Where the method of valuation differs from the code the effect on the accounts is not material.

Work in progress is included in the accounts of trading organisations. It represents the value of work or services provided, the costs of which have been charged to the revenue account of the trading organisation but which remains to be billed to the receiver of the work or services.

### 3.10 Government Grants and Contributions

#### a. Revenue

Whether paid on account, by instalments or in arrears, government grants and external contributions are recognised as income at the date the Council satisfies the conditions of entitlement to the grant / contribution, there is a reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

#### b. Capital

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets, in the relevant service revenue account, in line with the depreciation policy applied to them. Grants and contributions that are attributable to assets that are not depreciated (e.g. land) or non-Council assets (deferred charges) are credited to the service revenue account as they occur. To neutralise the impact of this credit a debit entry is made on the Statement of Movement on the General Fund Balance and a credit to the Capital Adjustment Account

### 3.11 Cost of Support Services

Central support costs in respect of Corporate Services, Chief Executive's and Hospitality and Trading departments are recharged to all users. These costs have been charged on the basis of staff time and units of output, and include associated overheads. The cost of corporate management and democratic core has been separately identified and allocated to a separate objective heading within the Income and Expenditure Account.

### 3.12 VAT

Where the Council is able to recover VAT it is excluded from both income and expenditure.

### 3.13 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.

Provisions are charged to the appropriate revenue account in the year the authority 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 provision is reversed and credited back to the service revenue account.

Provision has been made for the assessed cost of known equal pay claims. Regulations enable the Council to reverse out this provision through the Statement of Movement on the General Fund Balance if it wishes. The Council has chosen not to do this.

### 3.14 Reserves

The Council maintains certain reserves to defray general rather than specific items of future expenditure. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service revenue account. The reserve is then appropriated back into Statement of Movement on the General Fund Balance so that there is no net charge for the expenditure.

Capital reserves are kept to manage the accounting treatment for tangible fixed assets and retirement benefits and do not represent usable resources for the Council.

### 3.15 Leases

Leases are classified as either finance or operating leases. To be classed as a finance lease the lease must transfer substantially all the risks and rewards of ownership of an asset to the lessee under the 90% test. The test compares the present value of the minimum lease payments to the fair value of the leased asset. Discounting takes place based on the interest rate implicit in the lease. If the discounted minimum payments are 90% or more than the fair value then it is normally a finance lease. Operating leases are defined as leases that are not finance leases.

## Finance Leases

Rental payments under finance leases are apportioned between the finance charge and the reduction in the outstanding obligation, with the finance charge charged to revenue over the term of the lease. The outstanding principal has been recognised in the balance sheet as a deferred liability with a corresponding entry in fixed assets.

## Operating Leases

Leasing payments for operating leases are charged to revenue on a straight-line basis.

Rental income from operating leases is recognised on a straight-line basis over the period of the lease. Assets held for use in operating leases are recorded as fixed assets in the Council's balance sheet.

## 3.16 Pensions

### a. Teachers

The payment of statutory pensions to former teachers is the responsibility of the Teachers' Pensions Agency (TPA) and contributions from teachers together with the employer's contribution are paid by the Council to the TPA. The arrangements for this scheme mean that liabilities for future benefits cannot be identified to the Council. The scheme is therefore accounted for as a defined contribution scheme.

### b. Other employees

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.

## 3.17 Method of Estimating Pension Fund Liabilities

The pension disclosures have been prepared by an actuary in accordance with guidance note 36 issued by the Institute and the Faculty of Actuaries. In order to assess the value of the employer's liabilities in the fund at 31st March 2008, the value of employer's liabilities have been brought forward from those at the formal valuation for 31st March 2007 allowing for the different financial assumptions required under FRS17 for the year. In calculating the asset share the employer's share of the assets allocated at the latest valuation have been rolled forward allowing for investment returns, the effect of contributions paid into and estimated benefits paid out of the fund. The estimated liability will not reflect any difference in demographic experience from that assumed, the impact of differences in salary and pension increases and changes for specific individuals and the effect of any changes in the age and length of service

structure of the liabilities. This approach should not produce any material distortions in the results provided.

### 3.18 Private Finance Initiatives

Private Finance Initiatives (PFIs) involve private sector design, finance, construction and facilities management services provided for public sector capital projects. Risks and their financial consequences are retained by the party best able to manage that risk. If sufficient risk is transferred to the contractor, then the assets associated with the project are included in the contractor's balance sheet and the Council will account for the associated revenue costs.

Accounting for PFIs is undertaken with reference to the provisions of FRS5 - Reporting the Substance of Transactions and the Treasury Technical Note 1.

Contract payments to contractors are shown in Net Cost of Services in the Income and Expenditure Account as incurred. The Council receives Government funding through special grant payments, which are shown in the Net Cost of Services within the Income and Expenditure account.

As part of certain PFI contracts the Council has transferred land to the contractor in return for lower contract payments. This is being accounted for by debiting the service revenue account and crediting the Capital Adjustment Account. This additional charge is then reversed out through the Statement of Movement on the General Fund Balance.

At the end of the PFI contracts assets will be returned to the Council at nil cost. The value of these assets at the point of transfer has been estimated and a Residual Values reserve is being built up over the life of the contract. The PFI contract payments are reduced in the service revenue accounts and debited to the Capital Adjustment Account. This credit to the revenue accounts is subsequently reversed out through the Statement of Movement on the General Fund Balance

### 3.19 Investments

Investments have been classed as either available for sale investments or unquoted equity investments for which a reliable fair value cannot be established. Available for sale investments are shown at market value. Unquoted equity investments are shown at cost less impairment. Income from dividends has been recorded in the year it was declared rather than paid.

### 3.20 Premiums / Discounts Arising from the Repurchase of Borrowings

Premiums and discounts, which accrue from the early repayment of debt, were previously held on the balance sheet and charged to the Income and Expenditure Account over a number of years. The 2007 SORP requires premiums and discounts to be written off to the Income and Expenditure Account when incurred, unless the debt restructuring passes a modification test, which requires the premiums or discounts to be

added to the carrying amount of the loan. This effect of this additional charge (above the statutory rules) to the Income and Expenditure Account is reversed out via the Statement of Movement on the General Fund Balance to the Financial Instruments Adjustment Account.

Statutory rules require the premium or discount to be charged / credited to revenue over the period of the replacement loan. 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.

### 3.21 Interest Payments

Interest payments on loans (including Lender Option Borrower Option (LOBO) loans) have been charged to the accounts on an equal basis over the remaining life of the loans. Given the similarity of the LOBO interest rates to current long-term borrowing rates and the stability of these long-term rates, it has been determined that the appropriate accounting policy is to average the interest rate over the whole period of the LOBO loans until their ultimate maturity date. The difference between the interest charge and interest paid has been adjusted in the carrying amount of the loan.

### 3.22 Contingent Liabilities

Contingent liabilities are not accrued for in the accounting statements. They are disclosed as a note to the accounts as there is a possible obligation, which may require a transfer of economic benefits.

### 3.23 Miscellaneous Accounts

The Council administers various charitable trusts, special funds and joint committees. These funds are maintained on an accruals basis.

### 3.24 Group Accounts

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 control over an entity. The determining factor for assessing the extent of interest and control 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 Accounting Code of Practice, to determine the relationships that exist and whether they should be included in the Council's group accounts.

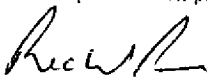
Income and Expenditure Account

Restated 2006-07 Net Expenditure £000s		Note	Gross Expenditure £000s	Gross Income £000s	2007-08 Net Expenditure £000s
113,639	Adult Social Care		172,320	57,306	115,014
3,300	Central Services to the Public		9,210	7,533	1,677
165,707	Children's and Education Services	42	623,706	481,701	142,005
905	Court Services		1,694	188	1,506
110,126	Cultural, Environmental and Planning Services		171,735	53,049	118,686
43,154	Highways, Road and Transport Services		57,335	17,380	39,955
-47,490	Housing Services		464,434	492,681	-28,247
12,000	Exceptional Item - Equal Pay Claims	1	0	0	0
7,276	Corporate and Democratic Core		8,788	163	8,625
-4,089	Non Distributed Costs	*	13,036	28,894	-15,858
<b>404,528</b>	<b>Net Cost of Services</b>		<b>1,522,258</b>	<b>1,138,895</b>	<b>383,363</b>
458,239	Loss on Disposal of Fixed Assets	15			230,632
-18,779	Surplus of Trading Organisations Including Dividends from Companies	3			-21,244
107,438	Interest Payable and Similar Charges				67,034
28,301	Contribution of Housing Capital Receipts to Government Pool	15			14,123
-15,573	Interest and Investment Income				-14,573
-9,200	Pensions Interest Cost and Expected Return on Pension Assets	44			-11,000
<b>954,954</b>	<b>Net Operating Expenditure</b>				<b>648,335</b>
-118,723	Demand on Collection Fund				-123,483
-1,525	Transfer of Previous Year's Collection Fund Surplus				-2,911
	General Government Grants				
-49,021	Revenue Support Grant				-43,962
-29,699	Neighbourhood Renewal Fund				-26,876
-493	Performance Reward Grant				-4,322
-18,603	Local Authority Business Growth Incentive Grant				-8,876
-249,236	Non-Domestic Rates Redistribution				-261,961
<b>487,654</b>	<b>Deficit for the Year</b>				<b>175,944</b>

Statement of Movement on the General Fund Balance

2006-07 £000s		Note	2007-08 £000s
487,654	Deficit for the Year on the Income and Expenditure Account		175,944
-483,969	Net Additional Amount Required by Statute and Non-Statutory Proper Practices to be (Credited) to the General Fund Balance for the Year	15	-182,089
<b>3,685</b>	<b>(Increase)/decrease in General Fund Balance for the Year</b>		<b>-6,145</b>
-25,154	General Fund (Surplus) Brought Forward		-21,469
-21,469	General Fund (Surplus) Carried Forward		-27,614

\* Items included in Non Distributed Costs are depreciation, impairment and grants relating to non-operational assets and past service pension costs plus settlements and curtailments.



R. Paver  
City Treasurer  
18th September 2008



## Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for year and shows all the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets, available for sale financial assets and re-measurement of the net liability to cover the cost of retirement benefits.

The opening balance on the income and expenditure account has been restated from a surplus of £134,773,000 to a deficit of £487,653,000. Further details are provided in note 1.

Restated 2006-07 £000s		2007-08 £000s
487,654	Deficit for the year on the Income and Expenditure Account	175,944
-215,025	(Surplus)/deficit arising on the revaluation of fixed assets and liabilities	-112,923
-2,108	(Surplus)/deficit arising on the revaluation of available-for-sale financial assets	-474
-138,500	Actuarial (gains)/losses on pension fund assets and liabilities	-157,600
360	Other (Increase)/decrease in Collection Fund surplus	-780
132,381	Total recognised loss / (gain) for the year	-95,833

The effect on reserves of prior year adjustments is to decrease reserves by £187,249,000. The majority of this relates to the following,

- Adjustments made to the Council's asset register.
- Creation of the Financial Instruments Adjustment Account on the Council's balance sheet.
- Creation of the Available for Sale Financial Instruments reserve on the Council's balance sheet.

Balance Sheet

Restated 31-Mar-07 £000s		Note		31-Mar-08 £000s
	<b>Fixed Assets</b>			
3,678	Intangible Fixed Assets	24	3,114	
	Tangible Fixed Assets	23		
	<b>Operational assets:</b>			
1,289,868	Council dwellings		1,010,424	
723,980	Other land and buildings		796,984	
2,060	Vehicles, plant, furniture and equipment		3,203	
247,812	Infrastructure assets		259,458	
21,078	Community assets		23,323	
	<b>Non-Operational Assets</b>			
249,809	Investment properties		243,025	
5,134	Assets under construction		37,296	
216,423	Surplus assets held for disposal		245,253	
2,759,842	<b>Total Fixed Assets</b>			2,622,080
182,551	Long-term investments	26		133,025
137,794	Long-term debtors	28		139,379
3,030,187	<b>Total Long-term Assets</b>			2,894,484
	<b>Current Assets</b>			
8,918	Stocks	27	9,117	
652	Work in progress	27	206	
165,070	Debtors and Payments in advance	28	198,257	
22,930	Short-term investments	26	25,304	
1,000	Cash in hand		501	
198,570	<b>Total Current Assets</b>			233,385
3,228,757	<b>Total Assets</b>			3,127,869
	<b>Current Liabilities</b>			
-35,522	Short-term borrowing		-19,230	
-170,188	Creditors and Receipts in advance	29	-223,016	
-26,233	Bank overdraft		-30,454	
-231,943	<b>Total Current Liabilities</b>			-272,700
2,996,814	<b>Total Assets Less Current Liabilities</b>			2,855,169
	<b>Long Term Liabilities</b>			
-945,331	Long-term borrowing	31	-786,687	
-25,030	Deferred liabilities	32	-23,933	
-308,173	Government grants deferred	33	-357,760	
-24,046	Grants and contributions unapplied		-58,940	
-18,245	Provisions	35	-19,959	
-675	Deferred capital receipts	34	-543	
-310,600	Liability relating to defined benefit pension schemes	44	-146,800	
-1,632,100				-1,394,622
1,364,714	<b>Total Assets Less Liabilities</b>			1,460,547
	<b>Financed by:</b>			
1,528,334	Capital Adjustment Account	37		1,304,637
-14,837	Financial Instruments Adjustment Account	37		-9,124
0	Revaluation Reserve	37		85,702
2,108	Available for Sale Financial Instruments Reserve	37		1,783
-310,600	Pensions Reserve	37		-146,800
11,077	Usable Capital Receipts Reserve	37		8,133
11,611	Major Repairs Reserve	37		21,088
7,705	PFI Residual Values Reserve	37		12,399
21,469	General Fund Reserve	37		27,614
24,541	Housing Revenue Account	37		38,053
5,699	Home Loans Reserve	37		5,977
2,888	Collection Fund Reserve	37		3,668
74,719	Other Revenue Balances	37		107,417
1,364,714	<b>Total Net Worth</b>			1,460,547

*R. Paver*

R. Paver

City Treasurer

18th September 2008

Cash Flow Statement

Restated 2006-07 £000s		Note	2007-08 £000s
	<b>Revenue Activities</b>		
	<b>Cash Outflows</b>		
557,422	Cash Paid to and on behalf of employees		567,480
578,629	Other operating cash payments		530,424
102,283	Housing Benefit paid out		124,862
236,990	National Non-Domestic Rate Payments to the National Pool		253,731
18,107	Precepts paid		19,381
32,399	Payments to the Capital Receipts Pool		17,238
			1,513,116
	<b>Cash Inflows</b>		
-59,994	Rents (after rebates)		-59,793
-102,868	Council Tax Receipts		-104,693
-249,236	National Non-Domestic Rate Receipts from the National Pool		-261,961
-258,664	Non-Domestic Rate Receipts		-277,392
-49,021	Revenue Support Grant	50	-43,962
-225,394	DWP Grants for Benefits	50	-231,835
-596,370	Other Government Grants	50	-572,518
-111,406	Cash Received for goods and services		-38,906
-121,528	Other operating cash receipts		-42,487
			-1,633,547
	<b>Dividends from joint ventures and associates</b>		
	<b>Cash Inflows</b>		
-16,245	Dividends received		-15,944
	<b>Returns On Investments and Servicing of Finance</b>		
	<b>Cash Outflows</b>		
72,788	Interest paid		61,815
24	Interest element of finance lease rental payments		24
			61,839
	<b>Cash Inflows</b>		
-16,032	Interest received		-12,669
-208,116	Net Cash Flow from Revenue Activities	46	-87,205
	<b>Capital Activities</b>		
	<b>Cash Outflows</b>		
200,330	Purchase of Fixed Assets		267,551
			267,551
	<b>Cash Inflows</b>		
-64,599	Sale of fixed assets		-27,499
-105,742	Capital grants received		-209,465
-4,707	Other capital cash receipts		-7,545
			-244,509
-182,834	<b>Net Cash (Inflow)/Outflow before Financing</b>		-64,163
	<b>Management of Liquid Resources</b>		
-42,300	Net (Increase)/Decrease in short-term deposits		2,124
			2,124
	<b>Financing</b>		
	<b>Cash Outflows</b>		
653,178	Repayments of amounts borrowed		471,117
136	Capital element of finance lease rental payments		136
			471,253
	<b>Cash Inflows</b>		
-409,207	New loans raised		-100,059
0	New short-term loans		-304,435
			-404,494
18,973	<b>(Increase)/Decrease in Cash</b>	49	4,720

Note 1. Prior Period Adjustments and Exceptional/Extraordinary Items

Prior Period Adjustments

Significant changes due to new accounting policies and audit amendments:

Income and Expenditure Account

	Income and Expenditure Account 2006-07 £000s	Add Expenditure Not Added to Value		Reserve Prior Year Correction £000s	GMC and High Peak Debt Prior Year Correction £000s	Repayment of HRA Mortgages Prior Year Correction £000s	Dividends from Companies Prior Year Correction £000s	Housing Contribution Adjustment Prior Year Correction £000s	Large Scale Voluntary Transfers Prior Year Correction £000s	Deferred Consideration Prior Year Correction £000s	Children Services Transfer SORP 2007 £000s	Premiums and Discounts SORP 2007 £000s	Income Expenditure Account 2006-07 Comparatives £000s
		Prior Year Correction £000s	Value										
Adult Social Care	217,136	1,510		3							-105,010		113,639
Central Services to the Public	5,281	19											3,300
Childrens and Education Services	59,952	745									105,010		165,707
Court Services	900	5											905
Cultural, Environmental and Planning Services	109,115	921			90								110,126
Highways, Roads and Transport Services	42,829	355											43,154
Housing Services	-52,189	4,698											-47,490
Exceptional Item - Equal Pay Claims	12,000	0											12,000
Corporate and Democratic Core	7,276	0											7,276
Non-Distributed Costs	-4,089	0											-4,089
<b>Impact on Net Cost of Services</b>	<b>396,211</b>	<b>8,224</b>		<b>3</b>	<b>90</b>	<b>-185</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>404,528</b>
(Gain)/Loss on the disposal of fixed assets	1,257												458,239
(Surplus)/deficits on trading organisations including dividends from companies	-4,033												-18,779
Interest Payable and similar charges	119,667						-14,746						107,438
Contribution of housing capital receipts to Government Pool	28,710							-409				26,288	28,301
Interest and investment income	-30,319												-15,573
Pension interest costs and expected return on pension	-9,200												-9,200
<b>Impact on Net Operating Expenditure</b>	<b>502,303</b>	<b>8,224</b>		<b>3</b>	<b>90</b>	<b>-195</b>	<b>0</b>	<b>-409</b>	<b>416,972</b>	<b>15,042</b>	<b>0</b>	<b>26,288</b>	<b>954,954</b>
Amount collected from taxation and central grants	-637,076												-184,773
<b>Deficit/(Surplus) for the Year</b>	<b>-134,773</b>			<b>3</b>	<b>90</b>	<b>-195</b>	<b>0</b>	<b>-409</b>	<b>586,748</b>	<b>15,042</b>	<b>0</b>	<b>26,288</b>	<b>-487,654</b>

Balance Sheet

	Balance Sheet	Premiums and	Increase in	Split of MCC	Creation of PFI	Transfer of	Capital	Section 106	Collection Fund	Adjustments to		Adjustments to	Unapplied	Balance Sheet
	2006-07									Discounts	Capital			
	£000s	£000s	Prior Year	Prior Year	Prior Year	SOFP 2007	Prior Year	Prior Year	Prior Year	Prior Year	SOFP 2007	Prior Year	SOFP 2007	Comparatives
			Correction	Correction	Correction	£000s	Correction	Correction	Correction	Correction	£000s	Correction	£000s	
Other Land and Buildings	874,928													723,980
Surplus Assets	213,955													216,423
Long-term Investments	117,754									14,797				132,551
Long-term Debt	139,808	-2,013												137,795
Debtors and Payment in Advance	163,290								1,780					165,070
Deferred Premium on the Early Repayment of Debt	54,376	-54,376												0
Short-term Borrowing	-38,873													0
Creditors and Receipts in Advance	-199,287	-971	409											-35,522
Bank Overdraft	-25,733	12,017												-170,186
Long-term Borrowing	-834,285	-11,046												-26,233
Government Grants Deferred	0													-845,331
Grants and Contributions Unapplied	-310,068													-308,173
Deferred Discounts on the Early Repayment of Debt	-2,191													-24,046
Impact on Assets/Liabilities	53,574	2,191	409	-500	0	0	-1,173	0	0	0	1,895	0	0	0
Capital Adjustment Account	0	-54,198												-133,676
Financial Instruments Adjustment Account	0	-453												1,528,334
Available for Sale Financial Instruments Reserve	0	-27,456												-14,837
Fixed Asset Restatement Account	252,944													2,108
Capital Financing Account	1,367,417													0
Usable Capital Receipts	11,066													0
Capital Balances	63,991													0
PFI Residual Values Reserve	0													11,077
Housing Revenue Account	24,551	-10												7,705
Other Revenue Balances	100,928	-26,273												24,541
Impact on Reserves	1,920,897	-54,198	409	-500	0	0	-1,173	0	0	0	-145,585	0	0	74,719
<b>Exceptional Items</b>														<b>1,633,647</b>

FRS 3 defines exceptional items 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.

For the year 2006-07 the Council had one exceptional item to report:

- equal pay claims estimated at £12,000,000 (this includes the provision for those not paid)

Transactions relating to LSVTs are exceptional items but have not been classed as such in the Income and Expenditure Account.

An amount of £238,769,000 (£455,489,000 in 2006-07) is shown within loss on disposal of fixed assets.

## Note 2. Long-term Contracts

The funding sources available for PFI schemes where service delivery has commenced are shown below.

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 Housing Subsidy and the Housing Revenue Account.

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).

A6 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 Housing Subsidy and the Housing Revenue Account.

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 Housing Subsidy and the Housing Revenue Account.

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.

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).

Undischarged obligations arising from PFI transactions as at 31st March 2008 were as follows:

Scheme	Payment £000s	Indexation	Contract Expiry
Energy Services Contract		GDP Deflator	2020
Payments within 1 year	501		
Payments within 2 to 5 years	2,051		
Payments within 6 to 10 years	2,682		
Payments within 11 to 15 years	1,067		
	6,301		
Temple School		RPI	2026
Payments within 1 year	583		
Payments within 2 to 5 years	2,466		
Payments within 6 to 10 years	3,399		
Payments within 11 to 15 years	3,791		
Payments within 16 to 20 years	2,480		
	12,719		
A6 Plymouth Grove		RPI	2033
Payments within 1 year	4,614		
Payments within 2 to 5 years	18,922		
Payments within 6 to 10 years	24,666		
Payments within 11 to 15 years	25,938		
Payments within 16 to 20 years	27,350		
Payments within 21 to 25 years	28,914		
	130,404		
Miles Platting		RPI	2037
Payments within 1 year	10,723		
Payments within 2 to 5 years	54,509		
Payments within 6 to 10 years	74,221		
Payments within 11 to 15 years	78,190		
Payments within 16 to 20 years	84,728		
Payments within 21 to 25 years	87,877		
Payments within 26 to 30 years	78,939		
	469,187		
Public Lighting		RPI	2030
Payments within 1 year	5,957		
Payments within 2 to 5 years	25,705		
Payments within 6 to 10 years	33,905		
Payments within 11 to 15 years	35,989		
Payments within 16 to 20 years	38,200		
Payments within 21 to 25 years	9,920		
	149,676		
Wright Robinson Sports College		RPI	2032
Payments within 1 year	4,095		
Payments within 2 to 5 years	16,884		
Payments within 6 to 10 years	22,146		
Payments within 11 to 15 years	23,443		
Payments within 16 to 20 years	24,911		
Payments within 21 to 25 years	21,441		
	112,920		

The charge is inflated annually using the relevant index. The charge is calculated using a payments formula that deducts specific amounts for poor performance. The charges above assume full payment.

### Note 3. Trading Operations

The Council operates certain of its activities (including former DLOs / DSOs) on a trading basis. The performance of these organisations considered to be significant is

	2006-07		2007-08	
	(Surplus)/Deficit £000s	Turnover £000s	Expenditure £000s	(Surplus)/Deficit £000s
Building Maintenance	1,572	15,480	16,944	1,464
Highways Maintenance	-1,114	6,639	6,958	319
Schools and Welfare Catering	407	12,311	13,689	1,378
Other Catering	507	2,481	2,535	54
Street Scene	1,217	15,317	16,450	1,133
Technical Services	345	208	536	328
Manchester Engineering and Design	521	749	724	-25
Corporation Estates (including shops)	-5,590	10,180	5,348	-4,832
Industrial Estates	-1,364	4,910	985	-3,925
Theatres	1,442	685	1,737	1,052
Markets	-680	7,776	6,880	-896
Print and Design and Translation Service	256	2,200	2,766	566
Manchester Temps	-47	5,317	5,076	-241
Car Parking	-1,505	10,236	8,560	-1,676
	-4,033	94,489	89,188	-5,301

The figure shown on the Income and Expenditure account also includes dividends from companies of £15,943,000 (£14,746,000 2006-07)

#### Note 4. Publicity Expenditure

Section 5(1) of the Local Government Act 1986 requires the Council to maintain a record of its expenditure on publicity. Set out below are the major components:

	2006-07 £000s	2007-08 £000s
Recruitment Advertising	1,178	1,325
Other Advertising	3,365	3,011
Promotions and Publicity	683	782
<b>Total</b>	<b>5,226</b>	<b>5,118</b>

#### Note 5. Building Control Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit, divided between the chargeable and non-chargeable activities.

	2006-07 Total Building Control £000s	2007-08 Chargeable £000s	2007-08 Non-Chargeable £000s	2007-08 Total Building Control £000s
<b>Expenditure</b>				
Employees' Expenses	1,648	927	672	1,599
Premises	9	6	4	10
Transport	84	49	35	84
Supplies and Services	786	96	745	841
Central and Support Service Charges	359	271	197	468
<b>Total Expenditure</b>	<b>2,886</b>	<b>1,349</b>	<b>1,653</b>	<b>3,002</b>
<b>Income</b>				
Building Regulations Charges	1,576	1,443	0	1,443
Miscellaneous Income	640	0	764	764
<b>Total Income</b>	<b>2,216</b>	<b>1,443</b>	<b>764</b>	<b>2,207</b>
<b>(Surplus)/Deficit for the year</b>	<b>670</b>	<b>-94</b>	<b>889</b>	<b>795</b>

#### Note 6. 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:

	2006-07 £000s	2007-08 £000s
Prison Library Service	84	86
Social Workers for Health Authorities, Joint Finance and Direct Payments Scheme	4,466	6,114
<b>Total</b>	<b>4,550</b>	<b>6,200</b>

#### Note 7. Local Authorities (Goods and Services) Act 1970

Under the Local Authorities (Goods and Services) Act 1970 the Council is empowered to provide services for other bodies, income from which is analysed below.

	2006-07 £000s	2007-08 £000s
Maintenance Works	5,866	3,621
Other	1,116	586
<b>Total</b>	<b>6,982</b>	<b>4,207</b>



## Note 8. Health Act 1999 Pooled Funds

Section 31 of the Health Act 1999 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 National Health Service and Local Government pursuant to the obligations for the Primary Care Trusts 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.

	2006-07 £000s	2007-08 £000s
Gross Funding		
Manchester City Council	12,213	13,123
Manchester Primary Care Trust	85,717	102,155
Total Funding	97,930	115,278
Total Expenditure	97,930	115,278
Underspend / (Overspend)	0	0

### Learning Disabilities Pooled Budget

The purpose of the pool is to improve services for users through closer working between the National Health Service and Local Government pursuant to the obligations for the Primary Care Trusts 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

	2006-07 £000s	2007-08 £000s
Gross Funding		
Manchester City Council	27,023	28,354
Manchester Primary Care Trust	17,043	12,924
Total Funding	44,066	41,278
Expenditure		
Commissioning	27,789	23,204
Provider - Manchester Learning Disability Partnership	15,539	17,479
Administration	437	414
Total Expenditure	43,765	41,097
Underspend / (Overspend)	301	181

## **Note 9. Local Area Agreement (LAA)**

The Council is a participant in a LAA - a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007-08, the LAA has completed the second year of its three year agreement.

The purpose of the LAA is:

To form an agreement between Manchester Local Strategic Partnership, Government and other external agencies to ensure we achieve the 2015 vision of the Manchester Sustainable Communities Strategy.

To agree specific outcomes and targets that will be achieved each year of the three year agreement.

To refocus partners' mainstream planning, and their action plans, so as to deliver services in Manchester more efficiently and effectively.

The LAA has four blocks:

Children and Young People  
Safer and Stronger Communities  
Healthier Communities and Older People  
Economic Development and Enterprise.

The LAA partners are:

Local Government Bodies - Manchester City Council

Community Protection Authorities - Greater Manchester Police (GMP), Greater Manchester Fire Service

Health Bodies - Manchester PCT, Central Manchester and Manchester Children's University Hospital

Learning Bodies - Manchester Metropolitan University and Manchester University

Other Bodies - Manchester Connexions, NARCO-Dicuss, Crime Concern, Community Safety Network, Eastland's Homes, Manchester Methodist Housing Association, Victim Support and Witness Service, Moss Side Powerhouse, Young Carer's Charity, Barnados, Manchester Care and Repair, Mercl, Mind in Manchester, Age Concern, Community Arts North West, Lime, Radio Regen, Victoria Baths Trust, All FM, Job Centre Plus, Manchester Enterprises, Brook, Teenage Pregnancy Liaison Midwife, National Support Team, Community Network for Manchester, HARP-YASP, Self-Help Services, Working Towards Partnership, Manchester Geomatics.

Manchester City Council acts as the accountable body for the LAA. The Council is responsible for managing the distribution of the grant paid by Government Office to the partners involved. The Council does not determine which bodies are due payments, this is determined either by the Government Office or the partnership. The Council acts as an agent to the partnership and thus only recognises in its financial statements, that part of the LAA grant to be spent by the Council in providing services.

The total amount of LAA grant received by the Local Strategic Partnership in 2007-08 was £48,892,000. The Council received £25,952,000 of this total to fund its own services.

As the accountable body, the Council is responsible for repaying to the Government any element of the grant that is found to have been misused by its partners. Systems are in place for distributing the grant that are designed to limit the possibility of this happening. It has not been necessary to recognise any contingent liabilities for possible repayments and no provisions have been made for any such eventuality.

### Note 10. Members' Allowances

The total payments made for Members' allowances in 2007-08 was £1,838,000 (£1,773,000 in 2006-07).

### Note 11. Officers' Emoluments

The following number of employees of the Council received remuneration in excess of £50,000:

	2006-07	2007-08	
£50,000 - £59,999	200	244	a
£60,000 - £69,999	59	74	b
£70,000 - £79,999	25	22	
£80,000 - £89,999	14	23	
£90,000 - £99,999	6	9	
£100,000 - £109,999	3	3	c, e
£110,000 - £119,999	7	3	d
£120,000 - £129,999	0	3	
£130,000 - £139,999	2	0	
£140,000 - £149,999	0	1	
£150,000 - £159,999	0	0	
£160,000 - £169,999	0	0	
£170,000 - £179,999	0	0	
£180,000 - £189,999	1	0	
£190,000 - £199,999	0	1	
	317	383	

a - included severance pay paid to 4 employees in 2007-08

b - included severance pay paid to 2 employees in 2007-08

c - included severance pay paid to 1 employee in 2007-08

d - included severance pay paid to 1 employee in 2007-08

e - included severance pay paid to 3 employees in 2006-07

### Note 12. Related Party Transactions

During the year, transactions with related parties were as follows:

#### Receipts

	Restated 2006-07 £000s	2007-08 £000s
Central Government - revenue grants	870,785	848,315
Central Government - capital grants	105,742	209,465
Manchester Airport plc - dividend	13,750	13,750
Manchester Airport plc - repayment of principal and interest	12,017	12,017
Manchester Airport plc - net rent	5,413	6,226
	1,007,707	1,089,773

#### Payments

	2006-07 £000s	2007-08 £000s
Greater Manchester Passenger Transport Authority - levy	25,120	26,288
Greater Manchester Waste Disposal Authority - levy	15,726	15,814
Greater Manchester Fire and Civil Defence Authority - precept	5,284	5,537
Greater Manchester Police Authority - precept	12,607	13,405
Greater Manchester Pension Fund - employer's contributions	33,700	33,500
Teachers' Pension Agency - employer's contributions	18,081	18,547
	110,518	113,091

**Note 13. Audit Fees**

The following amount of fees have been paid to the Audit Commission/Grant Thornton:

	2006-07 £000s	2007-08 £000s
External Audit Services	399	468
Statutory Inspection	115	22
Certification of Grant Claims	280	140
	794	630

#### Note 14. Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year measured in terms of the resources consumed and generated over the past twelve months. However, the authority is required to raise Council Tax on a different accounting basis, the main difference being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure account, but is met from the Usable Capital Receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits earned.
- Gains and losses on the disposal of assets are excluded.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

#### Note 15. Reconciling Items for the Statement of Movement on the General Fund Balance

Restated 2006-07 £000s		2007-08 £000s
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	
-347	Amortisation of intangible fixed assets	-577
-47,545	Depreciation and impairment of fixed assets (excl HRA depreciation)	-46,803
7,363	Government Grants Deferred amortisation	9,152
-1,370	Write downs of deferred charges to be financed from capital resources	-5,777
-458,239	Net gain/(loss) on sale of fixed assets	-230,632
0	Differences between amounts debited/credited to the income and expenditure account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	4,915
3,600	Amount by which pension costs calculated in accordance with the SORP (i.e. in accordance with FRS17) are different from the contributions due under pension scheme regulations	6,200
-417	PFI deferred consideration	-952
0	Capital element of Performance reward grant	2,162
36,126	Government grants on non depreciated assets	34,264
-16,426	Excess of depreciation charged to HRA services over the MRA element of Housing subsidy	-13,255
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>	
19,476	Minimum revenue provision for capital financing	19,488
10,199	Capital expenditure charged in-year to the General Fund balance	1,793
-28,301	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	-14,123
2,018	PFI Residual Values	4,694
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
1,265	Housing Revenue Account balance	13,512
796	Voluntary revenue provision for capital financing	872
	Net transfer to or from earmarked reserves	
3,103	Contributions to LMS reserve	9,102
-15,270	Contributions to / (from) Other Revenue Reserves	23,876
-483,969	<b>Net additional amount required to be debited to the General Fund balance for the year</b>	-182,089

**Note 16. Capital Expenditure, Funding and Receipts**

	2006-07 £000s	2007-08 £000s
<b>Expenditure</b>		
Council Dwellings	58,815	67,440
Other Land and Buildings	79,442	112,180
Vehicles, Plant, Furniture and Equipment	1,060	1,288
Infrastructure Assets	18,292	18,006
Deferred Charges	35,782	67,451
Intangible Assets	839	13
Long-term Debtor	3,624	788
	<b>197,854</b>	<b>267,166</b>
<b>Funded by:</b>		
Borrowing	38,392	82,273
Capital Receipts	35,865	20,170
Revenue Contributions	10,199	1,793
Government Grants	109,051	160,408
External Contributions	4,347	2,522
	<b>197,854</b>	<b>267,166</b>

	2006-07 £000s	2007-08 £000s
<b>Receipts</b>		
Council Dwellings	57,925	18,891
Other Land and Buildings	22,706	11,636
	<b>80,631</b>	<b>30,527</b>

**Note 17. 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:

	31st March	
	Restated 2007 £000s	2008 £000s
Housing	36,963	42,032
Education	64,616	32,245
Highways	1,775	634
Other Services	19,421	14,260
<b>Total</b>	<b>122,775</b>	<b>89,171</b>

**Note 18. Information on Tangible Fixed Assets Held**

The Council owns a substantial number of fixed assets. Some of the major groups are:

	31st March	
	2007	2008
Town Hall	1	1
Administration Buildings/Offices	38	38
Depots	10	10
Council Houses and Flats	32,706	26,444
Primary and Nursery Schools	136	134
Secondary Schools	22	22
Special Schools	14	14
Art Galleries	5	5
Libraries	23	23
Theatres	1	1
Sports and Leisure Centres	17	17
Swimming Pools	5	5
Convention Centre	1	1
Visitor Centre	1	1
Parks and Open Spaces	196	196
Residential Homes	40	38
Other Social Services Centres	40	41
Retail Markets	6	6
Wholesale Market	1	1
Multi-storey Car Parks	5	5
Cemeteries	5	5
Crematorium	1	1
Neighbourhood Offices	3	3

There are no assets recognised under PFI arrangements.

**Note 19. Assets Held Under Leases**

**Operating Leases**

Operating lease rentals on vehicles, plant, furniture and equipment paid during the year amounted to £1,809,000 (£2,547,000 in 2006-07)

Undischarged obligations under operating lease agreements at 31st March 2008 amounted to £2,571,000 (£4,134,000 as at 31st March 2007)

Payments that the authority is committed to make during the next year in respect of operating leases for vehicles, plant, furniture and equipment are as follows:-

	2006-07 £000s	2007-08 £000s
Commitment expires within year	226	43
Commitment expires in second to fifth years	1,415	1,384
Commitment expires over five years	36	9
	1,677	1,436

## Finance Leases

The gross amount of assets held under finance leases for vehicles, plant, furniture and equipment is £892,000  
Accumulated depreciation under finance leases for vehicles, plant, furniture and equipment is £338,000  
Total depreciation for the year for assets held under finance lease is £136,000

Finance lease rentals on vehicles, plant, furniture and equipment paid during the year amounted to £160,000 (£160,000 in 2006-07)

Undischarged obligations under finance lease agreements at 31st March 2008 amounted to £672,000 (£832,000 as at 31st March 2007)

The amounts of obligations related to finance leases for vehicles, plant, furniture and equipment are as follows:-

	2006-07 £000s	2007-08 £000s
Amounts payable in the next year	160	160
Amounts payable in the second to fifth years	616	512
Aggregate amounts payable thereafter	56	0
	<b>832</b>	<b>672</b>

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



**Note 20. Assets Held as Lessor**

The gross amount of assets held as lessor is £229,236,000 (£217,621,000 in 2006-07).

The total of lease rentals receivable during the year amounted to £13,670,000 (£14,441,000 in 2006-07).

All assets held as lessor are held under operating lease agreements. There was no depreciation charge for these assets in 2007-08.

**Note 21. Assets Recognised Under PFI Arrangements**

No assets are recognised under a PFI arrangement.

**Note 22. Valuation of Tangible Fixed Assets**

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

- plant and machinery is included in the valuation of the buildings.
- 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 on the basis of existing use for social housing.
- community assets and infrastructure have been valued at historic cost net of depreciation.
- properties classified as non-operational have been valued on the basis of market value.

It is a requirement that these and all subsequent valuations are reviewed at periods of not more than five years, and when circumstances occur that materially change the valuations. The process of review is a five-year rolling programme basis. Accordingly, at least 20% of the above valuations have been reviewed by M. Robertson, MRICS, a valuer employed by the Council, with a valuation date of 1st April 2007.

Inspections were carried out between 1st April 2007 and 31st March 2008. As a result of these inspections upward valuations of assets totalled £112,923,000 and downward valuations totalled £7,931,000. The downward valuations have been classed as impairment.

**Note 23. Tangible Fixed Assets**

Movements in tangible fixed assets during the year were as follows:

	Operational Assets					Non-operational assets				Total £000s
	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Investment Properties £000s	Assets under Construction £000s	Surplus Assets £000s		
Restated Net Book Value as at 1st April 2007	1,289,868	723,980	2,060	247,812	21,078	249,809	5,134	216,423	2,756,164	
Movement in 2007-08										
Additions	67,319	43,487	1,487	16,401	2,761	1,014	36,101	30,335	198,915	
Disposals	-367,556	-396	0	-49	0	-175	0	-3,072	-371,248	
Transfers	0	3,472	0	467	0	0	-3,939	0	0	
Revaluations Upward	52,090	55,492	0	0	0	0	0	5,341	112,923	
Depreciation	-30,668	-26,385	-344	-5,173	-516	0	0	-3,609	-66,695	
Impairments	-629	-2,676	0	0	0	-7,623	0	-165	-11,093	
Net Book Value as at 31st March 2008	1,010,424	796,984	3,203	259,458	23,323	243,025	37,296	245,253	2,618,966	
Gross Book Value as at 1st April 2007	1,320,371	771,771	2,523	280,999	22,626	249,809	5,134	230,724	2,883,957	
Accumulated Depreciation as at 1st April 2007	-30,503	-47,504	-463	-33,187	-1,523	-0	-0	-14,254	-127,434	
Accumulated Impairment as at 1st April 2007	-0	-287	-0	-0	-25	-0	-0	-47	-359	
Net Book Value as at 1st April 2007	1,289,868	723,980	2,060	247,812	21,078	249,809	5,134	216,423	2,756,164	
Gross Book Value as at 31st March 2008	1,032,026	865,903	4,010	297,807	25,388	243,161	37,296	263,327	2,768,918	
Accumulated Depreciation as at 31st March 2008	-21,584	-66,043	-807	-38,349	-2,065	-0	-0	-17,862	-146,710	
Accumulated Impairment as at 1st April 2008	-18	-2,876	-0	-0	-0	-136	-0	-212	-3,242	
Net Book Value as at 31st March 2008	1,010,424	796,984	3,203	259,458	23,323	243,025	37,296	245,253	2,618,966	

Depreciation has been charged on a straight line method for all assets where a finite life can be determined.

The useful lives of assets where depreciation is charged has been estimated by the Head of Valuation and Property Services.

**Note 24. Intangible Assets**

	Purchased Software Licences £000s	Licences, Trademarks and Artistic Originals £000s	Patents £000s	Total £000s
Original cost	4,784	10		4,794
Amortisation to 1st April 2007	-1,110	-6		-1,116
Balance at 1st April 2007	3,674	4	0	3,678
Expenditure in Year	13	0		13
Written Off to Revenue in Year	-575	-2		-577
Balance at 31st March 2008	3,112	2	0	3,114

Software licences are held for the new Housing Civica system, which cost £788,000 in 2006-07. The cost is being written off over five years.

Software licences are held for the new financial system, which cost £1,707,000 in 2004-05 and £1,631,000 in 2005-06. The cost is being written off over ten years.

Software licences are held for the housing benefits and council tax system, which cost £165,000 between 2004 and 2006 and £53,000 in 2006-07. The cost is being written off over ten years.

Software licences are being held for GIS software, which cost £4,000 in 2004-05. The cost is being written off over five years.

Software licences are being held for housing management software, which cost £436,000 in 2005-06. The cost is being written off over six years.

Software licences are being held for housing project management software which cost £13,000 in 2007-08. The cost is being written off over six years.

Photographs of the former Maine Road football stadium are being held as artistic originals, which cost £10,000 in 2004-05. The cost is being written off over five years.

**Note 25. Analysis of Net Assets Employed**

	31st March	
	Restated	2008
	2007	2008
	£000s	£000s
General Fund	584,287	873,157
Housing Revenue Account	777,539	583,722
Collection Fund	2,888	3,668
	1,364,714	1,460,547

**Note 26. Investments**

	Long Term £000s	Short Term £000s	Total £000s
General Fund	145,505	0	145,505
Central Loans and Investment Account	0	25,304	25,304
Home Loans	1,510	0	1,510
Insurance Fund	3,185	0	3,185
<b>Total</b>	<b>150,200</b>	<b>25,304</b>	<b>175,504</b>
Deduct Internal Investments	17,175	0	17,175
<b>Net External Investments at 31st March 2008</b>	<b>133,025</b>	<b>25,304</b>	<b>158,329</b>
<b>Restated Net External Investments at 31st March 2007</b>	<b>132,551</b>	<b>22,930</b>	<b>155,481</b>

The major General Fund investments are as follows:

Manchester Airport plc	Share Capital £112,354,000 (£112,354,000 as at 31st March 2007)
Destination Manchester Ltd.	Share Capital £2,700,000 (£2,700,000 as at 31st March 2007)
National Car Parks (Manchester) Ltd	Share Capital £1,102,500 (£1,102,500 as at 31st March 2007)
Manchester Mortgage Corporation plc	Share Capital £13,418,000 (£12,619,200 as at 31st March 2007)

**Note 27. Stocks and Work in Progress**

	31st March	
	2007	2008
	£000s	£000s
General Fund - Stocks	8,860	9,066
General Fund - Work in Progress	652	206
Housing Revenue Account - Stocks	58	51
	9,570	9,323

**Note 28. Debtors and Payments in Advance**

		31st March		
		Restated 2007 £000s	2008 £000s	
Amounts falling due in one year				
General Fund		142,684	153,909	
Housing Revenue Account		15,957	33,343	
Collection Fund		58,751	64,015	
Central Loans and Investment Account (Manchester Airport plc)		3,150	3,310	(a)
Other - Central Loans and Investment, Home Loans and Insurance Fund		3,454	1,047	
		<b>223,996</b>	<b>255,624</b>	
Provision for Bad Debts				
General Fund		16,552	15,432	
Housing Revenue Account		7,113	8,668	
Collection Fund		35,261	33,267	
		<b>165,070</b>	<b>198,257</b>	

		31st March		
		Restated 2007 £000s	2008 £000s	
Represented by:				
Government Departments		42,561	68,767	
Customs and Excise		8,746	10,004	
Inland Revenue		6	5	
Other Local Authorities		12,756	9,296	
Other Public Bodies		11,392	14,621	
Local Taxpayers and NNDR		58,148	54,052	
Housing Rents		9,985	12,822	
Financial Institutions		1,427	5,395	
Other		78,975	80,662	
		<b>223,996</b>	<b>255,624</b>	

		31st March		
		Restated 2007 £000s	2008 £000s	
Amounts falling due after one year				
Mortgages				
Housing Revenue Account		674	543	
Home Loans		854	289	
Central Loans and Investment				
Account (Manchester Airport plc)		86,447	85,307	(a)
HRA PFI		30,852	32,410	
General Fund PFI		2,728	4,911	
General Fund Other		18,386	18,105	
		<b>139,941</b>	<b>141,565</b>	
Provision for Bad Debts-General Fund				
		<b>2,147</b>	<b>2,186</b>	
		<b>137,794</b>	<b>139,379</b>	

(a) These debtors relate to loan advances made to Manchester Airport plc to assist in the financing of approved capital works.

**Note 29. Creditors and Receipts in Advance**

	31st March	
	Restated	2008
	2007 £000s	£000s
General Fund	133,903	185,297
Housing Revenue Account	17,790	13,573
Collection Fund	16,526	23,455
Insurance Fund	1,583	16
Central Loans and Investment Account	386	675
	<b>170,188</b>	<b>223,016</b>

Represented by:	31st March	
	Restated	2008
	2007 £000s	£000s
Government Departments	31,616	56,161
Customs and Excise	64	1,588
Inland Revenue	13,556	10,725
Other Local Authorities	14,837	17,205
Other Public Bodies	9,414	12,978
Local Taxpayers and NNDR	16,526	23,455
Housing Rents	1,623	2,397
Financial Institutions	3,838	7,433
Other	78,714	91,074
	<b>170,188</b>	<b>223,016</b>

### **Note 30. Interests in Companies**

The Council is involved with a number of companies whose assets and liabilities are not included in the Council's single entity accounts. Relevant details of the companies are summarised below:

#### **Northwards Housing Ltd**

The principal activity of the company is the management and maintenance of approximately 13,000 of the Council's housing stock. The company is an ALMO (arms length management organisation) of the Council, formed on 12th December 2005. The company has no share capital, but is wholly owned and effectively controlled by the Council.

At the year ended 31st March 2008, the company had net assets of £366,000 (£457,000 at 31st March 2007).

The deficit before tax was £212,000 and deficit after tax was £259,000 (surplus before tax £287,000 and surplus after tax £226,000 2006-07).

The company is limited by guarantee, the Council has guaranteed £1 to the company assets in the event of the company being wound up.

#### **Manchester Airport Group Plc**

The principal activities of the company are the ownership, operation and development of airport facilities within the UK. The Company operates airports in Manchester, Nottingham East Midlands, Bournemouth and Humberside. The Council holds 112,353,999 £1 shares, equivalent to 55% of the companies share capital.

At the year ended 31st March 2008, the company had net assets of £938,200,000 (£861,000,000 at 31st March 2007).

The profit before tax was £87,800,000 and after tax was £80,800,000 (profit before tax £80,900,000 and after tax £67,700,000 2006-07).

These figures are in line with International Accounting Standards.

A dividend of £13,750,000 was received in 2007-08 (£13,750,000 2006-07).

The company has an outstanding loan with the Council of £88,617,000 (£89,597,000 2006-07).

#### **Destination Manchester Ltd**

The company was set up by the Council during 2005-06 to acquire a controlling interest in G-Mex Ltd from Aviva and Modesole Ltd.

The Council holds 2,700,000 £1 shares, equivalent to 100% of the companies issued shares.

Through its ownership of Destination Manchester Ltd and its investment in Modesole Ltd, the Council has a 95% shareholding in G-Mex Ltd.

At the year ended 31st March 2008 the company had net assets of £4,207,657 (£4,424,546 at 31st March 2007).

The profit before tax was £169,001 and loss after tax was £216,890 (profit before tax £309,295 and loss after tax £20,672 2006-07).

No dividends were received from the company by the Council in 2007-08 (nil dividends 2006-07).

The company has an outstanding loan with the Council of £11,200,000 repayable from July 2011.

#### **Manchester Concert Hall Ltd**

The main activities of the company are the management and administration of the Bridgewater Hall, that is Manchester's principal concert hall venue.

The company has no share capital.

At the year ended 31st March 2008 the company had net assets of £61,512 (£55,221 at 31st March 2007).

The surplus was £6,291 (£13,772 2006-07).

The company is limited by guarantee and is also a registered charity. The Council has guaranteed £1 to the company assets in the event of the company being wound up.

#### **Manchester Mortgage Corporation Plc**

The principal activities of the company are the acquisition, development and investment in land and buildings.

The Council holds 171,800,000 £1, equivalent to 100% of the companies issued shares.

At the year ended 31st March 2008 the company had net assets of £13,418,001 (£12,619,198 at 31st March 2007).

The profit before and after tax was £798,803 (profit before and after tax £632,822 2006-07).

No dividends were received from the company by the Council in 2007-08 (nil dividends 2006-07).

#### **Manchester Professional Services Ltd**

The principal activities of the company are the provision of company secretarial, legal and accountancy services.

The Council holds 100 £1 shares equivalent to 100% of the companies issued shares.

At the year ended 31st March 2008 the company had net assets of £1,201 (£1,201 at 31st March 2007).

Turnover in the year ended 31st March 2008 was £103,512 (£141,064 year ended 31st March 2007).

No dividends were received from the company by the Council in 2007-08 (nil dividends 2006-07).

The company has an outstanding loan with the Council of £20,000.

#### Mansat Developments Ltd

The principal activity of the company is building and contracting work under contractual terms with the Council.

The Council holds 2 £1 shares, equivalent to 100% of the companies issued shares.

At the year ended 31st March 2008 the company had net assets of £2 (£2 at 31st March 2007).

Turnover in the year ended 31st March 2008 was nil (nil year ended 31st March 2007).

No dividends were received from the company by the Council in 2007-08 (nil dividends 2006-07).

#### Manchester 50 Pool Ltd

The company is responsible for the management and operations, through its agent Serco Leisure, of the Manchester Aquatic leisure centre and ten community leisure centres.

The company has no share capital.

At the year ended 31st March 2008 the company had net assets of £58,184 (£58,184 at 31st March 2007).

The net income was nil (nil net income 2006-07).

The company is limited by guarantee and is also a registered charity. The Council has guaranteed £1 to the company assets in the event of the company being wound up.

#### CityCo (Manchester) Ltd

The principal activities of the company are to secure the improvement, development and regeneration of Manchester City Centre.

The company has no share capital.

At the year ended 31st March 2008 the company had assets of £0 (£0 at 31st March 2007)

The profit before and after tax was nil (nil profit before and after tax 2006-07)

The company is limited by guarantee, the Council has guaranteed £1 to the company assets in the event of the company being wound up.

#### Manchester Commonwealth Games Ltd

The company was engaged in the promotion, planning, organising, staging and operating of the 2002 Commonwealth Games. The company is now in the process of winding down its activities, with the emphasis being on realising assets and settling outstanding liabilities.

The company has no share capital.

At the year ended 31st December 2007 the company had net assets of £0 (£0 at 31st December 2006).

Turnover in the year ended 31st December 2007 was nil (nil turnover for the year ended 31st December 2006).

#### Manchester International Festival Ltd

The principal activities of the company were the planning, organising, staging and operating of the Manchester International Festival that was held in Manchester in 2007.

The company has no share capital.

The company is limited by guarantee, the Council has guaranteed £1 to the company assets in the event of the company being wound up.

#### Manchester Working Ltd

The company maintains land and buildings, predominately for Manchester City Council. The company was incorporated on 23rd June 2006 and commenced trading on 4th September 2006 following the award of a ten year contract by Manchester City Council for the repairs and maintenance of its public buildings and housing stock.

The Council holds 200 £1 shares, equivalent to 20% of the companies issued share capital.

At the year ending 31st March 2008 the company had net assets of £3,218,000 (£667,000 at 31st March 2007).

The profit before tax was £3,729,000 and profit after tax was £2,551,000 (profit before tax £997,000 and after tax £666,000 2006-07).

No dividends were received from the company by the Council in 2007-08 (nil dividends 2006-07).

#### Millennium Quarter Trust Ltd

The principal activity of the company is the management of the Urbis complex and preservation of Manchester's Millennium Quarter.

The company has no share capital.

At the year ended 31st March 2008 the company had net assets of £1,376 (£0 at 31st March 2007).

Total net income for the year ended 31st March 2008 was £1,376 (£0 year ended 31st March 2007).

The company is limited by guarantee and is also a registered charity. The Council has guaranteed £1 to the company assets in the event of the company being wound up. The Council has agreed to provide ongoing deficit funding for operational and administrative costs.



#### National Car Parks Manchester Ltd

The principal activity of the company is the provision and management of car parking facilities within Manchester.

The Council holds 2500 £1 shares, equivalent to 25% of the companies issued share capital.

Through this shareholding the Council has 45% of the voting rights in the company.

At the year ended 31st March 2008 the company had net assets of £5,299,000 (£6,404,000 at 31st March 2007).

The profit before tax was £6,108,000 (profit before tax £7,752,000 2006-07).

A dividend of £2,192,667 was received in 2007-08 (£995,971 2006-07)

#### New East Manchester Ltd

The company is responsible for the co-ordination of the investment plans of partners in the regeneration of East Manchester.

The company has no share capital.

The company is limited by guarantee, the Council has guaranteed £1 to the company assets in the event of the company being wound up.

#### World Swimming Championships 2008 (WSC08) Ltd

The principal activities of the company were the promotion, planning, organising, staging and operating of the World Swimming Championships that were held in Manchester in 2008.

The Council holds 80 class A shares, equivalent to 80% of the companies issued share capital.

At the year ended 31st December 2007 the company had net assets of £100 (£100 at 31st December 2006).

The profit before tax in the year ended 31st December 2007 was nil (nil profit before tax year ended 31st December 2006).

No dividends were received from the company by the Council in 2007 (nil dividends 2006).

#### Wythenshawe Forum Trust Ltd

The principal activities of the company are to implement a new strategy for the regeneration of Wythenshawe Forum, to remodel the Forum Centre and manage the operation of the Forum Centre.

The company has no share capital.

The company is limited by guarantee, the Council has guaranteed £1 to the company assets in the event of the company being wound up. The Council has a deficit funding agreement with the company.

#### Greater Manchester Waste (Manchester Collections) Ltd.

The principal activity of the company is the collection of domestic and commercial waste within the city.

On 29th February 2008, Manchester City Council exercised an option to acquire a 100% shareholding in the company.

Previous to this, the Council held 4,900 £1 shares equivalent to 49% of the issued share capital.

The company ceased trading on 29th February 2008.

At the year ended 31st March 2008 the company had net assets of £649,220 (net liabilities of £996,534 at 31st March 2007).

The profit before tax was £187,755 (loss before tax £1,000 2006-07).

No dividends were received from the company by the Council in 2007-08 (nil dividends 2006-07).

#### Enterprise Manchester Partnership Ltd

The principal activity of the company is the collection of domestic and commercial waste within the city.

The Council holds 20% of the companies issued share capital.

At the year ended 31st March 2008 the company had net assets of £1

The profit before tax in the year ended 31st March 2008 was nil.

No dividends were received from the company by the council in 2007-08.

#### Manchester Science Park Ltd

The principal activity of the company is assisting in the location and development of technology based businesses that can benefit by utilising the research and technology resources of Manchester's universities.

The Council holds 70,000 £1 shares, equivalent to 28% of the shares issued.

No dividends were received from the company by the Council in 2007 (nil dividends 2006).

Hulme High Street Ltd

The companies principal activity is property development and is responsible for procuring the development of a site in the Hulme ward of Manchester.

The company did not trade during the current or preceding year.

The Council holds 199 B class ordinary shares, equivalent to 19.9% of the issued share capital.

No dividends were received from the company by the Council in 2007 (nil dividends 2006).

Copies of the accounts of these companies can be obtained from the Corporate Services Department, Town Hall, Manchester, M60 2JR.

**Note 31. Analysis of Long-term Borrowing**

As at 31-Mar-07 Restated £000s		Range of Interest from	Rates Payable to	Average Interest	As at 31-Mar-08
		%	%	%	£000s
341,844	Analysis of loans by type:				
595,180	Public Works Loans Board	4.5000	11.6250	8.8893	202,694
8,307	Market Loans	4.1400	10.1250	4.8507	575,687
	Stocks	3.0000	4.0000	3.3638	8,306
945,331	Total outstanding				786,687
	Analysis of loans by maturity:				
3,295	1-2 years				3,461
54,680	2-5 years				69,107
151,324	5-10 years				67,297
736,032	after 10 years				646,822
945,331					786,687

**Note 32. Deferred Liabilities**

	2006-07 £000s	Repaid in year	Purchased in year	2007-08 £000s
Ex GMC debt	24,341	961	0	23,380
Finance leases	689	136	0	553
Total	25,030	1,097	0	23,933

**Note 33. Deferred Grants and Contributions**

	Restated 2006-07 £000s	Additions in year	Amortisation	2007-08 £000s
Deferred government grants and contributions	308,173	101,258	-51,671	357,760
	308,173	101,258	-51,671	357,760

**Note 34. Deferred Capital Receipts**

These relate to outstanding mortgages on council house sales. The reduction in year relates to principal repayments made.

**Note 35. Provisions**

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

The Council has established the following provisions:

	Balance 1st April 2007 £000s	Applied 2007-08 £000s	Contributions 2007-08 £000s	Balance 31st March 2008 £000s
Compensation Provisions (1)	15,831	9,098	9,873	16,606
Various Other Provisions	2,414	726	1,665	3,353
	18,245	9,824	11,538	19,959

(1) The Compensation Provisions have been set up in order to compensate customers and employees.

**Note 36. Insurance Provision**

Within compensation provisions is an insurance provision, created by the Council to cover for known compensation claims. The amount in this provision for 2007-08 was £1,474,000 (£1,174,000 2006-07).

**Note 37. Reserves and Other Balances**

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 main reserves were as follows:

	Restated Balance 1st April 2007 £000s	Transfers To/(From) Reserves £000s	Net Movement In Year £000s	Balance 31st March 2008 £000s	Purpose of Reserve	Note
Capital Adjustment Account	1,528,334	0	-223,697	1,304,637	Store of capital resources set aside to meet past expenditure.	a
Financial Instruments Adjustment Account	-14,837	0	5,713	-9,124	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.	b
Revaluation Reserve	0	0	85,702	85,702	The revaluation reserve represents the level of revaluation gains on the authority's fixed assets from 1st April 2007 onwards.	c
Available for Sale Financial Instruments Reserve	2,108	0	-325	1,783	Store of gains on revaluation of investments not yet realised through sales.	d
Pensions Reserve	-310,600	0	163,800	-146,800	Balancing account to allow inclusion of pensions liability in the balance sheet.	44
PFI Residual Values Reserve	7,705	0	4,694	12,399	Build up of residual value over life of contracts.	
<b>Total Statutory Reserves</b>	<b>1,212,710</b>	<b>0</b>	<b>35,887</b>	<b>1,248,597</b>		
Usable Capital Receipts Reserve	11,077	0	-2,944	8,133	Proceeds of fixed assets sales available to meet future capital investment.	e
Major Repairs Reserve	11,611	0	9,477	21,088	Resources available to meet capital investment in council housing.	f
General Fund Reserve	21,469	-927	7,072	27,614	Resources available to meet future running costs for non-housing services.	
Housing Revenue Account	24,541	0	13,512	38,053	Resources available to meet future running costs for council houses.	
Home Loans Reserve	5,699	0	278	5,977	Resources available to meet future needs of mortgage accounts.	
Collection Fund Reserve	2,868	0	780	3,668	Fund balance.	
Other Revenue Balances					See notes.	
Unused Dividends Reserve	3,550	-9,790	10,200	3,960		g
LMS Schools Reserve	11,270	0	9,102	20,372		h
Development Fund	3,554	0	52	3,606		i
Direct Revenue Financing Reserve	0	-1,293	1,293	0		j
Neighbourhood Renewal Fund	1,603	0	-1,603	0		k
On-street Parking Reserve	3,079	0	-445	2,634		l
Service Improvement Fund	9,547	3,089	-662	11,974		m
Capital Fund	16,266	3,818	7,096	27,180		n
Public Lighting PFI Reserve	6,712	0	771	7,483		o
Insurance Fund Reserve	14,455	0	2,547	17,002		p
Closed Schools Reserve	0	0	1,095	1,095		q
Community Care Reserve	0	0	1,475	1,475		r
LABGI Reserve	0	5,103	-120	4,983		s
Cleopatra Reserve	0	0	1,000	1,000		t
Other Revenue Reserves	4,683	0	-30	4,653		
<b>Total Other Revenue Balances</b>	<b>74,719</b>	<b>927</b>	<b>31,771</b>	<b>107,417</b>		
<b>Total Non-Statutory Reserves</b>	<b>152,004</b>	<b>0</b>	<b>59,946</b>	<b>211,950</b>		
	<b>1,364,714</b>	<b>0</b>	<b>95,833</b>	<b>1,460,547</b>		

(a) Capital Adjustment Account

	Total £000s
Balance at 1st April 2007	1,528,334
Add:	
Repayment of LSVT Debt	109,957
Repayment of Ex GMC Debt	961
Capital Receipts Used	20,170
Minimum Revenue Provision	19,488
Grants Set Aside	42,519
Grants Released in line with Depreciation	9,152
Revenue Contributions	1,793
Revaluation Gain Depreciation	1,674
Capital Element of Performance Reward Grant	2,162
Transfer from Revaluation Reserve	25,548
Less:	
Fixed Asset Disposals	371,248
Depreciation	66,695
Write Down Intangible Assets	577
Write Down Long-term Debtors	779
Write Down Deferred Charges	5,777
Impairment	11,093
PFI Deferred Consideration	952
Balance at 31st March 2008	1,304,637

(b) Financial Instruments Adjustment Account

	Total £000s
Balance at 1st April 2007	-14,837
Add:	
Soft Loans	-322
Premium and Discounts	5,237
Manchester Mortgage Investment Revaluation	799
Balance at 31st March 2008	-9,124

(c) Revaluation Reserve

	Total £000s
Balance at 1st April 2007	0
Add:	
Revaluations	112,924
Less:	
Depreciation	1,674
Disposals Transfer to CAA	25,548
Balance at 31st March 2008	85,702

(d) Available for Sale Financial Instruments Reserve

	Total £000s
Balance at 1st April 2007	2,108
Add:	
Increase in Financial Instruments Market Value	1
Less:	
Decrease in Financial Instruments Market Value	326
Balance at 31st March 2008	1,783

(e) Usable Capital Receipts Reserve

	Total £000s
Balance at 1st April 2007	11,077
Add: Capital Receipts in Year	31,349
Less: Applied in Financing Paid to National Pool	20,170 14,123
Balance at 31st March 2008	8,133

(f) Major Repairs Reserve

	Total £000s
Balance at 1st April 2007	11,611
Add:	30,987
Less:	21,510
Balance at 31st March 2008	21,088

- (g) The Unused Dividends Reserve was established to hold dividends received from Manchester Airport plc and other companies.
- (h) The LMS Schools Reserve is committed to be spent on the Education service and is not available for the general use of the authority. Amounts of £20,372,000 (£11,270,000 2006-07) are held by schools under delegated schemes.
- (i) 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. The savings created by the schemes would be used to repay the fund.
- (j) The Direct Revenue Financing Reserve was established to fund future capital expenditure.
- (k) The Neighbourhood Renewal Fund Reserve was established to hold the unspent balance of the Neighbourhood Renewal Funding received by the Council. This is now treated as a receipt in advance.
- (l) The On-street Parking Reserve was established to hold surpluses generated from on-street parking and will be spent on transport related activities.
- (m) The Service Improvement Fund was established to fund improvements in Council services.
- (n) The Capital Fund was established to contribute to major capital schemes.
- (o) The Public Lighting PFI Reserve has been established to fund future expenditure on the scheme.
- (p) The Insurance Fund has been established to fund risks that are self-insured.
- (q) The Closed School Reserve holds balances from schools that have closed and may be required to meet future liabilities.
- (r) The Community Care Reserve was set up to meet future potential care costs.
- (s) The LABGI Reserve was set up to fund contributions towards specific schemes funded from the Local Authority Business Growth Incentive grant
- (t) The Cleopatra Reserve was set up to meet future potential claims.

### **Note 38. Contingent Liabilities**

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

a) A guarantee to the Yorkshire Bank, in respect of a loan to Manchester Care, of £5,795,000, towards the cost of construction of a new residential care home. The loan is fully repayable by December 2025, no provision has been made in the balance sheet for any potential liabilities. The latest valuation of the asset shows a shortfall of £2m between the valuation and the guarantee.

b) 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 were settled during 2006-07 and provision has been made for the assessed cost of known remaining claims. There remains the potential for some further claims but the scale of any liabilities cannot be assessed.

c) The councils of Greater Manchester, the Greater Manchester Passenger Transport Authority and Executive (PTA/E) and the Department for Transport (DFT) for Metrolink phase 3a have entered into a partnership funding approach.

Within the agreement the DFT contribution is capped at £244m in cash and that the PTA/E and the Greater Manchester authorities are jointly and severally responsible for meeting all costs over and above that sum on the strict understanding that the scope of the scheme granted full approval is delivered. The scheme is fully funded at present and the above arrangement will only be operative if it is exceeded. Strict monitoring arrangements will be put in place by all parties to minimise the risk of that happening.

d) 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 9th August 2005.

### **Note 39. Authorisation for Issue of the Statement of Accounts**

The 2007-08 Statement of Accounts was authorised for issue by Richard Paver, the City Treasurer on 18th September 2008. All events after the Balance Sheet date until this date have been considered for disclosure as events after the Balance Sheet date.

### **Note 40. Post Balance Sheet Events**

The Council had the following non-adjusting post balance sheet events.

a) On the 14th April 2008 the Stockport Overspill large scale voluntary transfer (LSVT) took place. 1,135 properties with a value of £52,029,000 were transferred and £20,295,000 of PWLB debt was written off. The Council received £1,000,000 for these properties.

In the 2008-09 this will result in a loss on disposal of fixed assets of £30,728,000 in the Income and Expenditure Account. This entry will be reversed through the Statement of Movement on HRA Balances.

b) On the 2nd June 2008 the Inner South large scale voluntary transfer (LSVT) took place. 4,418 properties with a value of £197,810,000 were transferred and £78,791,000 of PWLB debt was written off.

In the 2008-09 this will result in a loss on disposal of fixed assets of £119,019,000 in the Income and Expenditure Account. This entry will be reversed through the Statement of Movement on HRA Balances.

#### Note 41. Trust Funds

There are the several charitable trusts, joint committees and special funds which are administered by the Council. They represent funds which 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 names can be obtained from the Corporate Services Department, Town Hall, Manchester, M60 2JR.

	Fund Balance Brought Forward £	Income £	Expenditure £	Fund Balance Carried Forward £
The Lord Mayor of Manchester's Charity Appeal Trust	666,761	35,285	95,993	606,053
Manchester Immigration Needs Trust	117,254	7,029	6,261	118,022
Manchester Area Pollution Advisory Council	16,335	1,325	0	17,660
Castlefield Heritage Trust	332,073	2,817	1,883	333,007
Lord Mayor of Manchester's Charitable Emergency Appeal Trust	11,173	63	0	11,236
Lord Mayor of Manchester's Emergency Fund (Discretionary)	-6,765	240	0	-6,525
Manchester Safeguarding Children Board	155,436	342,224	186,698	310,962
Education Endowments:				
Funds with Investments	233,157	171	222,508	10,820
Funds without Investments	3,809	0	3,809	0
Manchester Metropolitan University Endowments:				
Funds with Investments	130,697	0	129,770	927
Collyhurst Guild of Social Services	1,019	0	1,019	0
Simpson Memorial Foundation	4,824	0	0	4,824
School Bank Reserve Fund	51,430	0	51,278	152
Manchester Metropolitan University - Institute of Advanced Studies Post Graduate Fellowship Fund	7,064	0	7,064	0

#### Note 42. Dedicated Schools Grant Disclosures

The Council's expenditure on schools is funded by grant monies provided by the Department for Children's, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The schools budget includes elements for a restricted range of services provided on an authority wide basis and for the individual Schools Budget, which is divided into a budget share for each school.

Over and underspends on the two elements are required to be accounted for separately.

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Original grant allocation to Schools Budget for year	42,943	229,436	272,379
Adjustment to finalised grant allocation	-2,011	2,213	202
DSG receivable for the year	40,932	231,649	272,581
Actual expenditure for the year	38,315	231,649	269,964
(Over)/underspend carried forward to 2008-09	2,617	0	2,617

The original budget for the Central Expenditure includes:

- provisions for funding for Special Education Needs
- increases in pupil numbers
- establishment of a new school (Northridge Special School) part way through the year
- contingencies within schools

These funds are transferred to schools through the year.

#### Note 43. Reserves and Balances Held by Schools Under Delegated Schemes

Amounts of £20,372,000 (£11,270,000 2006-07) are held by schools under delegated schemes.



**Note 44. Local Government Pension Schemes**

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

The authority participates in two pension schemes:

The Local Government Pension Scheme is a fully funded defined benefits scheme. The last triennial valuation was on 31st March 2007. Tameside MBC administer the scheme on behalf of the Greater Manchester Authorities.

The Teachers' Pension Scheme is a defined benefit scheme, administered by the Teachers' Pension Agency (TPA). Further information is included in Note 45.

**Transactions Relating to Retirement Benefits**

The cost 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 Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2006-07 £000s	2007-08 £000s
<b>Income and Expenditure Account</b>		
Net cost of Services:		
current service cost	58,300	48,500
past service costs	800	1,400
curtailments and settlements	-8,500	200
Net operating expenditure:		
interest cost	104,700	115,900
expected return on assets in the scheme	-113,900	-126,900
<b>Net charge to the Income and Expenditure Account</b>	<b>41,400</b>	<b>39,100</b>
<b>Statement of Movement on the General Fund Balance</b>		
reversal of net charges made for retirement benefits in accordance with FRS 17	3,600	6,200
<b>Actual amount charged against the General Fund Balance for the pensions in the year:</b>		
employers' contribution payable to scheme	45,000	45,300

**Assets and Liabilities in Relation to Retirement Benefits**

The underlying assets and liabilities for the retirement benefits attributable to the authority at 31st March are as follows:

	2006-07 £000s	2007-08 £000s
Estimated liabilities in scheme	-1,990,100	-1,683,500
Estimated unfunded liabilities	-162,000	-158,100
Estimated assets in scheme	1,841,500	1,694,800
<b>Net asset/(liability)</b>	<b>-310,600</b>	<b>-146,800</b>

This has the effect of reducing the Council's reserves by £146,800,000.

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £146,800,000 has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy (i.e.. increasing contributions to the scheme over the remaining working life of employees).

### 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. Estimates for the scheme are based on the latest formal valuation of the Fund as at 31st March 2007.

In calculating the scheme assets and liabilities the fund's actuaries make a number of assumptions about events and circumstances in the future. The resulting actuarial calculations are subject to uncertainties on the outcome of future events. The principal actuarial assumptions made in relation to these accounts are shown below. The actuarial gains and losses in the year which reflects where actual outcomes differed from actuarial assumptions made in the previous year together with the effect of consequent revision of these estimates moving forward are also shown below.

The main assumptions used in their calculations have been:

	2006-07	2007-08
Rate of inflation	3.2%	3.6%
Rate of increase in salaries	4.7%	5.1%
Rate of increase in pensions	3.2%	3.6%
Rate for discounting scheme liabilities	5.4%	6.9%
Take-up of option to convert annual pension into retirement grant	25.0%	50.0%

The fair value of the assets held by the pension scheme attributable to the Council are analysed as follows:

	Assets at 31-Mar-07 £000s	Assets at 31-Mar-08 £000s	Long Term Rate of Return at 31-Mar-07	Long Term Rate of Return at 31-Mar-08
Equities	1,230,200	1,069,400	7.8%	7.7%
Bonds	293,300	316,700	4.9%	5.7%
Property	181,400	147,400	5.8%	5.7%
Cash	136,600	161,300	4.9%	4.8%
	1,841,500	1,694,800		

### Actuarial Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2007-08 can be analysed into the following categories measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2008.

	Year to 31-Mar-08 £000s	Year to 31-Mar-07 £000s	Year to 31-Mar-06 £000s	Year to 31-Mar-05 £000s	Year to 31-Mar-04 £000s
Difference between the Expected and Actual Return on Assets	-194,700	9,300	229,800	67,804	193,100
Value of Assets	1,694,800	1,841,500	1,782,700	1,464,331	1,342,900
Percentage of Assets	-11.5%	0.5%	12.9%	4.6%	14.4%
Experience Gains / (Losses) on Liabilities	25,200	500	-3,142	-82,595	700
Total Present Value of Liabilities	1,841,600	2,152,100	2,235,400	1,879,989	1,503,400
Percentage of the Total Present Value of Liabilities	1.4%	0.0%	-0.1%	-4.4%	0.0%
Actuarial Gains / (Losses) Recognised	157,600	138,500	-32,742	-202,112	184,800
Total Present Value of Liabilities	1,841,600	2,152,100	2,235,400	1,879,989	1,503,400
Percentage of the Total Present Value of Liabilities	8.6%	6.4%	-1.5%	-13.9%	12.3%

Actuarial gains for 2007-08 are calculated as follows:-

	£000s
Difference between the expected return on assets	-194,700
Experience gains on liabilities	25,200
Changes in assumptions	327,100
	157,600

The changes in assumptions figure is broken down as follows:-

	£000s
Change in commutation assumption	19,900
Change in mortality assumption	-66,100
Change in financial assumptions	373,300
	327,100

**Note 45. Teachers' Pension Scheme**

Although the scheme is unfunded, the TPA 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 authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of the statement of accounts it is accounted for on the same basis as a defined contributions scheme.

The authority 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.

The pension costs charged to the accounts are at the contribution rate set by the TPA on the basis of a notional fund. In 2007-08 the Council's contribution to the TPA in respect of teachers' pension costs was £18,547,000 (£18,081,000 2006-07), the set contribution rate being 14.1% (14.1% 2006-07).

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with related increases. In 2007-08 these amounted to £6,195,000 (£5,964,000 2006-07) of which £1,547,000 (£1,607,000 2006-07) relates to former establishment employees and is refunded by the Higher Education Funding Council.

**Note 46. Reconciliation of Surplus/(Deficit) to Net Cash Flow**

	<b>2007-08</b>	
	<b>£000s</b>	
<b>Deficit on Income and Expenditure Account</b>		-175,945
<b>Non Cash Transactions</b>		
Depreciation	67,272	
Deferred Grants Amortised in Year	-9,152	
Soft Loans SORP Adjustments	-4,274	
HRA Balance	-13,512	
Other Adjustments	27,833	
PFI Adjustments	-3,742	
Pension Fund Adjustments	-6,200	
Contributions to Other Reserves/Provisions	-28,234	
		29,991
Loss on the Disposal of Fixed Assets	230,632	
		230,632
<b>Items on an Accruals Basis</b>		
add Decrease/(Increase) in Stock		-199
add Decrease/(Increase) in Debtors and Payments in Advance		-30,009
add Increase/(Decrease) in Creditors and Receipts in Advance		32,735
<b>Net Cash Flow from Revenue Activities</b>		<b>87,205</b>

**Note 47. Note to Cash Flow - Movement in Net Debt**

	Restated 1st April 2007 £000s	Receipts	Payments	31st March 2008 £000s
Short-term investments	-22,930	800,192	802,316	-25,054
Short-term debt	38,973	304,436	324,344	19,065
Long-term debt	922,960	100,059	256,730	766,289
Deferred liabilities	25,030	0	1,097	23,933
Cash overdrawn	25,233	0	-4,720	29,953
	<b>989,266</b>	<b>1,204,687</b>	<b>1,379,767</b>	<b>814,186</b>

These figures are different to those on the balance sheet as these are cash movements and do not include accruals or the writing off of PWLB debt relating to LSVTs.

**Note 48. Note to Cash Flow - Reconciliation of Net Debt**

	Restated 2006-07 £000s	2007-08 £000s
<b>Net debt</b>		
As at 1st April	1,183,783	989,266
As at 31st March	989,266	814,186
	-194,517	-175,080
<b>Represented by:</b>		
(Increase)/decrease in cash	16,283	4,720
Increase/(decrease) in borrowing	-253,100	-177,676
(Increase)/decrease in investments	42,300	-2,124
	-194,517	-175,080

**Note 49. Decrease in Cash**

	2006-07 £000s	2007-08 £000s
Bank overdraft and cash in hand at 1st April	-6,260	-25,233
Movements in year	-18,973	-4,720
Bank balance and cash in hand at 31st March	-25,233	-29,953

**Note 50. Analysis of Government Grants**

	Restated 2006-07 £000s	2007-08 £000s
Revenue Support Grant	49,021	43,962
DWP Grants for Benefits	225,394	231,835
<b>Education and Children's Social Care:</b>		
Dedicated Schools Grant	257,322	271,275
Standards Fund	51,098	55,804
Learning Skills Council	47,749	27,482
Various other Education Grants	9,273	12,774
Children's Fund	3,306	2,458
Teacher Training	1,903	779
Higher Education Funding Council	1,446	1,554
Asylum Seekers	17,599	19,387
Youth Justice Board	2,187	2,000
National Training Strategy	1,770	1,265
Preserved Rights	1,753	1,558
Child Adolescent Mental Health	1,425	1,454
Youth Opportunity Fund	643	246
HR Development Strategy Grant	588	586
<b>Adult Social Care:</b>		
Access and Systems Capability	5,702	5,548
Carers	2,208	2,495
Mental Health	1,257	1,873
Partnerships for Older people	1,210	1,397
Delayed Discharges	1,016	989
HIV and AIDS	415	437
<b>Other Government Grants:</b>		
Housing Market Renewal Fund	3,632	3,402
Housing Subsidy Grant	48,078	35,286
Supporting People	39,082	42,320
Neighbourhood Renewal Fund	31,711	28,915
Sure Start	19,946	16,478
Local Authority Business Growth Initiative	17,693	0
Home Office Building Safer Communities	2,238	1,945
Home Office Drugs Intervention	4,336	2,804
Performance Reward	3,289	4,274
Museum, Libraries and Archives	0	2,220
European Regional Development Fund (ERDF)	2,561	1,938
PFI Grants	2,188	7,264
New Deal for Communities	1,937	2,785
North West Development Agency (NWD)	1,875	1,590
Department for Environment, Food and Rural Affairs	1,075	173
Homelessness	386	613
English Partnership	312	1,104
Preventative Technology	302	494
Sport England	227	532
Home Office Young Peoples Substance Abuse	353	1,420
Home Office Respect Grant	220	239
Various Other Home Office Grants	914	933
Various Communities and Local Government Grants	748	1,702
Various Department of Health Grants	502	1,504
Other Grants	2,895	1,224
	<b>870,785</b>	<b>848,315</b>

## Note 51. Financial Instruments

### Financial Instruments Balances

	Long Term		Current	
	31-Mar-07 £000s	31-Mar-08 £000s	31-Mar-07 £000s	31-Mar-08 £000s
Financial Liabilities at amortised cost	945,331	786,687	35,522	19,230
Financial Liabilities at Fair Value through the I&E	0	0	0	0
<b>Total Borrowings</b>	<b>945,331</b>	<b>786,687</b>	<b>35,522</b>	<b>19,230</b>
Loans and receivables	137,794	139,379	189,000	224,062
Available for sale assets at fair value through the I&E	2,108	1,783	0	0
Financial assets at fair value through the I&E	0	0	0	0
Unquoted equity investment at cost	130,443	131,242	0	0
<b>Total Investments</b>	<b>270,345</b>	<b>272,404</b>	<b>189,000</b>	<b>224,062</b>

The unquoted equity investment at cost consists of the Council's shareholding in companies that are not quoted on the stock exchange. The major investments included are Manchester Airport Plc (£112,354,000), Manchester Mortgage Corporation Plc (£13,418,000), Destination Manchester Ltd (£2,700,000) and National Car Parks (Manchester) Ltd (£1,102,500).

Fair value of these investments cannot be measured reliably as the range of reasonable estimates is significant and the probabilities of the various estimates cannot be assessed. The Council does not intend to dispose of these investments.

#### Fair Value of Assets and Liabilities Arrived at Amortised Cost

	Carrying Amount	Carrying Amount	Fair Value	Fair Value
	31-Mar-07 £000s	31-Mar-08 £000s	31-Mar-07 £000s	31-Mar-08 £000s
PWLB Debt	341,844	202,694	421,395	263,571
Non PWLB debt	595,180	575,687	666,273	635,698
Stocks	8,307	8,306	6,413	6,428
<b>Total debt</b>	<b>945,331</b>	<b>786,687</b>	<b>1,094,081</b>	<b>905,697</b>
Ex GMC Debt	24,341	23,380	24,341	23,380
Trade Creditors	170,188	223,016	170,188	223,016
<b>Total Financial Liabilities</b>	<b>1,139,860</b>	<b>1,033,083</b>	<b>1,288,610</b>	<b>1,152,293</b>

	Carrying Amount	Carrying Amount	Fair Value	Fair Value
	31-Mar-07 £000s	31-Mar-08 £000s	31-Mar-07 £000s	31-Mar-08 £000s
Money market	0	0	0	0
Trade Debtors	302,864	337,636	302,864	337,636
<b>Total Loans &amp; Receivables</b>	<b>302,864</b>	<b>337,636</b>	<b>302,864</b>	<b>337,636</b>

The fair value is greater than the carrying amount because 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 historic cost have been used to value investments as applicable.

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each 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. It should be noted that the redemption rules applying to PWLB debt changed on 1st November 2007, and are less favourable than the previous procedures. As a result, the fair value figures for 31 March 2008 are relatively higher (more costly to redeem) than the 31 March 2007 comparators.

The Fair Values for loans and receivables have been determined by reference to the Public Works Loans Board (PWLB) redemption rules which proved a good approximation for the fair value of financial instruments and also include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

	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	67,034	0	0	0	67,034
Losses on Derecognising	0	0	326	0	326
Interest Payable and Similar Charges	67,034	0	326	0	67,360
Interest Income	0	14,573	0	0	14,573
Gains on De-recognition	0	0	1	0	1
Interest and Investment Income	0	14,573	1	0	14,574

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

##### Key Risks

The councils 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 set out 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 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;

##### Specified Investments

Specified Investments are investments in sterling denomination, with maturities up to a maximum of 1 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

Non-specified investments are any other type of investment than specified.

The only Non-Specified investments the Council will make use of are term deposits with unrated building societies with assets in excess of £1 billion. A maximum limit of 20% of average total investments at any one time is in place for these non rated institutions and a maximum investment period of 90 days.

##### Investment Limits

The financial investment limits of banks and building societies are linked to their Moody's and Fitch long-term ratings, as follows:-

AA+	£20 million
AA/AA-	£15 million
A+/A	£10 million

## Credit Risk

Credit quality of counter parties (issuers and issues) and investment schemes will be determined by reference to credit ratings published by Moody's and Fitch 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.

Credit Ratings Used:

Banks - Fitch: long-term A, Short term F1/F1+, Support 1,2,3

Banks - Moody's: Short Term P-1.

Building Societies - Fitch: Long Term A

Building Societies - Moody's: Long term A3

Monitoring of credit ratings:

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

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 current trade debtor amount is £397,189,000 the estimated maximum exposure to default is £59,553,000.

## Liquidity Risk

The council has ready access to borrowings from the money markets to cover day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Acts 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 cash flow management procedures required by the code.

## 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 £440m 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 them as fixed loans which will run to maturity. In forming this judgement the Council has taken account of its ability to refinance through PWLB.

The maturity analysis of financial liabilities is as follows:

	£000s
Less than one year	3,461
one to twenty five years	783,226
	<u>786,687</u>

The maturity of analysis of financial assets is as follows:

	£000s
Less than one year	198,257
one to twenty five years	139,379
	<u>337,636</u>



## 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 Income and Expenditure Account 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 Income and Expenditure Account will rise; and  
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 Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together 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.

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 2%. 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.

- Short Term investment risk (£7m\*2%) = £140,000

-LOBO risk (loans potentially subject to call £150m \* 2%) = £3,000,000

### Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares but does have shareholdings to the value of £132m 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.

A general shift of 1% in the general price of shares (positive or negative) would thus have resulted in a £1,320,000 gain or loss being recognised in the STRGL for 2007/08.

### 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.

### Housing Revenue Account

Restated 2006-07 £000s		Note	2007-08 £000s
	<b>Income</b>		
106,302	Dwelling rents (Gross)		93,001
388	Non-dwelling rents (Gross)		194
7,099	Charges for services and facilities		9,940
23,794	Contributions towards expenditure		23,865
43,385	Housing Revenue Account Subsidy Receivable	i	45,541
1,500	Decreased Provision for Bad or Doubtful Debts		0
0	Government Grants Relating to Fixed Assets		3,884
0	Amortised Government Grants		62
<b>182,468</b>			<b>176,487</b>
	<b>Expenditure</b>		
39,160	Repair and maintenance		29,284
66,151	Supervision and management		70,379
366	Rents, rates, taxes and other charges		264
44,589	Depreciation and impairment of fixed assets	f, g	31,616
291	Debt management costs		570
0	Increased Provision for Bad or Doubtful Debts		2,068
0	Deferred Charges	h	2,021
<b>150,557</b>			<b>136,202</b>
<b>-31,911</b>	<b>Sub-total Net Cost of HRA Services as included in the whole authority Income and Expenditure Account.</b>		<b>-40,285</b>
398	HRA services share of Corporate and Democratic Core		429
-200	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		0
<b>-31,713</b>	<b>Sub-total: Net Cost Of HRA Services</b>		<b>-39,856</b>
456,091	HRA share of the operating income and expenditure included in the whole authority Income and Expenditure Account		238,885
39,797	Loss on sale of HRA fixed asset		34,997
6,292	Interest payable and similar charges	e	2,518
-1,471	Amortised premiums and discounts		-1,742
-859	Interest and investment income		-881
<b>468,137</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>233,921</b>

**Statement of Movement on the Housing Revenue Account Balance**

Restated 2006-07 £000		Note	2007-08 £000
468,137	(Surplus) or Deficit for the year on the HRA Income and Expenditure Account		233,921
-469,401	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year		-247,433
-1,264	(Increase) or decrease in the Housing Revenue Account Balance		-13,512
-23,277	Housing Revenue Account (surplus) brought forward		-24,541
-24,541	Housing Revenue Account (surplus) carried forward		-38,053

**Notes to the Statement of Movement on the HRA Balance**

Restated 2006-07 £000		Note	2007-08 £000
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements		
-5,918	Impairment	g	-629
0	Deferred Charges	h	-2,021
-456,091	(Loss) on sale of HRA fixed assets		-238,885
0	Government Grants Deferred Amortisation		62
-4,381	Net charges made for retirement benefits in accordance with FRS17		-2,965
	Differences between amounts debited/credited to the income and expenditure account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt		1,508
-417	PFI Deferred Consideration		-952
1,267	PFI Residual Values		2,510
0	Government Grants Relating to Fixed Assets		3,884
-465,540			-237,488
	<b>Items not included in the HRA Income and Expenditure Account but included from the movement on HRA Balance for the year</b>		
-16,426	Transfer to/(from) Major Repairs Reserve	c	-13,255
3,315	Employer's contribution payable to the Pension Fund and retirement benefits payable direct to pensioners		2,810
9,250	Capital expenditure funded by the HRA	d	500
-3,861			-9,945
-469,401	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year.		-247,433

## Notes to the Housing Revenue Account

### (a) Housing Stock

The Council was responsible for managing an average of 30,491 dwellings during 2007-08.

The stock was made up as follows

	31-Mar-07	31-Mar-08
Houses and bungalows	19,534	14,859
Flats	13,051	11,469
Others	121	116
	32,706	26,444

The change in stock is as follows:

	2007	2008
Stock at 1st April	42,733	32,706
Less		
Sales	859	305
Demolitions	28	10
Transfers	9,152	5,951
Add		
New buildings	0	0
Acquisitions	12	4
Stock at 31st March	32,706	26,444

In addition to stock shown above at 31st March 2008, 2,279 properties are managed under PFI contracts.

During 2007-08 Manchester Housing's stock holding was reduced by 5,951 properties as a result of stock transfers to housing associations. This relates to properties in the areas to the south of the city

The balance sheet value of the HRA's fixed assets was as follows:

	31-Mar-07 £000s	31-Mar-08 £000s
Council dwellings	1,289,868	1,010,424
Other land and buildings	2,688	2,633
Vehicles, plant and equipment	96	355
	1,292,652	1,013,412

### (b) Vacant Possession of Dwellings

The vacant possession value of dwellings within the Council's HRA at 1st April 2007 was £2,956,015,000. The difference between the vacant possession value and balance sheet value of dwellings within the HRA shows the cost to the Government of providing council housing at less than open market rents.

### (c) Major Repairs Reserve

	2007 £000s	2008 £000s
Balance at 1st April	1,292	11,611
Transferred from Capital Adjustment Account during year (equivalent to HRA depreciation)	38,671	30,987
Financing of capital expenditure on Council dwellings	-11,926	-8,255
Transfer (to)/from HRA	-16,426	-13,255
Balance at 31st March	11,611	21,088

(d) Capital Expenditure and Disposals

	2006-07 £000s	2007-08 £000s
<b>Expenditure</b>		
Council dwellings	58,815	67,440
Vehicles, plant and equipment	121	171
Intangible assets	786	13
Deferred Charges	0	2,021
	<b>59,722</b>	<b>69,645</b>
<b>Funded by</b>		
Borrowing	22,779	56,022
Usable Capital Receipts	8,982	738
Revenue contributions	9,250	500
Major Repairs Reserve	11,926	8,255
Government grants	6,449	4,029
External contributions	336	101
	<b>59,722</b>	<b>69,645</b>
<b>Disposals</b>		
Council dwellings	57,925	18,891
Other land and buildings	0	478
	<b>57,925</b>	<b>19,369</b>

(e) Interest Charge

The Interest Charge on HRA Debt is £34,997,000

(f) Depreciation

	2006-07 £000s	2007-08 £000s
<b>Dwellings</b>		
Other land and buildings	38,359	30,668
Intangible assets	56	56
Vehicles, plant and equipment	231	231
	25	32
	<b>38,671</b>	<b>30,987</b>

(g) Impairment Charges

Impairment charges of £629,000 (£5,918,000 2006-07) have been made to the HRA in relation to the value of properties demolished and downward revaluations to assets.

(h) Deferred Charges

Deferred Charges of £2,021,000 (nil in 2006-07) have been made to the HRA.

(i) HRA Subsidy Payable to the Council

	2006-07 £000s	2007-08 £000s
Management allowance	25,997	22,150
Maintenance allowance	40,108	34,244
Major Repairs allowance	22,245	17,732
Other allowances	71	0
Charges for capital	51,040	43,400
PFI allowances	3,538	15,688
Guideline rent income	-99,547	-87,621
Interest on receipts	-67	-52
	<b>43,385</b>	<b>45,541</b>

(j) Contribution from the Pension Reserve

The cost of the HRA has increased by £155,000 after the replacement of employer's pension contributions by current service costs and a share of the corporate items (pensions interest costs and expected return on pensions assets). The HRA share of the contribution from the pensions reserve is £155,000. The overall amount to be met from rent payers remains unchanged.

(k) Rent Arrears

	2007 £000s	2008 £000s
Arrears at 31st March	9,985	12,822

	2007 £000s	2008 £000s
Provision as at 1st April	10,416	7,113
Contributions in year	-763	2,068
Amounts written off in the year	2,540	513
Provision as at 31st March	7,113	8,668

(l) Large Scale Voluntary Transfers

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 2007-08 the Council transferred 5,951 properties (7,385 in 2006-07) to registered social landlords. At the point of transfer these assets are removed from the Council's balance sheet and a proportion of the Council's PWLB debt is written off by the government (£109,957,000 in 2007-08 and £131,259,000 in 2006-07). The difference between the value of assets on the Council's balance sheet (£348,726,000 in 2007-08 and £586,748,000 in 2006-07) and the amount of loan written off is shown as a loss on disposal of fixed assets in the HRA. This loss is reversed out through the Statement of Movement on HRA balances so there is no effect on the HRA. The figure is £238,769,000 in 2007-08 (£455,489,000 in 2006-07).

**Collection Fund**

**Income and Expenditure Account**

2006-07 £000s			2007-08 £000s
	<b>Income</b>		
106,166	Council Tax - Net Amount Receivable		113,410
39,630	Transfers from General Fund - Council Tax Benefits		39,832
236,983	Collectable from Business Ratepayers		243,514
<b>382,779</b>			<b>396,756</b>
	<b>Expenditure</b>		
118,723	Precepts and Demands		
12,607	- City of Manchester	123,483	
5,284	- Greater Manchester Police Authority	13,405	
	- Greater Manchester Fire and Civil Defence Authority	5,537	
136,614			142,425
235,930	Business Rate		
1,053	- Payment to National Pool	242,441	
	- Costs of Collection	1,073	
			243,514
5,069	Bad and Doubtful Debts		
2,732	- Write Offs		5,306
	- Provisions		1,381
1,741	Contribution		
	- Towards Previous Year's Collection Fund Surplus		3,350
<b>383,139</b>			<b>395,976</b>
-360	Surplus / (Deficit for Year)		780
3,248	Fund Balance Brought Forward		2,888
<b>2,888</b>	<b>Fund Balance Carried Forward</b>		<b>3,668</b>

**Notes to the Collection Fund Account**

(a) 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 national non-domestic rate for the year was set at 44.4p (43.2p for 2006-07). The total non-domestic rate at 31st March 2008 was £712,823,786 (£725,075,614 at 31st March 2007).

(b) Calculation of the Council Tax Base:

For 2007-08 there was an estimated 155,946 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. The totals for each band are converted by use of appropriate multipliers and expressed in terms of Band D dwellings to give a tax base.

In 2007-08 the tax base was 117,722 properties. The table below shows the number of properties in each band and the number of Band D equivalent properties.

Valuation Band	Number of Dwellings	Band D Equivalents
A	98,754	65,811
B	22,397	17,420
C	20,226	17,978
D	8,743	8,744
E	3,642	4,451
F	1,519	2,195
G	622	1,036
H	43	87
		<b>117,722</b>

The number of Band D equivalents for 2006-07 was 116,242.

(c) The Collection Fund surplus is split as follows

	2006-07 £000s	2007-08 £000s
City of Manchester	1,525	2,911
Greater Manchester Police Authority	151	309
Greater Manchester Fire and Civil Defence Authority	65	130
	1,741	3,350



## **Manchester City Council Group Accounts**

### **Introduction**

As a modern local authority Manchester City Council often chooses to conduct activities through a variety of undertakings, either under ultimate control of or in partnership with other organisations. The standard financial statements consider the Council only as a single entity, accounting for its interests in other organisations only to the extent of its historical investment, and not current performance and balances. Thus a full picture of the Council's economic activities, financial position, service position, accountability for resources and exposure to risk is not presented in the Council's single entity financial statements. As a result, group financial statements are produced to reflect the full extent of Manchester City Council's involvement with its group undertakings in order to provide a clearer picture of the Council's activities as a group. The group accounts contain core financial statements similar to those included in the Council's single entity statements, consolidated with figures for the Council's subsidiaries, associates and joint ventures.

The following pages include,

Group Income and Expenditure Account

Reconciliation of the Single Entity Surplus/Deficit to the Group Surplus/Deficit

Group Statement of Total Recognised Gains and Losses

Group Balance Sheet

Group Cash Flow Statement

The group financial statements are presented in accordance with UK GAAP. Where subsidiaries, associates or joint ventures financial statements are shown under another accounting basis (i.e. International Financial Reporting Standards) their accounts have been restated to comply with UK GAAP. The 2006-07 financial statements have been restated to reflect amendments made to the Council's and entity financial statements.

### **Manchester City Council Group**

Inclusion in the Manchester City Council Group is dependent upon the extent of the Council's interest and control over the entity. An assessment of all of the Council's interests has been carried out to determine which of the following categories they fall under.

**Subsidiary** – where the Council exercises control and gains benefits/exposure to risks arising from this control. These entities are included in the group.

**Associates** – where the Council exercises a significant influence and has a participating interest. These entities are included in the group.

**Joint Ventures** – where the Council exercises joint control with one or more organisations. These entities are included in the group.

**Simple Investment** – where the Council holds an insufficient interest to justify inclusion in the group financial statements. These entities are not included in the group.

**No Group Relationship** – where interest is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

For each of the group entities, the group accounts include a share of their operating results, assets and liabilities. Subsidiaries are accounted for on an acquisition basis with inter-group transactions written out. Associates and joint ventures are accounted for by including their net operating results in the group income and expenditure account. Investments in these entities are adjusted on the balance sheet for the Council's share of their results. The following gives details of the entities included in the Manchester City Council Group.

**ALMO: Northwards Housing Ltd**

Northwards Housing Ltd is an arms-length management organisation wholly owned by Manchester City Council and limited by guarantee. The ALMO was formed on 12<sup>th</sup> December 2005, its principal activity being the management and maintenance of housing stock totalling 13,000 properties on behalf of the Council.

**Destination Manchester Ltd**

Company set-up by the Council in 2005-06 to acquire a controlling interest in G-Mex Ltd from Aviva and Modesole Ltd. Through its ownership of Destination Manchester Ltd and investment in Modesole Ltd, Manchester City Council has a 95% shareholding in G-Mex Ltd, the remaining 5% is held by Trafford MBC.

**Enterprise Manchester Partnership Ltd**

The principal activity of the company is the collection of domestic and commercial waste within the City of Manchester. Manchester City Council holds 20% of the shares issued by the company.

**Greater Manchester Waste (Manchester Collections) Ltd**

The principal activity of the company is the collection of domestic and commercial waste within the City of Manchester. The company is the result of a joint venture between Manchester City Council and Greater Manchester Waste Ltd. On 29<sup>th</sup> February 2008, Manchester City Council exercised an option to acquire a 100% shareholding in the company. Previous to this, Manchester City Council held 4,900 £1 shares equivalent to a 49% shareholding. Greater Manchester Waste Ltd held the remaining 51% shareholding. The company ceased trading on 29<sup>th</sup> February 2008. For the 2007-08 financial year, the company has been accounted for as a subsidiary in the group accounts to reflect the Council's increased shareholding.

**Manchester 50 Pool**

The company has the responsibility for the management and operations, through its agent Serco Leisure, of the Manchester Aquatic Centre and ten

community leisure centres. The company is limited by guarantee and has no share capital. Manchester City Council has agreed to fund any deficit and has a significant influence over the operational and financial policies of the company.

#### **Manchester Airport Group PLC**

The principal activities of the company are the ownership, operation and development of airport facilities within the UK. The company operates airports in Manchester, Nottingham East Midlands, Bournemouth and Humberside. Manchester City Council has a majority interest in Manchester Airport Plc equivalent to 55% of the authorised share capital (£112,365,000 investment). Each of the other nine Greater Manchester district councils' has a 5% shareholding (£10,215,000 investment each).

#### **CityCo Ltd**

The principal activities of the company are to secure the improvement, development and regeneration of Manchester City Centre and reaffirm its position as the principal retail, financial, business, residential and tourism destination in the North of England. The company is limited by guarantee and has no share capital. Manchester City Council provides funding, staff and has two directors on the board.

#### **Manchester Commonwealth Games Ltd**

The company was engaged in the promotion, planning, organising, staging and operating of the XVII Commonwealth Games held in Manchester in 2002. The company is now in the process of winding down its activities, with the emphasis being on realising assets and settling outstanding liabilities. The company is limited by guarantee and has no share capital.

#### **Manchester Concert Hall**

The Manchester Concert Hall Ltd is a company limited by guarantee and does not have any share capital. It is also a registered charity. The principal activity of the charity is the management and administration of the Bridgewater Hall, which is Manchester's Concert Hall.

#### **Manchester International Festival Ltd**

The company was engaged in the planning, organising, staging and operating of the Manchester International Festival held in Manchester in 2007

#### **Manchester Mortgage Corporation PLC**

The principal activities of the company are the acquisition and development of and investment in land and buildings within the boundaries of the City of Manchester. The company also acquires on lease or otherwise land within the City of Manchester for use by the City of Manchester. Manchester City Council wholly owns Manchester Mortgage Corporation with a 100% shareholding.

### **Manchester Professional Services Ltd (MPSL)**

The principal activities of the company are the provision of company secretarial, legal and accountancy services. Manchester City Council owns 100 £1 shares, equivalent to a 100% shareholding.

### **Manchester Working Ltd**

The company maintains land and buildings, predominately for Manchester City Council. The company was incorporated on 23<sup>rd</sup> June 2006 and commenced trading on 4<sup>th</sup> September 2006 following the award of a 10-year contract by Manchester City Council for the repairs and maintenance of its public buildings and housing stock. The company's 2006-07 turnover was a result of this contract.

### **Mansat**

The principal activity of the company is building and contracting work under the terms of contracts with Manchester City Council. Mansat has issued two £1 shares, which are held by Manchester City Council.

### **Millennium Quarter Trust Ltd (MQT)**

The principal activity of the company is to oversee the operations and preservation of Manchester Millennium Quarter comprising of Exchange Square, Manchester Cathedral Visitor Centre, Cathedral Gardens and Urbis. The company is limited by guarantee, has no share capital and is also a registered charity. Manchester City Council is one of three member organisations and is directly responsible for the ongoing maintenance of Exchange Square and Cathedral Gardens. The Council has also agreed to provide ongoing deficit funding for the operational and administrative costs of the MQT.

### **National Car Parks Manchester Ltd**

The principal activity of the company is the provision and management of car parking facilities within the City of Manchester. Manchester City Council has 45% of the voting rights in the company. National Car Parks hold the remaining 55%.

### **New East Manchester Ltd**

The company is responsible for the co-ordination of partners' investment plans for the regeneration of East Manchester. The company is limited by guarantee and has no share capital. Manchester City Council is one of three joint member organisations providing funding for the management and delivery of the regeneration framework.

### **World Swimming Championships 2008 (WSC08) Ltd**

The principal activities of the company was the promotion, planning, organising, staging and operating of the World Swimming Championships held in Manchester in 2008. Manchester City Council has a majority interest in WSC08 Ltd equivalent to 80% of the authorised share capital (£80 investment). The Amateur Swimming Federation of Great Britain Ltd hold the remaining 20% share capital.

**Wythenshawe Forum Trust Ltd**

The principal activities of the company are to implement a new strategy for the regeneration of Wythenshawe Forum, to remodel the Forum Centre as a community service hub and manage the operation of the Forum Centre. The company is limited by guarantee and has no share capital. Manchester City Council has a deficit funding agreement with the company and can appoint up to 3 directors equivalent to 20% of the board.

Group Income and Expenditure Account

Restated 2006-07					2007-08 Net Expenditure
Actual £000s		Note	Gross Expenditure £000s	Gross Income £000s	£000s
113,639	Adult Social Care		172,320	57,306	115,014
3,300	Central Services to the Public		9,210	7,533	1,677
165,707	Children's and Education Services		623,706	481,701	142,005
905	Court Services		1,694	188	1,506
109,009	Cultural, Environmental and Planning Services		118,237	1,008	117,229
-52,296	Highways, Road and Transport Services		348,785	403,480	-54,695
-47,333	Housing Services		443,512	471,199	-27,687
12,000	Exceptional Item - Equal Pay Claims		0	0	0
0	Exceptional Item (Subsidiaries)		0	0	0
0	Exceptional Item (Associates)		0	0	0
0	Exceptional Item (Joint ventures)		0	0	0
7,276	Corporate and Democratic Core		8,788	163	8,625
-4,089	Non Distributed Costs		13,036	28,894	-15,858
-4,043	Share of Operating Results of Associates	2	28,691	32,431	-3,740
0	Share of Operating Results of Joint Venture	2			
-7,411	Turnover		0	0	0
7,466	Other Operating Income and Expenditure		0	0	0
0	Amortisation of Goodwill (Subsidiaries)		223	0	223
0	Amortisation of Goodwill (Associates)		0	0	0
0	Amortisation of Goodwill (Joint Ventures)		0	0	0
<b>304,130</b>	<b>Net Cost of Services</b>		<b>1,768,202</b>	<b>1,483,903</b>	<b>284,299</b>
457,448	(Gain)/Loss on Disposal of Fixed Assets	3			217,832
-18,779	(Surplus)/Deficit of Trading Organisations Including Dividends from Companies				-21,244
137,044	Interest Payable and Similar Charges	4			84,706
3,154	Interest Payable and Similar Charges (Associates)	4			2,399
0	Interest Payable and Similar Charges (Joint Ventures)	4			0
28,301	Contribution of Housing Capital Receipts to Government Pool				14,123
-37,247	Interest and Investment Income				-16,014
-162	Share of Interest and Investment Income (Associates)				-199
-54	Share of Interest and Investment Income (Joint Ventures)				0
-2,074	Pensions Interest Cost and Expected Return on Pension Assets	5			-7,856
313	Pensions Interest Cost and Expected Return on Pension Assets (Associates)	5			442
0	Pensions Interest Cost and Expected Return on Pension Assets (Joint Ventures)	5			0
13,591	Share of Corporation Tax (Subsidiaries)	6			7,433
1,175	Share of Corporation Tax (Associates)	6			1,135
0	Share of Corporation Tax (Joint ventures)	6			0
30,465	Minority Interest	7			36,360
<b>917,305</b>	<b>Net Operating Expenditure</b>				<b>603,416</b>
-118,723	Demand on Collection Fund				-123,483
-1,525	Transfer of Previous Year's Collection Fund Surplus				-2,911
	General Government Grants				
-49,021	Revenue Support Grant				-43,962
-29,699	Neighbourhood Renewal Fund				-26,876
-493	Performance Reward Grant				-4,322
-18,603	Local Authority Business Growth Incentive Grant				-8,876
-249,236	Non-Domestic Rates Redistribution				-261,962
<b>450,005</b>	<b>(Surplus)/Deficit for the Year</b>				<b>131,024</b>

**Reconciliation of the Single Entity (Surplus)/Deficit for the Year to the Group (Surplus)/Deficit**

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

Restated 2006-07 £000s		Note	2007-08 £000s
487,654	Authority Income and Expenditure (Surplus) / Deficit for the year		175,944
25,185	Distributions from Group Entities included in the Authority Single Entity Income and Expenditure Account for the year	8	17,221
-63,272	Add (surplus) / deficit attributable to subsidiaries	9	-62,180
437	Add (surplus) / deficit attributable to associates	10	39
0	Add (surplus) / deficit attributable to joint ventures		0
450,005	Group Account Income and Expenditure (Surplus)/Deficit for the year		131,024

**Group Statement of Total Recognised Gains and Losses**

Restated 2006-07 £000s		Note	2007-08 £000s
450,005	Net (Surplus)/Deficit for the Year		131,024
-30,465	Minority Interest	11	-36,360
-215,025	(Surplus)/Deficit on the Revaluation of Fixed Assets		-112,923
-2,108	(Surplus)/Deficit Arising on the Revaluation of Available for Sale Financial Assets		325
-163,948	Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities		-182,939
24,560	Other (Gains)/Losses Recognised in the STRGL		24,720
<b>63,019</b>	<b>Total Recognised (Gains) and Losses for the Year</b>		<b>-176,153</b>



Group Balance Sheet

Restated 31-Mar-07 £000s		Note		31-Mar-08 £000s
3,678	Intangible Fixed Assets		3,114	
4,062	Goodwill	13	4,338	
	<b>Tangible Fixed Assets</b>			
	<b>Operational Assets</b>	12		
1,289,868	Council Dwellings		1,010,424	
1,100,731	Other Land and Buildings		1,180,947	
195,672	Vehicles, Plant, Furniture and Equipment		194,763	
789,912	Infrastructure Assets		799,958	
21,078	Community Assets		23,323	
	<b>Non Operational Assets</b>			
551,909	Investment Properties		582,825	
30,534	Assets Under Construction		66,696	
216,423	Surplus Assets Held for Disposal		245,253	
34,100	Leased Assets		35,400	
<b>4,237,967</b>	<b>Total Fixed Assets</b>			<b>4,147,041</b>
20,700	Deferred Tax	14	10,400	
3,770	Long Term Investments	15	3,445	
40,321	Long Term Debtors	16	43,024	
3,952	Investments in Associates	17	3,913	
1,867	Share in Gross Assets of Joint Ventures	17	0	
-2,355	Share in Gross Liabilities of Joint Ventures	17	0	
<b>4,306,222</b>	<b>Total Long-term Assets</b>			<b>4,207,823</b>
	<b>Current Assets</b>			
8,918	Stocks		9,117	
652	Works in Progress		206	
205,579	Debtors and Payments in Advance		239,018	
26,180	Short Term Investments		28,554	
30,436	Cash in Hand		29,249	
0	Asset Relating to Defined Benefit Scheme		8,477	
<b>271,765</b>	<b>Total Current Assets</b>	18		<b>314,621</b>
<b>4,577,987</b>	<b>Total Assets</b>			<b>4,522,444</b>
	<b>Current Liabilities</b>			
-44,822	Short Term Borrowings		-29,730	
-300,419	Creditors and Receipts in Advance		-342,276	
-26,833	Bank Overdraft		-37,754	
<b>-372,074</b>	<b>Total Current Liabilities</b>	19		<b>-409,760</b>
<b>4,205,913</b>	<b>Total Assets Less Current Liabilities</b>			<b>4,112,684</b>
	<b>Long Term Liabilities</b>			
-1,169,584	Long Term Borrowing		-1,015,480	
-232,103	Deferred Liabilities		-219,197	
-308,173	Government Grant Deferred		-357,760	
-24,046	Unapplied Government Grants and Contributions		-58,940	
-18,679	Provisions		-20,321	
-675	Deferred Capital Receipts		-1,216	
-335,836	Liability Relating to Defined Benefit Pension Scheme		-146,800	
<b>-2,089,096</b>	<b>Total Long Term Liabilities</b>	20		<b>-1,819,714</b>
<b>2,116,817</b>	<b>Total Assets Less Liabilities</b>			<b>2,292,970</b>
	<b>Financed by:</b>			
1,528,334	Capital Adjustment Account		1,304,637	
-14,837	Financial Instruments Adjustment Account		-9,124	
0	Revaluation Reserve		85,702	
2,108	Available for Sale Financial Instruments Reserve		1,783	
-310,600	Pensions Reserve		-146,800	
11,077	Usable Capital Receipts Reserve		8,133	
11,611	Major Repairs Reserve		21,088	
7,705	PFI Residual Values Reserve		12,399	
21,469	General Fund		27,614	
24,541	Housing Revenue Account		38,053	
5,699	Home Loans Reserve		5,977	
2,888	Collection Fund Reserve		3,668	
74,719	Other Revenue Balances		107,417	
0	Called Up Share Capital	21	0	
195,140	Group Revaluation Reserve	21	194,480	
169,275	Group Income and Expenditure Reserve	21	215,553	
182	Charitable Trusts Income and Expenditure Reserve	22	189	
<b>1,729,311</b>	<b>Group Balances and Reserves</b>			<b>1,870,769</b>
387,506	Minority Interest	23		422,201
<b>2,116,817</b>	<b>Total Net Worth</b>			<b>2,292,970</b>

Group Cash Flow Statement

Restated 2006-07 £000s		Note	2007-08 £000s
-395,697	<b>Net Cash (Inflow)/Outflow from Revenue Activities</b>	25, 26	-266,302
	<b>Dividends from Joint Ventures and Associates</b>		
	<i>Cash Inflow</i>		
-1,499	Dividends Received		0
	<b>Returns on Investments and Servicing of Finance</b>		
	<i>Cash Outflow</i>		
91,764	Interest Paid		79,285
24	Interest Element of Finance Lease		24
	<i>Cash Inflow</i>		
-8,805	Interest Received		-5,566
-314,213	<b>Net Cash Flow From Revenue Activities</b>		-192,559
15,417	<b>Taxation</b>		15,166
	<b>Capital Expenditure and Financial Investment</b>		
	<i>Cash Outflow</i>		
266,018	Purchase of Fixed Assets	374,080	
1,500	Purchase of Long Term Investments	200	
			374,280
	<i>Cash Inflow</i>		
-66,021	Sale of Fixed Assets	-39,699	
-105,742	Capital Grants Received	-209,465	
-4,707	Other Capital Cash Receipts	-7,555	
			-256,719
10,254	<b>Equity Dividends Paid</b>		9,057
-197,494	<b>Net Cash Flow before Financing</b>		-50,775
	<b>Management of Liquid Resources</b>		
-42,300	Net (Increase)/Decrease in Short Term Deposits	2,124	
			2,124
	<b>Financing</b>		
	<i>Cash Outflows</i>		
836,278	Repayments of Amounts Borrowed	574,417	
2,636	Capital Element of Finance Lease Rental Payments	3,136	
			577,553
	<i>Cash Inflows</i>		
-509,207	New Loans Raised	-215,259	
2,700	New Short Term Loans	-301,535	
			-516,794
92,613	<b>Net (Increase)/Decrease in Cash</b>		12,108

## Notes To The Group Accounts

### 1. Accounting Policies

The Group Accounts have been prepared on the basis of a full consolidation, using the acquisition method, of the financial transactions and balances of Manchester City Council and its Subsidiaries. Associates and Joint Ventures have been included using the equity and gross equity methods.

The Group Accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom, issued in 2007 by the Chartered Institute of Public Finance and Accountancy (CIPFA).

### 2. Share of Operating Results

This shows the percentage share of operating results of Associates and Joint Ventures included in the group. The share of operating results of subsidiaries are included within the service gross income/expenditure that they relate to.

### 3. Disposal of Fixed Assets

This figure represents the (gain)/loss on the disposal of fixed assets by the group as follows:

	Restated 2006-07 £000s	2007-08 £000s
Manchester City Council	458,239	230,632
Manchester Airport Plc	-800	-12,800
Destination Manchester Ltd	9	0
Total	457,448	217,832

### 4. Interest Payable

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

	Restated 2006-07 £000s	2007-08 £000s
Manchester City Council	107,438	67,035
Subsidiaries	29,606	17,671
Associates	3,154	2,399
Joint Ventures	0	0
Total	140,198	87,105

### 5. Pensions Interest Costs and Expected Return on Pension Assets

These figures represent the pension interest costs and expected return on pension assets by the group as follows:

	Restated 2006-07 £000s	2007-08 £000s
Manchester City Council	-9,200	-11,000
Manchester Airport Plc	7,500	3,200
DML	0	101
Northwards Housing Ltd	-374	-157
Manchester 50 Pool	51	0
Manchester City Centre Management Ltd	4	4
Manchester Working Ltd	258	438
Total	-1,761	-7,414

### 6. Corporation Tax

These figures represent the actual corporation tax liability of the group as follows:

	Restated 2006-07 £000s	2007-08 £000s
Subsidiaries	13,591	7,433
Associates	1,175	1,135
Joint Ventures	0	0
Total	14,766	8,568

## 7. Minority Interests

This relates to the following:

- 5% minority shareholdings held by each of the other nine Greater Manchester district councils' in Manchester Airport Plc.
- 20% minority shareholding held by the Amateur Swimming Federation of Great Britain Ltd in WSC08 Ltd.

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

All transactions between the Council and its subsidiaries have been removed from the income and expenditure account on consolidation.

## 9. (Surplus)/Deficit Attributable to Subsidiaries

This figure represents the total group (surplus)/deficit attributable to Manchester City Council's subsidiaries as follows:

	2006-07 £000s	2007-08 £000s
Greater Manchester Waste	0	4,851
Manchester Airport Plc	-63,285	-70,392
Manchester Concert Hall	-12	585
Manchester Mortgage Corporation	-639	-553
Manchester Professional Services	-43	-57
Destination Manchester Ltd	-1,282	-1,453
Northwards Housing Ltd	1,752	4,219
Mansat	1	1
World Swimming Championships 2008	236	620
Total	-63,272	-62,180

## 10. (Surplus)/Deficit Attributable to Associates

This figure represents the total (surplus)/deficit attributable to Manchester City Council's Associates as follows:

	2006-07 £000s	2007-08 £000s
NCP Manchester	749	534
Manchester 50 Pool	51	0
Manchester City Centre Management Company	0	0
Millennium Quarter Trust	0	-1
Wythenshawe Forum Trust	0	0
Manchester Commonwealth Games	0	0
Manchester Enterprise	0	0
Manchester International Festival	-144	24
Manchester Workings	133	510
New East Manchester	-86	-8
Total	437	39

## 11. Minority Interests Realised (Gain)/Loss

This figure represents the minority interests held by parties other than Manchester City Council which are not included in the group (surplus)/deficit but are disclosed as a reserve on the group balance sheet.

## 12. Tangible Fixed Assets

The movements in the group tangible fixed assets are shown below:

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles Plant & Equipment £000s	Infrastructure Asset £000s	Community Asset £000s	Investment Property £000s	Assets Under Construction £000s	Surplus Asset £000s	Leased Assets £000s	Total £000s
Restated Net Book Value as at 1st April 2007	1,289,868	1,100,731	195,672	769,912	21,078	551,909	30,534	216,423	34,100	4,230,227
Additions	67,319	44,692	6,080	17,101	2,761	16,014	107,201	30,335	0	291,509
Disposals	-367,556	-396	-23,309	-49	0	-5,275	0	-3,072	0	-399,657
Transfers	0	21,572	28,100	15,667	0	5,700	-71,039	0	0	0
Revaluations Up	52,090	55,492	0	0	0	22,100	0	5,341	0	135,023
Depreciation	-30,668	-98,009	-67	-22,673	-516	0	0	-3,609	1,300	-94,242
Impairments	-629	-3,135	-11,713	0	0	-7,623	0	-165	0	-23,265
Net Book Value as at 31st March 2008	1,010,424	1,180,947	194,763	799,958	23,323	582,825	66,696	245,253	35,400	4,139,589
Gross Book Value as at 1st April 2007	1,320,371	1,281,429	463,744	976,899	22,626	551,909	34,734	230,724	51,000	4,933,436
Accumulated Depreciation as at 1st April 2007	-30,503	-180,411	-268,072	-186,987	-1,523	0	-4,200	-14,254	-16,900	-702,850
Accumulated Impairment as at 1st April 2007	0	-287	0	0	-25	0	0	-47	0	-359
Net Book Value as at 1st April 2007	1,289,868	1,100,731	195,672	789,912	21,078	551,909	30,534	216,423	34,100	4,230,227
Gross Book Value as at 31st March 2008	1,032,026	1,394,856	463,015	1,009,607	25,388	582,961	66,696	263,327	51,000	4,888,876
Accumulated Depreciation as at 31st March 2008	-21,584	-211,033	-276,739	-209,649	-2,065	0	0	-17,862	-15,600	-754,532
Accumulated Impairment as at 1st April 2008	-18	-2,876	8,487	0	0	-136	0	-212	0	5,245
Net Book Value as at 31st March 2008	1,010,424	1,180,947	194,763	799,958	23,323	582,825	66,696	245,253	35,400	4,139,589

### 13. Goodwill

Goodwill has been recognised for the Council's acquisition of Greater Manchester Waste Ltd during the year.

### 14. Deferred Tax

This figure includes £10,400,000 (£20,700,000 2006-07) deferred tax assets relating to Manchester Airport Plc.

### 15. Long-term Investments

The following amounts have been taken out of the Council's long term investments as they relate to companies within the group.

- Destination Manchester Ltd: £2,700,000
- Greater Manchester Waste (Manchester Collections) Ltd: £4,901
- Manchester Airport Plc: £112,354,000
- Manchester Mortgage Corporation Plc: £13,418,001
- Manchester Professional Services Ltd: £100
- Mansat Developments Ltd: £2
- National Car Parks: £1,102,500
- World Swimming Championships 2008: £100
- Manchester Workings Ltd: £200

### 16. Long-term Debtors

The following amounts have been taken out of the Council's long-term debtors as they relate to companies within the group.

- Manchester Airport Plc: £85,307,000 (£86,447,000 2006-07) outstanding loan owed to Manchester City Council.
- Manchester Professional Services Ltd: £20,000 (£20,000 2006-07) outstanding loan owed to Manchester City Council.
- Destination Manchester Ltd: £11,028,329 (£11,066,777 2006-07) outstanding loan owed to Manchester City Council.

### 17. Investments in Associates & Joint Ventures

This figure includes the Council's investment in its Associates and Joint Ventures.

	2007 Restated £000s	2008 £000s
Enterprise Manchester Partnership Ltd	0	0
Greater Manchester Waste	-488	0
Manchester 50 Pool	190	190
Manchester City Centre Management Company	0	0
Manchester Commonwealth Games Ltd	0	0
Manchester International Festival	152	128
Manchester Working Ltd	133	644
Millennium Quarter Trust	0	1
National Car Parks Manchester Ltd	3,485	2,950
New East Manchester Ltd	55	63
Wythenshawe Forum Trust Ltd	-63	-63
Total	3,464	3,913

### 18. Current Assets

The current assets figure includes the assets of the Council's subsidiary undertakings totalling £81,236,000 (£73,195,000 2006-07).

### 19. Current Liabilities

The current liabilities figure includes the liabilities of the Council's subsidiary undertakings totalling £137,060,000 (£140,131,000 2006-07).

### 20. Long-term Liabilities

The long-term liabilities figure includes the long-term liabilities of the Council's subsidiary undertakings totalling £425,092,000 (£456,995,000 2006-07).

## 21. Group Reserves

	Restated 2007 £000s	2008 £000s
Called Up Share Capital		
Subsidiaries	0	0
Associates	0	0
Joint Ventures	0	0
Total	0	0
Revaluation Reserve		
Subsidiaries	195,140	194,480
Associates	0	0
Joint Ventures	0	0
Total	195,140	194,480
Group Income and Expenditure		
Subsidiaries	167,047	212,870
Associates	2,721	2,683
Joint Ventures	-493	0
Total	169,275	215,553

## 22. Charitable Trusts Income and Expenditure Reserve

Assets belonging to charitable trusts have been consolidated into the group accounts. These assets are not the property of the Council and are subject to charitable trusts. For this reason they are shown in a ring-fenced reserve on the group balance sheet.

	2006-07			2007-08		
	Assets £000s	Liabilities £000s	Total £000s	Assets £000s	Liabilities £000s	Total £000s
Subsidiaries	68	13	55	74	12	62
Associates	398	271	127	191	63	127
Joint Ventures	0	0	0	0	0	0
Total	466	284	182	265	75	189

	2007-08		
	Income £000s	Expenditure £000s	Total Movement £000s
Subsidiaries	60	53	7
Associates	1,558	1,558	0
Joint Ventures	0	0	0
Total	1,618	1,611	7

## 23. Minority Interest

This relates to the share of group reserves held by minority interests:

- 5% minority shareholdings held by each of the other nine Greater Manchester district councils' in Manchester Airport Plc.
- 20% minority shareholding held by the Amateur Swimming Federation of Great Britain Ltd in WSC08 Ltd.

## 24. Contingent Liabilities

The following are the contingent liabilities disclosed in the group entities accounts, which would have a significant impact on the group if they became payable.

- A contingent liability exists in respect of claims made against the Airport, under Part 1 of the Land Compensation Act (1973), by individual property owners for loss of property value due to new or extended runways. The legislation provides for claims to be made in a period between one and seven years after the new or extended runways come into use. To date none of these claims have proceeded to the Lands Tribunal for determination. Whilst the outcome of any such claims is currently uncertain, the Airport will robustly defend any proceedings in respect of these claims.



## 25. Group Cash Flow Statement

The Group Cash Flow Statement summarises the cash inflows and outflows arising from transactions with entities external to the group.

## 26. Reconciliation of Surplus/(Deficit) to Net Cash Flow

	2007-08 £000s	
<b>Surplus/(Deficit) for the year</b>		-131,025
<b>Add (Surplus)/Deficit Attributable to Associates</b>	39	
<b>Add (Surplus)/Deficit Attributable to Joint Ventures</b>	0	
		39
<b>Non-Cash Transactions</b>		
Depreciation	128,981	
Deferred Grants Amortised in Year	-10,670	
Soft Loans SORP Adjustments	-4,274	
HRA Balance	-13,512	
Other Adjustments	-9,448	
PFI Adjustments	-3,742	
Pension Fund Adjustments	-7,375	
Contributions to Other Reserves/Provisions	15,139	
		95,099
<b>(Gain)/Loss on the Disposal of Fixed Assets</b>	<b>224,132</b>	
		<b>224,132</b>
<b>Items on an Accruals Basis</b>		
add Decrease/(Increase) in Stock	-199	
add Decrease/(Increase) in Debtors and Payments in Advance	-39,913	
add Increase/(Decrease) in Creditors and Receipts in Advance	44,426	
		4,314
<b>Net Cash Flow from Revenue Activities</b>		<b>192,559</b>

# MANCHESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT

## Scope of Responsibility

1. Manchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Manchester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility Manchester City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
3. Manchester City Council is in the process of adopting a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement will explain how Manchester City Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit [Amendment] [England] Regulations 2006 in relation to the publication of a statement on internal control.
4. Prior to the formal adoption of the Manchester Code of Governance the City Council are working to the CIPFA/SOLACE Framework through existing governance arrangements which will be brought together into a single document by the adoption of the Code.

## The Purpose of the Governance Framework

5. The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
6. 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's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

7. Manchester City Council has been working to the CIPFA/Solace governance framework for the year ended 31 March 2008 and up to the date of approval of the Annual Report and Statement of Accounts.

### **The Governance Framework**

8. Governance comprises the systems and processes, and cultures and values by which local government bodies are directed and controlled through which they account to, engage with and, where appropriate lead their communities. The Nolan Committee Report published in May 1995 set out seven principles of conduct which should underpin public life, selflessness, integrity, objectivity, accountability, openness, honesty and leadership. Good corporate governance incorporates these principles and requires local authorities to carry out their functions in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity. The Council will foster a culture of behaviour based on shared values, ethical principles and good conduct. Our vision is that Manchester will be a world class city with a larger population that is wealthier, living longer, healthier, happier lives in communities that are diverse and cohesive. We strongly believe that good governance will enable us to pursue this vision in the most effective way.
9. An important element of governance is the Council's internal control environment which comprises the authority's policies, procedures and operations that are in place to:
  - Establish and monitor the achievement of the Council's objectives
  - Identify, assess and manage risks to achieving the Council's objectives
  - Facilitate policy and decision making
  - Ensure value for money
  - Ensure compliance with established policies (including ethical expectations), procedures, laws and regulations
  - Safeguarding the Council's assets and interests from losses such as arising from fraud, irregularity or corruption
  - Ensure the integrity and reliability of information, accounts and data including internal and external reporting and accountability processes.
10. The governance arrangements have been reviewed against the following key parts of the draft Manchester Code of Governance:
  - Focus on the council's purpose and community needs
  - Having clear responsibilities and arrangements for accountability
  - Informed, transparent decision making takes place
  - Good conduct and behaviour of Councillors and officers
  - That the skills and capacity of councillors and officers are developed
  - Stakeholders are engaged

### Focussing on the Council's Purpose and Community Needs

11. The Council's vision for Manchester is set out in the Community Strategy, which was updated and re-launched in 2006. The Corporate Plan and Business Plans set out the strategic outcomes and priorities which will contribute to the delivery of the vision. The 2007-08 Business Plans were based on revised guidance which has

delivered improvements in how they link with corporate priorities along side risk management and value for money.

12. The council has a responsibility to explain and report regularly on its performance and financial position. It does this through the publication of:
  - The Corporate Plan and associated Business Plans outlining the key objectives for the next three years
  - For 2007-08 the Council will publish an Annual Report outlining what the Council has achieved in the previous year
  - The Annual State of the City Report. The 2007 Report was received by the Manchester Partnership and the Executive. It led to the identification of additional work programmes to raise resident wages and improve levels of well-being.
  - The People Strategy has now been completed and outlines how the Council workforce can be supported, developed and deployed to the best effect

### *Making the Best Use of Resources*

13. The new statutory Local Area Agreement (LAA) is being finalised. It will be agreed and adopted with government and adopted by partners from the public and third sector. Key to delivering the priorities and maximising the use of resources is effective commissioning arrangements. Arrangements within Children's and Adults Services are well developed and district based arrangements are being implemented to ensure resources are used most effectively to meet local need. There is further good practice in areas such as the Crime and Disorder Partnership. The new LAA includes an improvement programme for the Partnerships. This includes obtaining improved value for money through building on best practice in commissioning, to underpin the delivery of the LAA.
14. The Council's Partnership Governance Framework, implemented in 2007-08 is designed to define and standardise the approach to partnership working and help strengthen accountability, manage risk, rationalise working arrangements and achieving value for money.
15. The Manchester Improvement Project continues to focus on driving out efficiencies alongside developing more effective service delivery which places the customer at the heart. Following the appointment of a new Director the programme is currently being reviewed to ensure it continues to remain aligned to the Council's goals. The Procurement Service Improvement Project has led to the implementation of a best practice model of procurement across the Council and the delivery of significant efficiencies.
16. The evaluation of value for money has been included in the last two rounds of business planning. Workshops were held with service managers last year and the work is being developed through a series of VFM pilot studies which will be rolled out across the Council during 2008-09.
17. The Annual Audit letter has highlighted that 'the council has taken a positive approach to audit and inspection work'. All External Audit reports have an agreed action plan and are considered by Audit Committee. Arrangements for monitoring

implementation of audit recommendations are currently under review by the Audit Committee.

18. The Council has pledged to invest £1 million in initiatives to reduce the impact of climate change and is developing its strategy to reduce the negative impact of climate change in the City. Sustainable economic growth is one of the key priorities in the LAA with challenging targets to create a green city.

#### Having Clear Responsibilities and Arrangements for Accountability

19. The Council has clearly outlined who is responsible for the discharge of responsibilities within the constitution and has:
  - Appointed a Leader of the Council
  - Appointing an Executive with Members with defined portfolios;
  - Statutory officers in place with the skills and resources to fulfil those roles
  - Appointed (on an annual basis) Committees to discharge the Council's Regulatory responsibilities
  - Supported Members as Ward Representatives through, amongst other things, a formal process of ward coordination which focuses service delivery issues at a local level. The Council has completed a review of Ward Coordination and how it can maximise the benefit of providing bottom up information from residents and ward councillors.
  - A published Constitution which includes schemes of delegation of both Council and Executive functions, a Members Allowances Scheme and protocols governing Member /officer relations and the roles of Members and officers in decision making. The constitution is reviewed annually to ensure it remains fit for purpose, reflects changes in legislation and the council structure. Both the constitution and scheme of delegation have been through a thorough review in 2007-08.
  - Published procedures and protocols regarding the role of scrutiny
20. SMT are responsible for overseeing the work to improve governance arrangements across the Council.
21. During 2007/08 the Governance Working Group, chaired by the Assistant Chief Executive for Performance, has completed a significant work programme. This includes:
  - A thorough review and update of the Constitution, Scheme of Delegation including redrafting the Financial Regulations
  - A review and update of the Officer Code of Conduct
  - A review and update of the Anti-Fraud and Whistleblowing Policy
  - Drafting of a pocket guide to decision making
22. In order to strengthen governance arrangements across the Council and support members and officers in their roles, Personal Governance Guides for Members and for Managers will be produced in early 2008-09. These will contain user friendly summaries of the key documents and links to the full Constitution. Training sessions will be carried out in July 2008.

23. During 2007/08 the Council also implemented a Partnership Governance Framework. As a result a register of significant partnerships is now in place. All significant partnerships have completed a partnership registration form and have completed a self assessment (including a risk assessment) of their arrangements. An improvement programme prioritising high risk partnerships will be undertaken during 2008-09.
24. For 2008-09 a sub-group of SMT has been established, chaired by the Assistant Chief Executive for Performance, which will directly lead and manage the work to improve governance arrangements within the City Council and with partners.
25. The governance of schools is in part assessed through the financial Management in Schools (FMSiS) framework which is being operated by the City Council.
26. The School Governance Improvement Project was initiated in January 2008. It puts into place a new service delivery framework which supports and challenges governing bodies. Additional resources have been identified to ensure that quality support is available to governing bodies on an ongoing basis, which is sufficient to cope with operational changes around District working and the implementation of the Academies programme. The new Governor Support service has strong links to core school improvement processes, which include use of an independent "School Improvement Partner" for each school, who provides an external check on key aspects of school governance and performance in a similar way to OFSTED inspections. Alongside this, school governance is also assessed through the Financial Management Standard in Schools (FMSiS) framework, which is being operated by the City Council.
27. Changes in relation to District working and the implementation of the Academies programme will require ongoing consideration of school governance arrangements.

#### Good Conduct and Behaviour

28. The Council's five core values were subject to wide consultation when being established and they are widely publicised through both the intranet and internet sites and in key council documents such as the Corporate Plan. Work has also been started with the Standards Board to develop a set of core partnership values with the Public Services Board.

#### *Member Conduct*

29. The Constitution sets behavioural standards for Members in the Members Local Code of Conduct. This contains extensive requirements including registering and disclosing personal, financial and other interests, anti-discrimination, personal advantage, disclosure of information and acceptance and registration of hospitality and gifts.
30. Ethics training is provided to all members on an annual basis. There is also a quarterly update on ethics issues in the members' bulletin.
31. The Standards Committee is in place in accordance with the requirements of the Local Government Act 2000. The Council has reviewed the arrangements for the Standards Committee having regard to the guidance provided by the Standards

Board for England. Council considered and agreed revised arrangements for the Committee at its meeting on 26 March including enhancing the number of independent members and providing for an independent member to chair its meetings. The Committee has been actively preparing for their role in local investigations and determination and has worked with the Standards Board to jointly pilot mock scenarios and the committee has tested some real life cases.

32. In 2007-08, out of 96 councillors and 10 co-opted members, none were found by the Standards Board for England to have breached the Code of Conduct for Members. In the same period no complaints were referred by the Standards Board for England to the Council for local investigation.
33. Throughout the year the Standards Committee has implemented a revised Code of Conduct for Members and provided extensive briefings for members on the revisions. The Standards Committee participated in the Standards Board for England's pilots in preparation for the move to local assessment of member complaints and is implementing the required processes and procedures to operate the local filter.

#### *Officer Conduct*

34. The Standards Committee advises on the adoption of the Officer Code of Conduct and monitors its application. Internal Audit continues to act as the custodians of the Council's Whistleblowing policy.
35. The Employee Code of Conduct has been reviewed and updated during 2007-08. Once approved it will be disseminated as part of the arrangements for the Personal Governance Guide.
36. It has been recognised that the current protocol governing member /officer relations needs to be developed to better reflect the role of ward councillors. This review is included in the GWG work programme for 2008-09.
37. Council internal communication methods have been used to raise awareness of the need to register offers of gifts and hospitality.

#### Informed, Transparent Decision Making

38. Manchester has adopted the principles of open government. The Council's governance arrangements have ensure that:
  - Key and major decisions taken by the Executive, subject to limited exemptions, are made in public and that information relating to those decisions is made available to the public.
  - Decision of Regulatory Committees, subject to limited exemptions, are made in public and that information relating to those decisions is made available to the public.
  - Rules and procedures which govern how decisions are made including how appropriate financial, legal and professional advice is provided are regularly reviewed and publicly available

- The Forward Plan and Executive and Committee agendas are published in advance and available to the public. Agendas, reports and minutes are made available on the Council's website.
  - Key decisions delegated to officers are recorded and, subject to limited exemptions, publicly available
39. The Council has put in place a range of arrangements to ensure that decision makers can be held to account.
- Each Overview and Scrutiny Committee has published an annual report for full council which is accessible to the public.
  - External Audit has recently reviewed the effectiveness of the Audit committee and the council will consider any subsequent recommendations for improvement.
  - The 'Engaging with Local People and Stakeholders' section below sets out the arrangements in place to engage stakeholders in the decisions of the Council.

### *Customer Complaints*

40. A three stage process for dealing with public complaints is now fully embedded within all departments and details of our complaints procedures, along with on line complaints forms for each department are published on our website. A manager within Corporate Performance Group is now dedicated to the management and development of complaints processes corporately. Departmental Complaints Co-ordinators have been appointed for each service who are responsible for quarterly monitoring of all complaints received and reporting back on how complaints have influenced service improvement. From the end of the first quarter of 2008, data will be published for all departments on the Council's website.
41. Arrangements for managing complaints referred to the Local Government Ombudsman (LGO) are reviewed annually following receipt of the Ombudsman's Annual Report for Manchester, and this report also contributes to our continual assessment of areas for development in the handling of complaints both corporately and departmentally.
42. The Local Government and Public Involvement in Health Act 2007 introduced some changes to the Local Government Ombudsman's jurisdiction and operation. The main impact for the Council will be that complaints can now be made other than in writing, and a new Advice Team has been set up to refer new complaints, which is likely to increase the number of complaints being referred to us. The Ombudsman is also now able to investigate third party injustice and "persons affected" by injustice and recommend action in a "no injustice" report. He can now also treat actions taken by partners on behalf of the Council as exercising the local authority's function, so our partnership governance statement is of particular significance in reviewing complaint handling relationships with partnerships. Changes from the Act relating to the Standards Committee create the potential for complaints to be made to the LGO about process, administration and decision making of the Standards Committee, so our approach to such complaints, along with implications of all the new powers of the LGO, will need to be developed and reviewed in 2008-09.



43. A further way that the Council can be held to account is through the use of Freedom of Information (FOI) requests. The Council is committed to ensuring that the arrangements in place operate as effectively and transparently as possible.
44. The Council's Anti-Fraud and Whistleblowing policy has been reviewed and is to be re-launched as part of the work of the GWG, in 2008-09.

### *Risk Management*

45. The Council is developing a well embedded framework for risk management. The Framework was reviewed in September 2007. The Corporate Risk Register is reviewed on a quarterly basis. It was updated in February 2007 to take into account risks identified in the business planning process. There is a linked Financial Risk Register which is reviewed by Corporate Support Team and the Executive Member for Finance and Human Resources and is reported to Executive on a quarterly basis.
46. The identification and management of risk, including mapping these to controls is improving through the business planning process. Arrangements to be introduced in 2008-09 to monitor the delivery of business plans will bring additional focus to these areas and improve consistency.
47. Members are engaged in risk management through the Audit Committee and consideration is being given to how Executive Members can be better informed.
48. Risk in relation to strategic decision making is under review with the potential to consider including risk management commentary in committee reports.
49. Risk assessment in relation to the Manchester Partnership is being developed. Further consideration to risk within partnerships will be undertaken when the evaluation of the information to populate the Partnership Governance Framework is complete. The PSB now own and maintain a Risk Register.
50. Arrangements for business continuity management are generally well developed but the need to review arrangements for testing has been highlighted.
51. Training and guidance on risk management has been provided as appropriate. A facilitated training session has been carried out for Audit Committee and further member training is being developed with Zurich Municipal. A Service Improvement Project Review of Risk Management is considering the resources required to take this work forward.

### Developing Skills and Capacity

52. The Council was awarded Corporate IIP status in 2005. Preparation is underway for the next assessment by undertaking a series of internal 'health checks'. The Council will be formally reassessed in December 2008.
  - The People Strategy was implemented in 2007-08. This is designed to gear the internal culture of the organisation to the achievement of the aims in the Community Strategy. It focuses on:
  - Developing leadership capacity

- Effective people management
  - Developing workforce capacity
  - Being an employer of choice
  - Planning the future workforce
  - Tackling worklessness
53. The Council has worked with T3 to develop leadership capacity within middle and senior managers. During 2008-09 we need to deliver the first year action plan for the People Strategy, with the implementation of a People Strategy for the Manchester Partnership to be in place by October 2008.
  54. Workforce Development Plans are in place as part of the Business Planning process. The quality of the plans has varied and emphasis will be placed on improving consistency and ensuring clear links with the Business Plans for the next round of business planning.
  55. Officers receive dedicated induction training on appointment to the Council. A defined career structure is then in place. Development and progression is facilitated through the appraisal system. The Performance Appraisal system for the Council has recently been improved and has been relaunched in late 2007-08 early 2008-09. Specific equalities policies and procedures are in place.
  56. The Council has a well developed intranet and an award winning website. Information to staff is disseminated through the Cascade Publication and specific issues are raised through 'team briefings' supplied to all managers to enable them to cascade information to staff through team meetings.
  57. Members receive general induction training together with periodic refresher training and annual ethical governance training. Induction training is also provided for newly appointed Executive Members. A member training package is being developed which will help better identify and tailor training more specifically to individual member needs. Specific training is provided linked to their role, for example members of the Audit Committee would receive detailed training on risk management. Additional training is also provided such as a financial briefing in January 2008.

#### Engaging with Local People and Stakeholders

58. The Council is committed to engaging with local people and other stakeholders to inform, monitor and evaluate its service delivery and that of other public, private and third sector partners in the city.
59. The Manchester Partnership was restructured in early 2007 to make it more efficient and effective. The proposed Local Area Agreement contains an improvement programme for the Partnership, including governance arrangements and improving value for money through commissioning. The Partnership co-ordinates and improves community engagement across the City.
60. Ward Co-ordination has strengthened local councilors role as Community Leaders and has given them an opportunity to influence the delivery of area-focused services in their wards. The ward planning process has enabled departments to focus resources where they are needed through the three-year ward plans and

annual action plans and link to Local Plans flowing from the Strategic Regeneration Frameworks. The State of the Ward report and other quantitative information provides an evidence base to assist service delivers and policy makers, with councilors, to determine the priorities for each ward. This quantitative data is supported by qualitative information through the engagement of local residents to determine their priorities and aspirations.

61. There is a Strategic Regeneration Framework for each area of the City. These identify the opportunities on the ground to deliver the city-wide strategy set out in the Community Strategy and the priorities of the LAA. The Regeneration Frameworks have been built from extensive local engagement with residents and other stakeholders. They are underpinned by local plans for selected areas which are themselves the product of more intensive consultation and engagement with local residents and community groups. There are six monthly meetings with all councillors, each of the Strategic Regeneration Framework areas to monitor the implementation of the projects and tasks and to support the effective operation of Ward Co-ordination.
62. There are named officers from the PCT for each ward and the Community Safety Coordinator attend the Ward Co-ordination Service Group to act as the link to the Crime and Disorder Partnership.
63. A review of ward coordination considered the resources and support needed by local councilors to improve service delivery in their ward. The review was formally accepted by the Council's Executive Committee in December 2007.
64. The Community Engagement Strategy aims to ensure Manchester's citizens participate and engage. A community engagement toolkit has been produced with partners such as Community Network for Manchester. It also delivered community engagement targets and indicators, profiled engagement across the city, looked at what has and has not been successful and where there are gaps that need to be filled. The Strategy is being reviewed and this will be concluded by May 2008.
65. A range of communication tools and forums are used to engage stakeholders including the Manchester Conference, Stakeholder Panels, Manchester People magazine, Ward newsletters and departmental publications. Links with neighbourhood partnerships are now in place, co-ordinated through ward co-ordination with wider engagement with residents. The Mancunian Agreements being developed are to drive change at a neighbourhood level with the involvement of public services, local business, voluntary, faith and community agencies.
66. The annual Best Value General Residents Survey asks residents and businesses for views on council services which informs city-wide priorities and the budget.

### **Review of Effectiveness**

67. Manchester City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal

Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

68. Audit Committee have "responsibility to consider and approve the findings of the Council's annual review of the effectiveness of its system of internal control under the Accounts and Audit Regulations, including the effectiveness of the system of internal audit" and to "obtain assurance over the Council's corporate governance and risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. This is set out in the Terms of Reference agreed 14 March 2008.
69. The Council has appointed three Committees with responsibility for overseeing and scrutinising its governance and internal control arrangements.

#### *Audit Committee*

This Committee has responsibility for:

- Approving the Councils Accounts
  - Considering the Annual Audit and Inspection Letter and monitoring the Council's response to issues of concern
  - Considering and approving the finding of the Annual Review of Effectiveness of the System of Internal Control, including the effectiveness of its systems of internal audit
  - Making arrangements for the proper administration of the Council's financial affairs
  - Obtaining assurance over the Council's corporate governance and risks management arrangements, the control environment and associated anti-fraud and corruption arrangements
  - Reviewing and approving (but not directing) the terms of reference for Internal Audit, and Internal Audit Strategy and internal audit resourcing
  - Reviewing and approving (but not directing) the internal audit annual audit programme
  - Monitoring the implementation of the outcomes of the internal audit programme
  - Seeking assurance on the adequacy of the management response to internal audit advice
  - Receiving the Annual Report of the Head of Internal Audit
  - Engaging with the external auditor and external inspection agencies to ensure there are effective relationships between internal and external audit
  - Making recommendations to the Chief Finance Officer and Monitoring Officer in respect of the Council's Constitution (Financial Procedures)
70. The Audit Committee has recently been reviewed by External Audit and the Council will consider any subsequent recommendations for improvement.

#### *Resources and Governance Scrutiny Committee*

71. This Committee meets to hold decision makers to account and to develop policy within its area of concern. This area includes corporate finance, human resources, governance, the Manchester Improvement Programme, audit and inspection, revenue and benefits, Information Technology and the capital programme. It also

has a role in providing overview and scrutiny of the Manchester Partnership and partnership working as a whole.

72. Governance is an integral part of the Committee's work and has featured heavily on Committee agendas throughout 2007-08. Key pieces of work have included consideration of the review of the ward co-ordination, the restructure of the Manchester Partnership and proposals to develop school governance. The Committee has also indicated its clear commitment to continuing this work throughout 2008-09 and has established a Sub-Group of its members to review the outcomes of the Corporate Governance Working Group and the development of governance within the Manchester Partnership.

#### *Standards Committee*

73. This Committee has responsibility for the Council's ethical framework, in particular ensuring the good conduct of Members and officers and reviewing relevant codes and protocols.

#### *Officer Responsibilities*

74. Officer responsibility lies with the Chief Executive and Strategic Management Team. The responsibility for evaluating the effectiveness and fitness for purpose of the Council's corporate governance arrangements and to lead the development and implementation of changes necessary to bring about improvement has been led by the Governance Working Group (GWG). The objectives of GWG have been to:

- deliver a fit for purpose governance framework for Manchester City Council which seeks to achieve continuous improvement through its work. Priorities have included the implementation of a Council Code of Corporate Governance, including evaluation of the Council's corporate governance arrangements against the CIPFA/SOLACE Framework;
- the identification and implementation of improvements in the way the Council manages its partnership arrangements
- review and update of the Council's Constitution including codes and protocols, Financial Regulations and format;
- the development of the Council's awareness and understanding of ethical governance issues, with the Council, the PSB, and other Council partnerships together with the Standards Board for England working to establish protocols in relation to ethical conduct;

75. For 2008-09 arrangements for managing governance and improvement work will be strengthened with the establishment of a Programme Board reporting direct to SMT.

#### **Sources of Assurance**

76. In the preparation of the Annual Governance Statement assurance has been drawn from the following sources across the Council:

- Internal Audit Annual Report reported to Audit Committee on 14 March 2008.
- External Audit "*Annual Audit and Inspection letter*" – March 2008 and associated External Audit reports

- Head of Service self assessments against thirteen key criteria evaluation. The results have been incorporated into the Governance Issues Log
- Assessment of the Council's risk management processes including the Corporate Risk Register, Risk Registers within Business Plans (considered by Strategic Management Team on 11 March) and the Corporate Finance Risk Log
- Self Assessment against the Governance Code completed by the Governance Working Group (chaired by Assistant Chief Executive Performance and including Acting Head of Internal Audit, Head of Corporate Performance, Head of Democratic Services, Personnel Manager (Employee Relations) and the Head of Finance (Corporate and Strategic)

## Audit and Inspection Opinions

### *Comprehensive Performance Assessment (CPA)*

77. The Audit Commission's CPA Assessment for 2006 assessed Manchester as a 3 star authority demonstrating adequate improvement. The annual assessment of the use of resources is an integral part of the CPA. Overall the Council received a score of 2 as set out below:

	2005-06	2006-07
Financial Reporting	2	1
Financial Management	2	2
Financial Standing	3	3
Internal Control	2	2
Value for Money	2	2

78. Although still assessed as performing adequately it was noted that many areas performance had considerably improved and it was now important to demonstrate that these processes are embedded. Examples include the implementation of the business planning process, improvements in asset management, areas of good practice in reporting financial and non-financial information and the development of risk management. Specific areas for improvement, alongside the need to embed current developments, were also identified including the need to strengthen partnership governance arrangements.
79. The assessment also highlighted the issues the Council had with the closure of accounts in 2006-07. A combination of the implementation of the new SAP system, the changes required to implement the new Statement of Recommended Practice or SORP and staff shortages resulted in some errors in the accounts and the low CPA score. The Council has taken action to address these issues including reviewing the level of resources available to achieve the annual closedown plan in order to minimise the number and value of errors within its financial statements, working with Grant Thornton to ensure that the accounts are fully SORP compliant. Additional resources have been added to the Financial Accounts team for the 2007-08 closedown process and work has been carried out to reinstate the 2006-07 Accounts in a format that is fully SORP compliant and agreed with external audit.
80. An action plan has been prepared and is being implemented for 2008-09 and to prepare the Council for the move to the Comprehensive Area Assessment. Resources and Governance OSC will be scrutinising this work during 2008-09.

### *External Audit and Inspection Work*

81. The Annual Governance Report concludes that “ the financial statements were presented fairly” and that “in all significant respects, Manchester City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007”.
82. OFSTED’s Annual Performance Assessment (APA) for Children and Young People for 2007 was “Adequate” (Grade 2). While it was noted that improvement was being made, four out of the five areas of assessment were rated “Adequate”. The remaining area was rated “Good”. The assessment recognised that there was clear evidence that the provision of services is improving and that strong strategic partnerships existed. Despite this, the capacity for improvement in Children’s Services was rated as “Adequate”. An improvement is being implemented which addresses the areas highlighted within the report. This has been supported by a Performance Improvement Board which has facilitated improvement in a number of areas.
83. The Commission for Social Care Inspection (CSCI) rated Adult Social Care in 2007 as a two star service. It rated all service areas as “Good”, with “Promising” capacity to improve, citing strong leadership within the service and good corporate engagement. The assessment highlighted a number of areas for improvement and action is currently being taken to address these.
84. Grant Thornton undertook a number of audits during 2007-08. These were as follows:
  - Review of partnership governance arrangements
  - Review of the operation of the Audit Committee
  - Review of Internal Audit
  - Review of Risk management
  - Review of external funding arrangements
85. All of these reports will go through Audit Committee along with agreed action plans.

### *Internal Audit Work*

86. Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on control environment. As part of this role the head of Internal Audit produces an Annual Report giving an opinion on the adequacy and effectiveness of the Council’s internal control environment which highlights any weaknesses. The report should also provide assurance that internal audit operates to the standards set out in the Code of Practice for Internal Audit in Local Government in the UK. The report for 2007-08 was taken to March Audit Committee.
87. The Audit Plan for 2007-08 was compiled using Manchester City Council’s risk based approach. During the year Internal Audit had reduced staffing resources available and has also been involved in an increase in demand led work including investigations and advice and support to the business, which means that not all of the planned audit work was undertaken.

88. The report has concluded that "In a Council of Manchester's size and complexity, with its significant change agenda, there is a heightened risk of breakdown of control particularly where roles and systems are changing. Where audit work has highlighted areas for improvement recommendations have been made to address the risk and management action plans agreed." Overall Internal Audit considers that many managers are responding positively to recommendations.
89. The opinion of the Head of Internal Audit is that "based on the programme of audit work undertaken during the year assurance can be given that the Council's systems of internal control are generally sound and operate reasonably consistently across departments to ensure effective, economic and efficient management."
90. A review of the effectiveness of the system of internal audit (as required by the April 2006 amendment regulations to the Accounts and Audit Regulations (England 2003) has been undertaken. This concluded that the Section has a sound base for carrying out audit activities and meets its overall objectives in providing audit assurance and advisory support to the Council. It operates in line with professional standards and ethics for the delivery of audit work. External Audit has confirmed that it can take assurance from the quality of work audit done and that it meets the majority of Code Standards. It considers however that there is work to do to address gaps in achievement of the Code in four key areas.
- The Section has maintained productivity throughout the year but has not delivered all core system work planned. The impact of vacancies, level of demand led work, and some expanded scoping for some work to address key risks have affected the delivery and resourcing plans were considered optimistic. There is a need to ensure that the assurance from planned work is delivered in the coming year.
  - Performance management has improved in and the impact of this is, demonstrated by the increased achievement levels in most of the key performance indicators used by the Section. The KPIs are under review. The output measures will be reported more regularly to management and to Audit Committee.
  - There is a need for Service improvement in relation to provision of an Audit Strategy, the positioning of the Service and consolidation of quality processes and procedures. The External Audit's report on the Service along with previous recommendations from Audit Committee will be used as part of the Service Improvement plan.
  - The Audit and Risk SIP offers the opportunity to formally assess the requirements of the Service, confirm them and to set the framework required to deliver its objectives in the future.



## Management Review

91. In addition to the assurance provided by internal audit, all heads of service have been required to complete a self assessment on the adequacy of the arrangements in place within their service area for the following areas:
- Constitution
  - Business Planning
  - Risk Management
  - Financial Management
  - Performance Management
  - Project Management
  - Information Management
  - Health & Safety
  - Human Resources
  - Training
  - Business Continuity
  - Internal Audit
  - Anti-Fraud & Whistleblowing
92. In addition corporate self assessments to review the effectiveness of the processes in the following areas have been carried out by the relevant managers.
- Finance
  - ICT
  - Internal Audit
  - Health & Safety
  - Legal & Regulatory Services
  - Partnerships
  - Personnel
  - Risk Management
93. The results of the assessments have been collated into a Corporate Governance Assessment Matrix which underpins the action plan. The matrix has been previously considered by Audit Committee.

## Member Review

94. A self assessment has also been carried out of the member assurance processes that are in place. Again the results of this have been collated into the Corporate Governance Assessment Matrix.

## Partnership Arrangements

95. During 2007-08 a Partnership Governance Framework has been implemented. A register of significant partnerships is now in place. All partnerships have had to submit a registration document and a self assessment including an analysis of risk. The results from this process have informed the AGS process. They will also inform a programme of improvement for significant partnerships in 2008-09.

## The Manchester Improvement Programme


96. The Manchester Improvement Programme is a fully established and important delivery vehicle that supports SMT and Heads of Service in the delivery of service improvements and cashable efficiency savings. In doing so, the programme adopts a whole organisational approach to change and is centred around themes that include customer service, service delivery, our People Strategy and corporate support services.
97. The programme's approach is driven by a recognition that corporate services such as finance, HR and ICT need to provide excellent support to those services deliver direct to the customer. Alongside this exists the People Strategy that will deliver a transformed culture that is centred on operating as one council and also focuses on customer service.

98. Key drivers for the programme also include the corporate objective of achieving an excellent star CAA rating and transforming the use of information.
99. The programme's customer service theme includes the delivery of a corporate contact centre, a city based face-to-face service centre, a highly interactive website and the implementation of Customer Relationship Management technology [CRM]. The Council's approach to this theme will be driven and directed by a Customer Strategy that will define the Council's relationship with its customers and the way the relationship will be developed through transforming our culture, service delivery, technology and information.
100. When supported by improved information management, this holistic approach to customer service will provide the Council with invaluable insights into customer needs and behaviours that will in turn help prioritise service delivery at ward level.
101. Service delivery is to become more co-ordinated and where possible joined-up, so that services are brought closer to the customer, links with supporting corporate services are well defined and efficient and that the Council is seen as one service at the point of delivery. The programme's approach to service delivery will ensure that capacity planning is improved and that customer complaints are minimised.
102. In improving service delivery, the programme will also transform the Council's corporate support services and will include the delivery of a shared support service centre. This will achieve both economies of scale and make best use of technology in centrally managing high volume transactional services that support the wider council. This will ensure services are able to focus more on co-ordinated delivery and improved customer service.
103. Underpinning the drive for improved services to the customer, the People Strategy seeks to transform the culture and performance in the Council, including leadership and management. A concept of High Challenge – High Support – High Performance will run as a key theme through the delivery of the People Strategy. As well as basic competencies, this will also focus on our values and behaviours that will result in empowered and trusted individuals that are accountable for service delivery.
104. During 2007-08 the Manchester Improvement Programme has been focused on transforming services in Adult Social Care, Children's Services and other customer service improvements such as a new website and mobile working. In addition the programme has sought to achieve efficiency savings of £13.2m.
105. In 2008/09 the programme will focus on its whole organisational approach to transformation and continued achievement of efficiency savings. Investment in customer service improvements and back office support services will also deliver objectives associated with the Council's improvement the use of its resources. Key to these improvements will be the delivery of an Information Strategy that improves both access to and the quality of information that supports the transformation of the Council.
106. Given the complexity and diversity of the programme's transformation agenda, there is a need to ensure that effective governance arrangements are in place.

## **Programme of Improvement for Significant Governance Issues**

107. Manchester is committed to a culture of continuous improvement and to achieving a 4 in our Use of Resources assessment. Getting to Level 4 will improve our styles of management and leadership and the systems and processes within which staff operate. This will have a real impact on the culture of the organisation and our ability to achieve the outcomes set out in the Community Strategy.
108. The Corporate Governance Statement has identified areas where further improvements need to be made and where the Council will need to focus its efforts during 2008-09. These are as follows:-
- Work to develop ethical governance arrangements including
    - An agreed approach to developing organisational culture
    - Working with the Standards Board to produce draft standards of governance for work with partners and stakeholders
    - Further development of arrangements to oversee improvements in governance at a senior level to build on work to develop the governance Code
    - Raising awareness across the council through implementation of the “pocket guide to governance”. This will involve a programme of staff engagement and communication based on the plain English Guide outlining the decision making processes, the employee and Member codes of Conduct, financial regulations, the anti fraud and whistleblowing policies and a guide to working with Members including valuing the Ward representatives
    - Further development of the governance of Partnerships
  - Improvements in systems for performance management both within the Council and in relation to partnerships and including development of the role of SMT
  - Improvements in financial management arrangement to deliver a better understanding of value for money in services, improved management of external funding, and to improve financial literacy at all managerial levels
  - Further development of risk management arrangements to ensure it is embedded at all appropriate levels and circumstances.
  - Delivery the People Strategy including the further development of workforce planning to deliver an effective workforce together with a shift in culture to become an organisation more clearly focussed on the delivery of improvements.
  - Developing arrangements for commissioning and procurement to ensure the council optimises the way services and the Local Area Agreement are delivered.
  - The enhancement of support for governance arrangements in schools having regard to the development of District Working and the role of Academies.
  - Communication of partnerships, both between partners at all levels and from partnerships to Councillors and communities.

- Strengthening of the internal audit function both in terms of resourcing and in relation to strategic management and planning. A review has been commissioned by the Chief Executive and City Treasurer, in conjunction with Grant Thornton to address the skills required going forward and to ensure the link with service improvement.
109. A sub group of SMT has been created which will have responsibility for developing these governance improvements and will monitor progress against these areas as part of its overall improvement programme. The group will report direct to the Chief Executive and SMT.
110. We propose over the coming year to take these steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:  .....

Leader of the Council

Signed:  .....

Chief Executive

## **Auditor's Certificate and Opinion**

The City Council's accounts are subject to audit in accordance with the Audit Commission Act 1998 (formerly part of the Local Government Finance Act 1982) and the code of Audit Practice.

## **GLOSSARY OF FINANCIAL TERMS**

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

### **Agency Services**

Services that are performed by or for another authority or public body, where the authority responsible for the service reimburses the authority carrying out the work for the cost of that work.

### **Amortisation**

A charge to the income and expenditure account 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. stocks). Fixed 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 fixed assets 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 fixed assets.

### **Capital Receipts**

Money received from the sale of a capital asset or repayment of an advance.

### **Collection Fund**

The fund maintained by the Council into which are paid the amounts of Council Tax and 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. Examples include parks and works of art.

## **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 are 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.

## **Deferred Charges**

Items of capital expenditure that do not result in, or remain matched by, tangible fixed assets.

## **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 a fixed asset.

### **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 arm's 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 a fixed asset to a lessee.



## **Financial Reporting Standards (FRS)**

These are statements prepared by the Accounting Standards Committee (established by the major accounting bodies) 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.

## **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 tangible fixed asset 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.

## **Investment Properties**

Interest in land or buildings that is held for investment potential, any rental income being negotiated at arms length.

## **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.

### **Liquid Resources**

Current asset investments that are readily disposable by the authority without disrupting its business and are readily convertible to known amounts of cash.

### **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**

This is the amount that must be charged to an authority's Statement of Movement on General Fund balance 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 non-domestic rate but the proceeds are pooled and distributed by the Government.

### **Non-operational Assets**

Tangible fixed assets held by the Council but not directly used or consumed in the delivery of services. Examples of non-operational assets include investment properties and assets that are surplus to requirements pending sale or development.

### **Operating Lease**

A lease other than a finance lease.

### **Operational Assets**

Fixed assets occupied, used or consumed by the Council in direct delivery of services for which it has a statutory or discretionary responsibility.

### **Past Service Cost**

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

### **Precept**

The amount levied by the various joint authorities (e.g. 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 at lower interest rates than those generally available from the private sector. Local authorities are able to borrow a proportion of their requirements to finance capital expenditure from this source.

## **Residual Value**

The net realisable value of an asset 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 Support Grant (RSG)**

A grant paid by the Government to each local authority to help to finance its general expenditure. The grant helps to bridge the gap between Council Tax and redistributed NNDR income and the total assessment of the Council's need to spend.

## **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.

## **Statement of Standard Accounting Practice (SSAP)**

These are statements prepared by the Accounting Standards Committee (established by the major accounting bodies) to ensure consistency in accountancy matters. A number of the SSAPs have been superseded by FRSs but some remain in force that apply to local authorities, and any departure from these must be disclosed in the published accounts.

**Stocks**

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.

**Work in Progress**

- The cost of work done up to the end of the financial year on an uncompleted project.