MANCHESTER
CITY COUNCIL

Annual
Statement of Accounts 2017/18

Contents

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Narrative Report 2017/18

Narrative Report

The Narrative Report is the first section of the Annual Accounts and provides a financial summary and introduction to the annual accounts for 2017/18. In producing this incorporated report the Council aims to provide all relevant parties, including electors, local residents, Council Members, partners and local businesses; assurance that the public money that has been received, spent, has been properly accounted for and that the financial standing of the Council is secure.

The narrative report provides an overall explanation of the Council's financial position, including major influences affecting the accounts. This will enable readers to understand and interpret the accounting statements.

The narrative report sets out:

Our Strategy and objectives
Our Organisational overview and external environment
Our Governance
Our Organisational model
Our Performance
Our Risks and opportunities
The Year in review: Financial Performance in 2017/18
The Financial Statement – purpose and summary
The basis of the preparation of the accounts
Outlook – 2018/19 and future years

The following infographic summaries the Council's performance in 2017/18. Further details are provided in the Our Performance Section.

A thriving and sustainable city

381,500

Jobs in the City

(Source: Total employment, BRES, 2016)

Gross Value Added in Manchester has grown by

6.4%

from 2015 to 2016, compared to 3.7% for the UK

(Source: ONS)

1.19m

International visitors to Manchester in 2016 *(Source: International Passenger Survey, 2016)*

A liveable and low carbon city

39%

of household waste recycled

(Source: Manchester City Council, 17/18 provisional)

CO2 emissions

29.6%

from 2005 levels

(Source: DECC estimates 2015)

271

Affordable homes

out of 2,869 new builds which became available for buying or renting in Manchester within 2017/18 *(Source: Manchester City Council)*

9,261

Street cleansing requests received by the Council in 2017/18.

(Source: Manchester City Council)

A highly skilled city

72.7% of the working age population are qualified to NVQ level 2 or above *(16-64, Source: APS 2016, ONS)*

Manchester's Key Stage 4 'Attainment 8' score

43.4

(Source: DfE, 16/17 academic year)

60% of primary school pupils achieved the expected standard in reading, writing & maths *(Source: DfE, 16/17 academic year)*

11.9% of residents claiming out of work benefits *(16-64, source: ONS, Nomis, Nov 2017)*

15.2% of workforce & 27.2% of residents paid less than the Real Living Wage *(Source: ASHE survey, 2017 provisional)*

A progressive and equitable city

Manchester's Looked After Children rate per 10,000 children rose to

104

at the end of March 2018

(Source: Manchester City Council, provisional)

15.3 residents per 100,000 of the population experienced delayed transfers from one care setting to another *(Source: Manchester City Council 2017/18, provisional)*

54.3 males

54.6 females

healthy life expectancy at birth *(Source: Public Health England 2014-16)*

40.27% of 10-11 year olds classified as overweight or obese

(Source: Public Health England, 2016/17)

A connected city

25.3% of road network beyond mid-life grading (A, B, C, and U roads, excluding footways)

(Source: MCC Annual Condition Survey, Oct – 17)

87% of tracked journeys along key routes in the city which fell within the acceptable time limit

(Source: TfGM, 2016/17)

4.5 mins (am)

5.4 mins (pm)

average journey time rates for A and B roads *(average minutes per mile, Source: TfGM, 2015-16)*

Our Strategy and Objectives

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

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

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

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

On the way to 2025, we have set some shorter term objectives based on what Manchester people have said they value most.

Our Manchester and Our People are discussed in the next sections whilst the delivery against the remaining shorter term priorities is considered in the 'Our Performance' section.

Our performance against all the goals of the Our Manchester Strategy will be reported each year in the State of the City Report which will be published on the Council's website in October.

Our Manchester Approach

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

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

The Our Manchester Delivery Plan aims to embed the Our Manchester Approach throughout the Council and its partners and has three main themes;

- **Placed based approaches within neighbourhoods -** By supporting all workforces to embed Our Manchester ways of working, services in neighbourhoods will shift from offering reactive services to offering more collaborative, strengths based, and proactive ways of engaging and working with communities. Throughout 2017/18, place based approaches have continued to develop different ways of engaging communities, based on what matters to people, growing of community assets and co-designing solutions.

- **Applying the Our Manchester Approach to the integration of Health and Social Care -** This will ensure that all care assessments are strengths based and focus on what matters to the person and what they can do. It also involves offering services within communities such as youth clubs or community centres, and making sure people can access these services to support people's health and wellbeing. 2017/18 saw the high level refresh of Manchester's Locality Plan (Our Healthier Manchester), with strong involvement from the community and voluntary sector. To continue to ensure that the delivery of the Locality Plan aligns to Our Manchester, the Council and its health partners established their commitment to ensuring four priority themes are truly embedded in the delivery of the Locality Plan. The priority themes are connecting services for people in places, commissioning priorities, single trusted assessments and workforce behaviours.

- **Broader Our Manchester activity -** This will support the adoption of the Our Manchester approach across the city as a whole. We will continue to talk to people, businesses and partners about what matters most to them and work to design new ways of delivering better services together. Activity throughout 2017/18 included a number of consultations which have used a strengths based, conversational style which sought to understand what really matters to people. For example, the Family Poverty Strategy was informed by 120 strengths based conversations which revealed how those with lived experience viewed 'poverty'.

Our Organisational overview and external environment

Our Council, City and City Region

We make decisions affecting Manchester and its residents on a daily basis. We are made up of 96 councillors elected by residents across the city's 32 wards. These elected representatives have the authority to make decisions affecting the city. At the end of March 2018, 7,101 Council officers were employed to deliver services for the public.

Our mission is to support the delivery of the vision set out in the Our Manchester Strategy that in 2025 Manchester will be in the top flight of world-class cities. Our work is undertaken by the five directorates we are made up of. These are Growth and Neighbourhoods, Strategic Development, Children's Services and Education, Adult Social Care and the Corporate Core.

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

Manchester continues to support the economic growth of Greater Manchester and is at the heart of work to create a thriving Northern Powerhouse. The city’s growing population was estimated to be just over 559,500 as at June 2017, and by 2027 Manchester is forecast to be home to over 660,000 people.

Now more than ever, Manchester’s success is linked to that of its city-region. Greater Manchester (GM) is one of the country's most successful city-regions and is home to approximately 2.8 million people The Greater Manchester Combined Authority (GMCA) is made up of the ten GM Councils who work together with local services, businesses, communities and other partners to improve the city-region. The Mayor, elected by the people of Greater Manchester chairs the GMCA.

GMCA has driven devolution and negotiated the transfer of powers, budgets, and responsibilities from government to the city region. As a result, decision-making on crucial public services in GM like transport, planning, health and skills has moved closer to GM people. With more decisions being made locally, the needs and aspirations of local people can be better met. With a raft of new devolved powers, GMCA has developed plans for the future.

In October 2017 GMCA published the new Greater Manchester Strategy, ‘Our People, Our Place’ which is the long term blue print for the future of Greater Manchester’s people. The plan looks at 10 priority areas and details how life will be improved for all who live in the city-region, from being ready for school, to starting work and growing old, as well as everything else in between. Our work will be aligned to supporting the delivery of this bold new vision to make Greater Manchester one of the best places in the world to grow up, get on and grow old.

Our People

At Manchester City Council we pride ourselves on having a workforce of dedicated staff who are passionate about the city and its people. They are our most valuable asset and the driving force behind making Our Manchester a reality. In 2016 we launched Our People (the Council’s people strategy) and with it set out 4 behaviours that we need to embed to make Our Manchester truly the way it feels to work across our organisation.

The 2017/18 delivery plan for the People Strategy has focused on getting the basics right, ensuring strengthened core people management and development processes underpinned by high quality and consistent line management which supports a more engaged and motivated workforce.

In order to continue to improve the workplace and help to deliver our Manchester, the strategic delivery priorities for Our People in 2018/2019 have been aligned to the Our Manchester principles:

- Better lives: Continual improvement of the MCC workplace for our staff; connecting employees to the life of the City
- Listen, Learn and Respond: Staff engagement; "you said - we did"; Human Resources Organisational Development (HROD) service improvement and practice improvement of our policy framework
- Starting from Strengths: Strengths-based approach to skills, workforce development and the way we manage our people
- Relationships and Conversations: workforce equalities; partnership working; management and Trade Union relationships underpinned by strong collective leadership

This is underpinned by a continued focus on embedding the Our Manchester behaviours and providing the tools and support to improve the capacity of our workforce.

Our Governance

We are responsible for conducting our business in accordance with the law and ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. We are committed to the highest standards of conduct, progressing towards the city's vision with robust controls over the use of resources, intelligent and open decision making, and accountability and transparency. We have set out this commitment in our Code of Corporate Governance (The Code) which forms part of our Constitution. The Code outlines how we operate, how decisions are made and the procedures followed to ensure efficiency, transparency and accountability.

Our Internal Audit function provides assurance over the effectiveness of our risk management, internal control and governance arrangements. They support, advice and challenge management to assist the development of strategies, systems, policies and procedures which improve ways of working and ensure the best use of resources. Our external auditors assess our Internal Audit function to ensure it forms an effective part of our control environment. Our Annual Governance Statement (AGS) reviews the extent to which we have met The Code's standards and describes the progress made throughout the year in addressing our key governance challenges. Throughout 2017/18 we have:-

- Continued to improve Children's Services as recognised in Ofsted's inspection report published in December 2017. Our leadership, management and governance arrangements were found to be 'Good' which is a strong foundation for us to deliver even better performance and outcomes for children and young people.
- Progressed the integration of health and social care by supporting the production of various partnership agreements regarding governance, commissioning and joint commitments which have enabled the Manchester Local Care Organisation to become operational in April 2018.
- Made significant progress in delivering Our Manchester. This included preparations for the launch of the Our Manchester Voluntary and Community

Sector Fund (VCS Fund) in April 2018, including due diligence work on the 63 organisations who will receive funding, and the formation of the new programme team who will manage both the VCS and the Our Manchester Investment Fund).

In this time of such rapid transition our financial, policy and legislative environment is constantly evolving. The skills and diversity of our leaders, continuous review of our Budget and Business Plans and our attitude to risk and robust risk management arrangements all mean we are well placed to tackle challenges and grasp the opportunities of our ever changing environment to create value.

Whilst we will not risk our ethical, legal and statutory responsibilities, overall we are a risk tolerant organisation and know that measured and proportionate risk taking is essential if we are to deliver change, reform, growth and ultimately value. Our corporate and service level leadership works proactively to maintain this attitude across the organisation so that innovation is encouraged, promoted and enabled. For example, Our annual Awards for Excellence include an award for an employee who has shown innovation to change our ways of working and 2018/19 will see more focused work undertaken to embed the Our Manchester behaviours including 'Owning it and not being afraid to try new things', and the development of tools to support employees in taking this approach. Such initiatives and work contributes towards embedding a culture of innovation, trust and service improvement.

The use of our capitals (e.g. money, partnerships, staff and buildings) is aligned to our culture, ethics and values as described by the Our Manchester Approach. By maintaining solid long term relationships with suppliers and partners who share our values, looking after our staff and maximising social value, we are better able to sustain our ability to create value over the long term.

Our approach to financial management including our medium term financial strategy and the role of our Chief Financial Officer ensures that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. This approach supports both long term achievement of objectives and shorter term financial and operational performance.

Social value is a process through which the needs for goods, services and utilities are met in a way which achieves value for money on a whole life basis. This means maximising the social, economic and environmental impacts that can be derived from our procurement spend. We recognise the positive impact that our suppliers can bring to our city and give social value a minimum procurement weighting of 20% to ensure it is a critical part of our procurement process. We have also developed a social value toolkit for commissioners and stakeholders to help them to build social value into commissioning and a toolkit for suppliers to help our supply chain understand the role they need to play. We have also incorporated the GMCA social value policy into our own policies and procedures.

We have a Partnership Governance Framework setting out the high standards of conduct we expect from partner organisations and follow an ethical procurement policy. Our ethical procurement policy and focus on social value helps us to work with suppliers who are committed to our values and gain maximum benefits to improve social, economic and environmental well-being. For example, the winners of our multimillion-pound contract for road improvements agreed to use local companies for 75 per cent of their supplies which will boost the local economy and the Our Town Hall refurbishment project has a challenging 30% local labour target and aims to ensure that 100% of the project's apprentices are either Manchester residents or are attending a Manchester based educational institution (or the University of Salford).

We recognise that our staff are a hugely important asset and Our People is our commitment to our workforce. This People Strategy has been designed to empower and equip staff to deliver the goals of the Our Manchester Strategy and will do this by listening to them, involving them, respecting them and inspiring them. We are committed to promoting the physical and mental health and wellbeing of our workforce and make available a wide range of support and guidance on a wide range of health and wellbeing topics including a 24/7 telephone based Employee Assistance Programme. We pay all our employees the Manchester Living Wage and influence others in the city do the same.

Our Decision Making

We take decisions every day that affect the city and its residents. Our decision making process is designed to enable us to take decisions efficiently and effectively. The most significant of decisions, such as setting the Council's budget, are taken at the Full Council meeting, where all 96 of Manchester's Councillors come together. The Council Leader appoints Council members to form an Executive which takes decisions on a wide range of important matters to implement the Council's budget and policies.
Some decisions, such as those to grant planning permission are Non-Executive and these are outside of the Executive's decision making powers. Specific Committees are set up by the Council to take these decisions such as the Planning and Highways and Licensing and Appeals Committees.

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

More regular, everyday decisions, such as issuing a fixed penalty notice are delegated to nominated officers according to the Scheme of Delegation in the our Constitution. This better enables us to deliver efficiency and value for money.

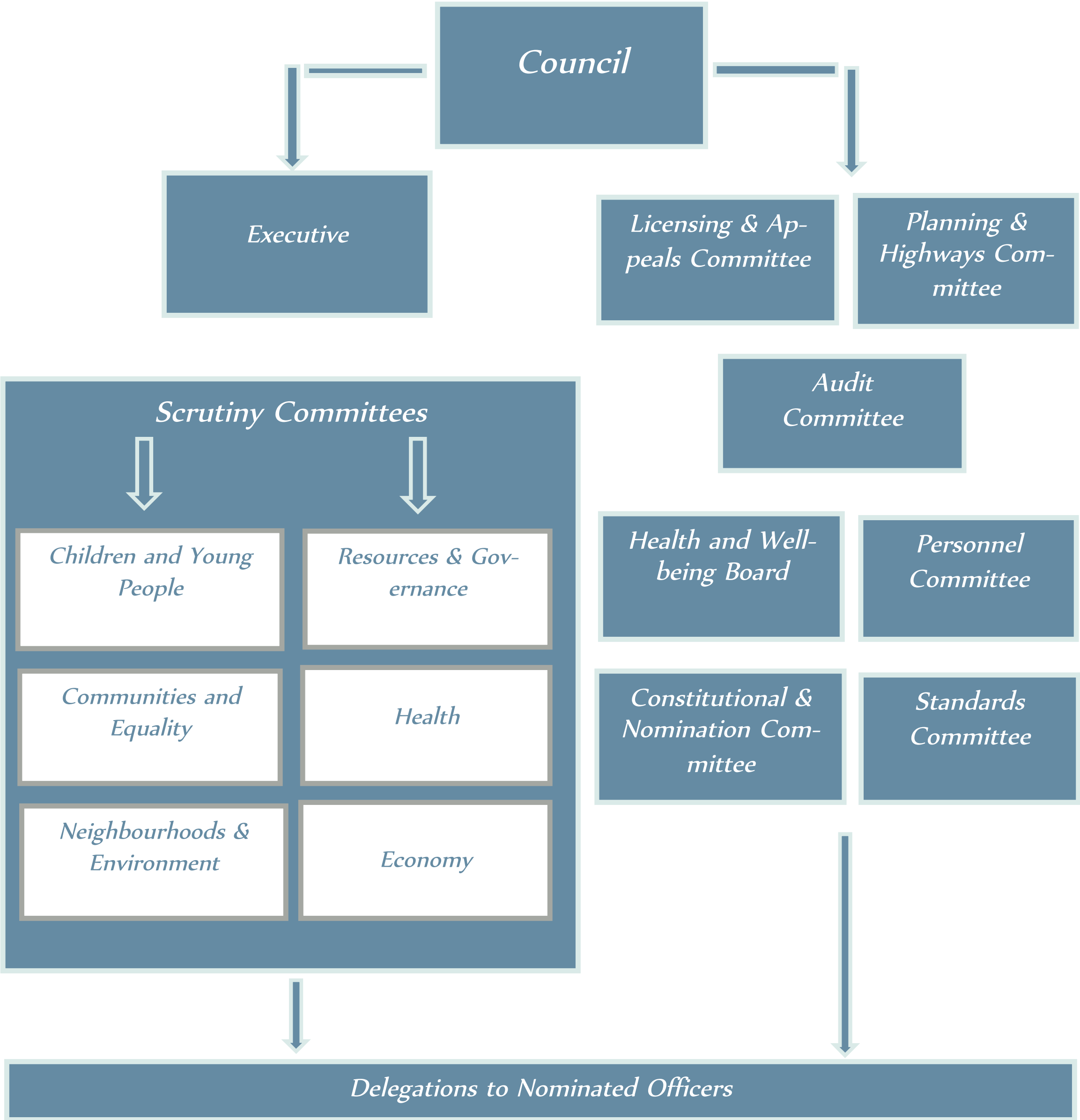
There are additional rules associated with decisions which are defined as Key Decisions according to our Constitution. These include decisions which are likely to involve the spending or saving of a large amount of money in a way that will affect a service, or have a significant effect on communities living or working in two or more of the city's wards. Details of such decisions must be published in the Register of Key Decisions on the Council's website at least 28 days before the decision is made. The register must include a description of the decision, states the decision maker and list any related documents. This approach allows these decisions to receive appropriate scrutiny and helps ensure the right decision is made and value for money is achieved.

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

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

The chart which follows shows the structure of the Council's decision making process as explained above and describes the role of each group.

The following table summarises some key activities undertaken by each of the Scrutiny Committees and includes more comprehensive details on the role and activities of each Scrutiny Committee and attendance of meetings throughout 2017/18



- *Council – Made up of the city's 96 elected Councillors and responsible for deciding our budget and policy framework.*
- *Executive - Our main decision making body, responsible for implementing our budgetary and policy framework.*
- *Licensing and Appeals Committee - Undertakes licensing and registration functions, functions relating to health and safety at work and appeals*
- *Planning and Highways Committee - Determines planning applications where objections have been raised to proposed developments in the city*
- *Children and Young People Scrutiny Committee - Challenges the Council and other public services to make sure that they give young people in Manchester every chance to live happy, fulfilling and successful lives.*
- *Resources and Governance Scrutiny Committee - Keeps a close eye on the Council's finances and makes recommendations to public services on how to meet the needs of Manchester's people.*
- *Communities and Equality Scrutiny Committee – Challenge's public services to make Manchester a safe city and ensures services are equally accessible to all.*
- *Health Scrutiny Committee – Looks at how health and social care is delivered by public services and recommends how this can be improved to improve the health and wellbeing of Manchester residents.*
- *Neighbourhoods and Environment Scrutiny Committee – Monitors the services most visible to the city's residents such as housing, highways, waste and recycling as well as the council's planning and environmental policies, and recommends how to improve these.*
- *Economy Scrutiny Committee - Ensures that public services do everything they can to maximise the benefits of an improved economy for residents and protect residents in less prosperous times.*
- *Audit Committee - Oversees the effectiveness of governance and risk management arrangements, internal systems of control, and anti-fraud and anti-corruption arrangement.*
- *Standards Committee - Promotes and maintains high standards of conduct by Council members.*
- *Personnel Committee - Determines employee terms and conditions, grading of senior posts and pension policies.*
- *Constitutional and Nomination Committee - Makes recommendations to Council regarding byelaws, amendments to the Constitution and membership of committees.*
- *Health and Wellbeing Board - Works with the NHS, HealthWatch and senior Council Officers to plan, provide and commission health and social care services.*

Our Organisational Model

We deliver and commission a wide range of services across our five directorates through various operational models which transform inputs through business activities, into outputs and outcomes.

The directorate's operational model and their various service delivery models are fully articulated in their Budget and Business Plan. Each directorate refreshes their Budget and Business Plan and their associated Delivery Plans every year to set out their spending in the context of their objectives and priorities.

The various Delivery Plans provide the framework used to monitor performance towards objectives, workforce development, risk and financial outturn. It is this monitoring which allows operational models to be annually refreshed to reflect progress and ensure that the directorate and Council can adapt to changing resources and emerging challenges and opportunities to ensure our long term viability.

Whilst each directorate has a distinct operational model, our Budget and Business Plans are all developed simultaneously and in the same way so that their objectives are aligned to those of the Our Manchester Strategy and that the Our Manchester Approach defines the directorate's operation. This connects our operational models so that when considered together they show how the directorates will work together and with partners to progress towards the vision set out in the Our Manchester Strategy and to deliver our immediate priorities.

Whilst each directorate may take a lead on certain priorities they are collectively owned by our Chief Executive and the wider Strategic Management Team, ensuring that the connectivity between priorities is recognised and that activity is increasingly designed collaboratively to maximise collective outcomes. For example:

- The connection between work and skills and outcomes for children and families
- The connection between housing supply and strategic development and homelessness
- The contribution wider universal services (e.g. libraries and leisure) have on health and wellbeing

Connectivity and integration of our priorities will be strengthened as we develop our Corporate Plan in 2018/19 articulating further the integrated contribution the Council makes to the delivery of the city's Our Manchester Strategy.

The work of each directorate and their business model is summarised over the next few pages. This includes some of the key inputs, activities, outputs and outcomes relating to the directorate and specifically to the 2017/18 year. However, for a more comprehensive picture, the Directorate Budget and Business Plans published on our website should be referred to. These plans go into more detail regarding the directorates' vision, objectives, strategy, resource allocation, risks, opportunities, governance, performance and outlook. Many of the outcomes from our activity throughout 2017/18 relate to achieving the Our Manchester strategic objectives and may only be seen in subsequent years. These outcomes and progress against delivery of these objectives are discussed in greater detail in the Our Performance section of this report.

Our Adult Social Care Directorate

The Directorate directly employs over 1,500 staff and is responsible for social care services for adults, public health and for safeguarding adults. It focuses on helping people who have to rely more than most on targeted and specialist services in order to make the changes in their lives which will see them become more independent. The Directorate also contains the Homelessness Service which provides outreach services to rough sleepers and undertakes preventative work with the vision of ending homelessness.

Our Children's Services and Education Directorate

The Directorate employs just under 1,400 staff and is responsible for social care services for children and families, children's public health, education and youth services and for safeguarding children and young people. The Directorate provides help to people who have to rely more than most on targeted and specialist services to ensure children are safe, their welfare is promoted and their families make the changes in their lives which will see them become more independent. The directorate aims to ensure that every child has the best possible start in life and that everyone in the city has the same opportunities, life chances and potential to lead safe, healthy, happy and fulfilled lives.

Our Corporate Core

The Directorate directly employs over 1,700 staff and provides the strategic leadership required to drive the delivery of the city's priorities as outlined in the Our Manchester Strategy. It develops new ideas and relationships and drives changes in ways of working, relationships, behaviours, processes and systems. The core also supports the rest of the organisation through 'back office functions' such as Human Resources and Organisational Development (HROD), ICT, Finance, Performance, Legal and Communications functions. The Customer Service Organisation provides the first point of contact for residents, businesses and partners and its Revenues and Benefits service collects money owed to the organisation and pays various benefits to eligible residents.

Our Strategic Development Directorate

The Directorate directly employs over 350 staff and plays an important role in securing new commercial development, attracting investment and securing economic growth. It also provides leadership to our Housing function and delivering the Residential Growth Strategy. In addition to supporting our commercial and residential growth activities, the Directorate is also responsible for managing our operational estate and so works to ensure that our land and property assets are managed in alignment with our operational and investment estates.

Our Growth and Neighbourhoods Directorate

The Directorate directly employs over 2,000 staff and plays an important role in securing the social, physical and economic future of Manchester. It provides the leadership and focus for the sustainable growth and transformation of the city's neighbourhoods. It works with partners and residents to create and maintain places where people want to live which are clean, safe, green, healthy and inclusive and which have an excellent sporting, economic and cultural offer.

Our Performance

This section reports the latest available figures for some of the key performance indicators we are using to monitor the delivery of our strategic objectives, and some of these figures are provisional. However, our State of the city report, published each October, is the key annual report which monitors delivery of Our Manchester strategy and contains the most up to date statistics for each financial year. It is a more detailed and thorough analysis and includes relevant comparator data.

Throughout 2017/18 we developed an Integrated Monitoring Report which brings together the most significant workforce, performance and budget monitoring information into a single report which gives a single view of success and challenges in terms of achievement of our priorities and our financial position. This monthly report has supported our leaders to respond rapidly to dips in performance or budget pressures and was shortlisted for the Good Governance Award as part of the CIPFA Public Finance Innovation Awards 2018.

Throughout 2017/18 our directorates have worked together to focus on the delivery of various commitments aligned to the Manchester Strategy's five main themes and our shorter term objectives which were based on what Manchester people say they value most. The following pages describe some of the progress which we have achieved via the investment and activity described in the 'Our Funding and Spending' and the 'Our Operational Models' section of this report.

A thriving and sustainable city

Manchester's economy has continued to grow, with its performance exceeding that of both Greater Manchester and the UK economy as a whole. Gross Value Added (GVA) is a measure of the value of goods and services produced by an area, which is used as an indicator of economic performance. In 2016, Manchester's GVA income per head of population was £33,063, compared to £22,587 for Greater Manchester and £26,584 for the UK as a whole. This is an increase on the 2015 figures, where the GVA per head of population was £31,731 for Manchester. Manchester's overall GVA has increased by 6.4% from 2015 to 2016, compared to 3.7% for the UK over the same period.

The city's employment offer has also continued to increase and diversify. This growth has been driven by continued success in a number of the city's key growth sectors: science and research and development; cultural, creative and digital; and business, financial and professional services. Total employment in Manchester has continued to rise and by 2025 the city is forecasted to host 426,800 jobs. The latest Business Register and Employment Survey (BRES) informed by ONS data shows that employment rose from 357,000 in 2015 to 381,500 in 2016.

Manchester's visitor economy continues to thrive, attracting visitors from all over the globe. The city is the third-most visited destination in the UK by international visitors, after London and Edinburgh with 1.19m visitors in 2016. Visits to Manchester increased by 3.4% from 2015 to 2016 and this compared to 4.1% for the UK as a whole.

A highly skilled city

Inclusive Growth is a key priority for us; we want to better connect Manchester people to the benefits and opportunities presented by Manchester's strong economy. Ensuring that our economic growth is truly inclusive remains a challenge for Manchester.

Good school results are an essential part of ensuring that our children have the right skills to access the opportunities offered by the city's economy in the future. Many years ago Manchester's attainment results at Key Stage 2 and 4 lagged some way behind the national average, however sustained progress has seen that gap reduce. In the academic year of 2016/17, 60% of Manchester's primary school pupils achieved the expected standard in reading, writing and maths. This compared to 61% of England's pupils and represented an increase of 8 percentage points compared to the city's results in the previous year. Manchester's Key Stage 4 'Attainment 8' score was 43.4 for the 2016/17 academic year and this compared to 44.6 for England and meant the gap with national levels had reduced by 0.2 points compared to that of the previous year.

According to the 2017 Annual Population Survey, the percentage of the working age (16-64) population in Manchester who were qualified to the equivalent of National Vocational Qualification level 2 (roughly equivalent to 5 A*-C at GCSE level) or above was 72.7%. This represented a decrease of 1 percentage point from levels in 2016 (73.7%) and widened the gap to England's result from 0.5% in 2016 to 1.9% in 2017.

Looking across all the Core Cities, the average percentage of residents qualified to level 2 or above was 72.9% in 2017, compared to 71.9% in 2016.

There is a direct link between low skills and a low wage economy. The Annual Survey of Hours and Earnings estimates the proportion of employees earning below the Real Living Wage. The Real Living Wage is calculated according to the cost of living and was £8.45 per hour in 2017. Of all the UK Local Authorities in 2017, Manchester showed the biggest difference between the percentage of its resident employees and its workforce who earned less than the Real Living Wage. Whilst an estimated 15.2% (+/-1.4%) of employees working in Manchester were paid less than the Real Living Wage, 27.2% (+/-2.5%) of the employees living in Manchester were paid less than £8.45 per hour. Reducing this gap is a priority and we are responding to this by ensuring that Manchester residents are equipped with the skills and qualifications to benefit from the higher paid opportunities being created in the city.

In November 2017, an estimated 11.9% of Manchester residents (aged 16 and over) were claiming out of work benefits, a reduction of 0.7 percentage points since November 2016[1]. Nationally the out of work benefit claimant rate was estimated to be 8.9% in November 2017, reducing from 9.2% in November 2016. The reduction in the out of work benefits claimant rate is a positive reflection of the Manchester economy and the skills and employment support offer in the city.

A progressive and equitable city

Manchester has had comparatively high numbers of children looked after by the Local Authority (LAC) for many years. Progress has been made to safely reduce the numbers with Manchester's LAC rate per 10,000 children falling from 151 in 2008 to a provisional rate of 104 at the end of March 2018.

The LAC Strategy aims to achieve a rebalance in placements, with less residential placements and providing and commissioning more high-quality, local foster carers to reduce costs and improve outcomes for our looked after children. The Strategy includes a target to reduce the number of children looked after to 1,000 by 2019/20. The number of Looked after Children at the end of March 2018 was 1,250.
Care in Manchester needs to be better joined up. As part of the devolution agreement with the Government for Greater Manchester to take charge of health and social care spending and decisions, the Council and its partners are currently in the first year of implementing Manchester's Locality Plan – "A Healthier Manchester". Under this plan the city will commission and deliver health and social care services jointly across the city, and have a single hospital service spanning the entire local authority area. One of the symptoms of a separate Health and Social System is delays in the transfer of care. Delays occur when a patient is assessed as ready to depart their current care setting, such as a hospital bed, but remains occupying a bed in this care setting. These delays can be from an NHS hospital setting, or a social care setting. The number of delayed transfers of Manchester residents from one care setting to another, per

[1] *Due to changes in reporting, the Council has used derived figures to estimate the proportion of residents claiming out of work benefits, which involves a small element of double counting due to multiple benefits being claimed by some individuals.*

100,000 of the population, was 15.0 in 2016/17 and this compared to a result of 14.9 for England. Provisional figures for 2017/18 show that the rate of delayed transfers of care for Manchester has increased slightly to 15.3.

Healthy Life Expectancy (HLE) is a measure of the average number of years a person would expect to live in good health based on current mortality rates and the prevalence of self-reported good health. HLE for males in Manchester fell by 1.3 years from 55.6 in the period 2013-15 to 54.3 in the period 2014-16. HLE for females in Manchester fell by 1 year from 55.6 in the period 2013-15 to 54.6 in the period 2014-16. Over the same time frame smaller reductions in HLE were seen for England as a whole so the gap between Manchester's HLE and national HLE increased. For the period 2014-16 Manchester's HLE is 9 years and 9.2 years lower than national levels for males and female respectively.

The percentage of 10 to 11 year olds in Manchester who were classified as overweight or obese in 2016/17 was 40.27% which was a minor increase from 40.17% in 2015/16. The percentage of such children in England also increased from 34.17% to 34.25% over the same period. The percentage of Manchester's 10-11 year olds who are overweight or obese is just over 6 percentage points higher than national levels.

A liveable and low-carbon city

The Council is committed to reducing waste and increasing the amount of waste recycled to have a positive impact on the environment and reduce the costs of waste collection and disposal. By reducing our waste, reusing where we can, and recycling more, we can all play our part in the environment and help keep costs lower. The introduction of smaller waste bins across the city in mid-2016 aimed to promote increased recycling and less waste. The proportion of household waste recycled in 2016/17 was 36% and a provisional 2017/18 figure of 39% indicates an increase of 3 percentage points.

We all want to make our neighbourhoods cleaner and tidier and people in Manchester have shown that they are also passionate about this and have been helping us by reporting issues so that we can take action. The number of street cleansing requests (relating mainly to litter) received by the Council in 2017/18 was 9,261, which was a decrease of nearly 1,000 from the number received in 2016/17 (10,259). We will continue to work with our local communities to keep our neighbourhoods clean and tidy places we are all rightly proud of.

'Manchester, A Certain Future', the city's climate change action plan, aims to reduce Manchester's emissions by 41% by 2020, from the levels in 2005. The latest government figures for carbon dioxide emissions in Manchester (in 2015) indicate that there has been a percentage decrease of 29.60% from the emissions in 2005. Whilst this is a larger reduction than that seen across England as a whole (28.32%), there is some way to go in order to reach the 2020 target. We will work with our schools and businesses to ensure everyone plays their part in a low carbon society as well as ensuring our regulatory environment supports sustainable construction and transport.

In order to meet the demands of a growing population, the city will need to increase the amount of good-quality, energy efficient and affordable new homes for sale and rent in our neighbourhoods. Our Residential Growth Strategy (2016-2025) commits to delivering a minimum of 2,500 new homes a year, providing the right mix of housing for a growing and diverse population and increasing home ownership at all price points. Throughout 2017/18 a total of 2,869 newly built homes became available to rent or buy in Manchester which was an increase of over 1,000 on the 1,721 built in 2016/17.

Of the 2,869 newly built homes delivered throughout 2017/18, 2,598 were market housing (including homes for low cost home ownership and sold using Help to Buy) and a further 271 were affordable homes (according to the Government's national definition). This represented an increase from the 254 affordable homes delivered throughout 2016/17. Of the 271 affordable homes delivered throughout 2017/18, 185 became available to rent and 86 became available to buy, and 148 were apartments whilst 123 were houses. In addition Manchester's Affordable Homes Programme is expected to deliver more than 2,200 new affordable homes by March 2021 (according to the Government's national definition).

In contrast to the national Government definition Manchester believes affordable housing should include low cost home ownership. That's why we have developed our own local definition of affordability; one that reflects the needs of the people who live in the city. This takes the average household income across the city (£27k), and then uses a standard marker of 30% of that annual income in rent or mortgage repayments to understand what most residents can afford. Our research has indicated that in the 2016/17 financial year 41% of all sales to owner occupiers were affordable to residents at or below the average household income in the city.

A connected city

The people of Manchester have told us that we need to improve the quality of our roads, bus and cycle lanes. This has also been evidenced by the 2017 condition survey which highlighted the overall deterioration of our road network. As a result of this £80 million is being invested over 5 years in maintenance. The percentage of Manchester's roads (including A, B, C, U roads) which were in need of repair as at October 2017 was 25.3% which is 6 percentage points more than in December 2016 (19.3%). A road is classed as in need of repair if its condition is recorded as grade 4 or 5 on a 5-grade condition scale. Investment began in 2017/18 with an estimated £15 million pounds being spent on preventing roads from falling into poor condition, resurfacing roads on the city's key route network, footway treatments and drainage repairs. A well maintained and connected infrastructure will drive business growth and create jobs and opportunities.

It is essential that Manchester's highway network is well maintained and efficiently managed to allow our residents to reliably move around by bike, walking, bus and car, as well as to support our economy and our growth by enabling goods and construction vehicles to efficiently access the city. 87% of tracked journeys along key routes in the city in 2016/17 fell within the acceptable time limit, dropping slightly from the journey time reliability levels of 2016/17 (88%).
Average journey times on our network of A and B roads have increased year on year since 2012/13. Average journey times for the morning peak hours (7-10am) have

increased by 3.6% from 4.37 minutes per mile in 2014/15 to 4.53 minutes per mile in 2015/16, and average journey times for the afternoon peak hours (4-7pm) have increased by 6.5% from 5.04 minutes per mile in 2014/15 to 5.37 minutes per mile in 2015/16. While car traffic into the city centre has reduced in the past 10 years, elevated journey times may be due to increases in construction and infrastructure works in the city centre, alongside the rise of online deliveries, which will have added to congestion.

Our Risks and Opportunities

Our corporate approach to risk management ensures that we have robust processes in place to support the delivery of our strategic goals, including those contained within the Our Manchester Strategy. We use dynamic risk management to identify the risks to the delivery of our priorities and objectives, determine appropriate ways of mitigating the risk and for ongoing scrutiny and assurance of factors that could inhibit our ability to deliver. At a corporate level, significant risks are captured within our Corporate Risk Register (CRR), which articulates the risk, quantifies its likelihood and potential impact, names the strategic director who owns the risk, and articulates how the risk is managed and any mitigating actions.

The constantly evolving CRR is refreshed quarterly and at any one time captures roughly twenty risks deemed to have a significant potential to impact on the delivery of the our strategic objectives. Currently our CRR includes risks relating, for example, to finance, cyber security, legal and statutory compliance, delivery of transformation, safeguarding and health and safety. Risks are scored in the context of their potential impacts if uncontrolled the purpose of the risk management approach is to ensure early intervention and regular scrutiny in order to ensure that risks are controlled, allowing the Council to manage impacts and deliver opportunities and effective services and service change.

Our risk management activity can broadly be described at three levels;

- Our Senior Management Team (SMT) is responsible for ensuring the effective management of the risks in the CRR.
- Directorates maintain their own risk register and record risks to their Budget and Business Plan objectives and future service development plans in their associated Delivery Plans.
- Services within directorates maintain their own risk register to complete a consistent golden thread from corporate level priority risks to more detailed risks specific to service delivery teams.

Consistent and effective risk management continues to be embedded throughout the organisation with over 3,000 officers across the Council receiving formal training in risk management and business continuity management. Collectively, risk management at all levels of our organisation allows us to manage operational and strategic risks which affect our ability to create value over the short, medium and long term.

Our risk profile is constantly evolving. Over recent years there has been a climate of increased and sustained pressure in terms of austerity, demographic changes and increased expectations on public services resulting in an imperative to deliver more with less.

Consequently, our strategic focus has been on driving growth and transformation and reforming public services. We have had to innovate in order to seize opportunities to develop new ways of working, new delivery models and efficiencies; all of these have been essential in transforming the Council and enabling us to respond positively in a climate of austerity. Systematic risk assessment and risk management is core to both the identification and delivery of opportunities.

The Greater Manchester Combined Authority and our integration with health partners are examples of creative partnership working in order to gain maximum value from the collective resources available. Effective partnership working is partly dependent on a shared and consistent approach to the management of partnership risk.

Our risk management approach has adapted as the organisation has grown in risk maturity and as the context in which we provide services has changed; for example, over the last five years we have focused on developing a robust risk governance framework, supporting directorates in developing a “risk literate” workforce through training and coaching and on ensuring that the partnership model of risk management can be used effectively at all levels within the Council and across the city. We have also sought to identify and apply best practice from external organisations and from within our services, rolling out effective approaches as widely as possible across our services.

Looking forward, we will be focusing on enhancing risk assurance mechanisms, formalising risk programmes within our major strategic partnerships and frameworks and significantly enhancing our strategies for responding to major significant incidents that may disrupt the delivery of critical services (this work programme is called business continuity management and is managed from within the corporate risk management team).

Our Risk Strategy 2018-2020 explains how our risk management resources are focused on our highest strategic priorities whilst providing a level of support to directorate priorities. It describes how the Council is developing an adaptive and integrated approach to risk management that aligns our risk resources to our strategic priorities and recognises that all directorates contribute to these priorities.

Our Business Continuity Strategy 2017-2020 describes our approach to ensuring that we can readily respond to any incident that could impact on the provision of critical and statutory services. We aim to quickly respond and return to ‘business as usual’ whatever the cause of the incident (for example, loss of a building, a power failure, extreme weather). It explains the vital contribution of all services in developing their own local business continuity plans and describes how these plans are drawn together to develop a Corporate Business Continuity Plan that supports responses to any major incidents that may occur.

The Council’s Risk Management and Business Continuity Strategies are updated annually, considered by Audit Committee and endorsed and owned by SMT.

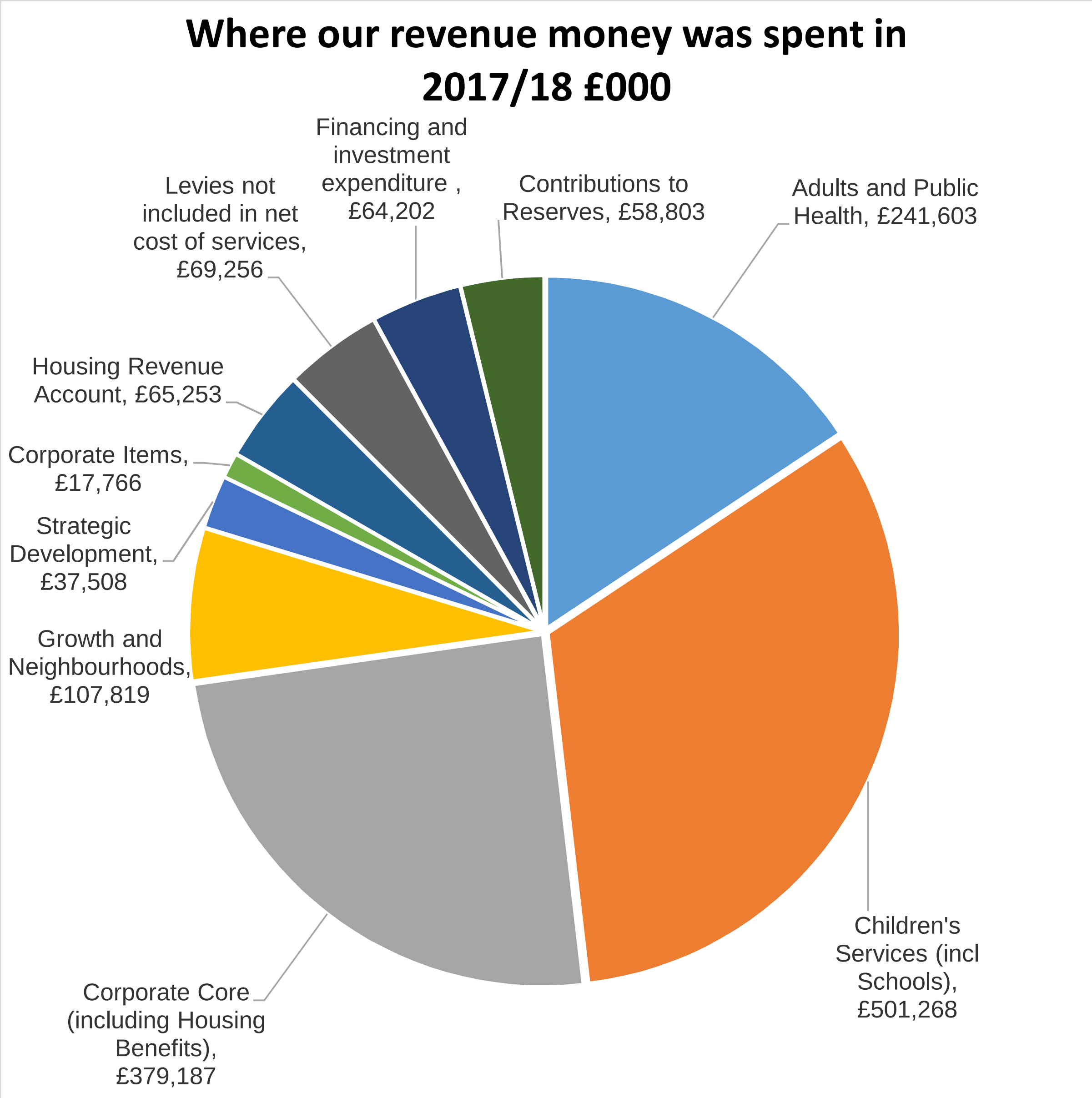
The year in review – Financial Performance in 2017/18

Where the money was spent in 2017/18

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

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

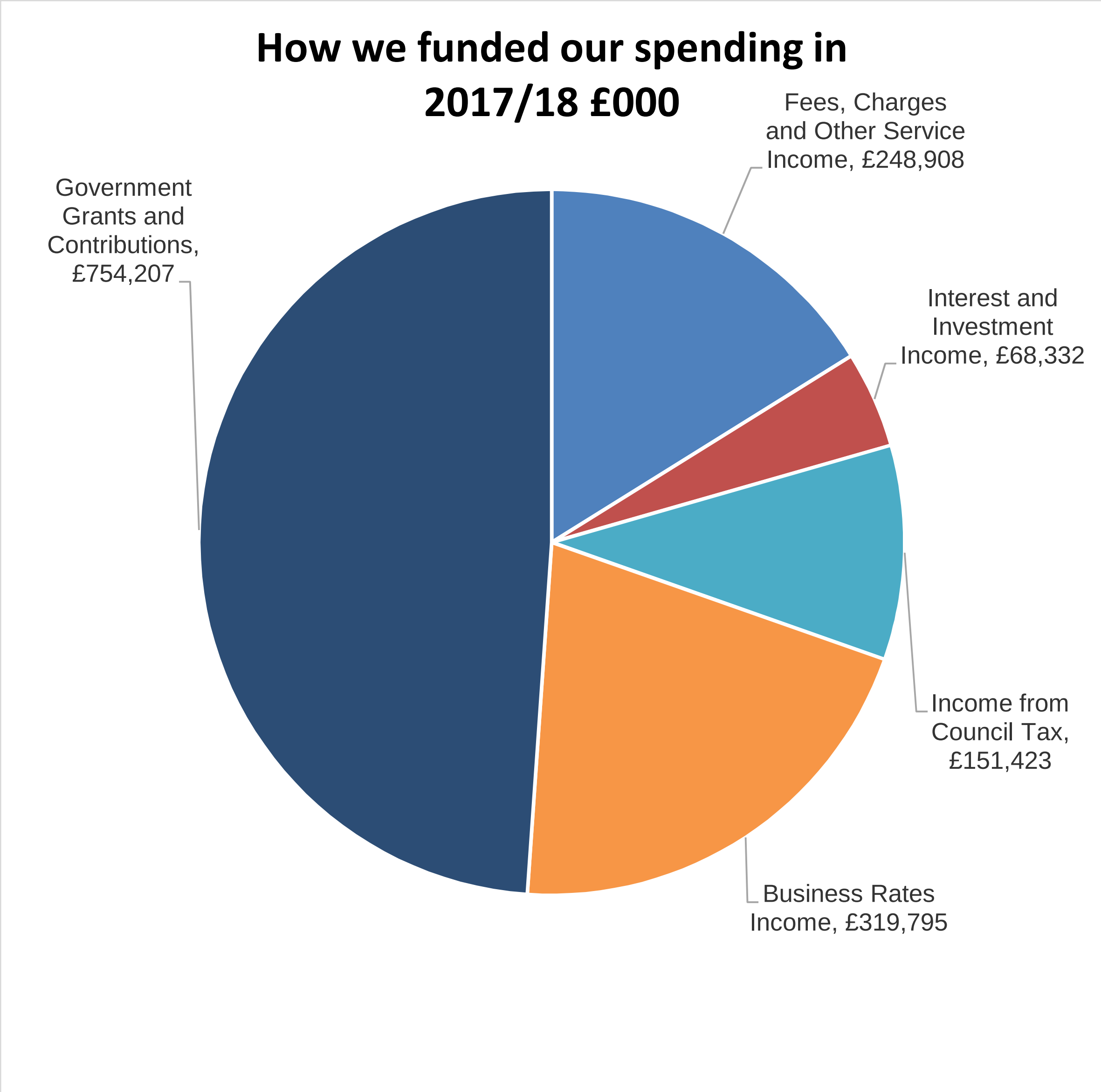
Overall revenue spend was £1,543 million (gross). The following chart shows where our revenue money was spent in 2017/18 analysed across our services.



Where the money came from in 2017/18

In 2017/18 49% of our income came from central government funding with the remainder of our funding came from business rates, council tax, fees and charges and other income such as dividends and interest.

The following chart shows how we funded our spending of £1,543 million in 2017/18 analysed across the different types of income received during the year.



Funding Source	
Fees, Charges and Other Service Income	The total of the fees and charges generated by the Council. For example residential and nursing home care, licenses and planning application fees, property rental income, income for services provided to other councils, school meals
Business Rates Income	The Council's business rates income due to the Council.
Income from Council Tax	The total amount of Council tax due to the Council.
Government Grants and Contributions	The total of all the revenue grants and contributions received by the Council including Housing Benefit Subsidy, Dedicated Schools Grant, Pupil Premium, Arts Council, New Homes Bonus, Education Services Grant and Learning and Skills Council.

Interest and Investment Income	Items of income such as interest, investment income and dividends received.

Financial Summary 2017/18

The revenue and capital budgets are agreed by full Council in March.

In 2017/18 the Council had a net revenue budget of £544m which is mainly funded from Retained Business Rates and Council Tax Receipts. The gross budget is the total spend of the Council including housing benefits and funding for schools which is met by government grants and provision for transfers in to, reserves and spend from, reserves.

Between 2011/12 and 2016/17 the Council had to deliver £339m of savings with a further £14m required in 2017/18, following the cumulative effect of reductions in funding from central government.

Most of the Council's revenue budget is spent on the services the Council delivers. However a proportion is used to repay money borrowed in previous years to fund capital projects and Levies are paid to other organisations for waste disposal and passenger transport services. An amount is also put aside each year to meet any unforeseen costs that may arise during the course of the year.

Spend against this budget is reported at regular intervals to Executive. In year changes to the budget position, either due to the reallocation of spend between budgets or a change in the level of budgeted resources are also reported as part of the monitoring reports.

The final position for the year is reported to Executive in May. The outturn position is also reported to Resources and Governance Scrutiny Committee and Audit Committee. This information is consolidated into the accounts within the Comprehensive Income and Expenditure Statement. This statement also includes items that do not form part of the Council's revenue budget such as depreciation. The Movement in Reserves Statement shows the removal of these items as they are an accounting entry and not a true cost to the Council. It also shows the change in the general fund reserves. A reconciliation showing the outturn position and the change in general reserves is shown later in the narrative report.

The capital budget was approved as part of the suite of budget reports presented to Council in March 2017. Changes to the budget are reported to Executive either as capital increases reports or as separate stand-alone reports. Capital spend is reported to Executive in quarterly capital budget monitoring reports. This expenditure relates to the acquisition or enhancement of capital assets and is transferred to the balance sheet rather than being included with revenue expenditure in the Comprehensive Income and Expenditure Statement. Capital expenditure is mainly funded from capital resources, such as borrowing or capital grants, although it can also be funded from revenue resources. The sources of capital funding are approved when the capital budget is set. In 2017/18 the final position for the year end 31 March 2018 was reported to Resources and Governance Scrutiny Committee and Audit Committee as well as to Executive.

Revenue Expenditure

The table below shows the outturn position compared to the latest revenue budget. At the end of the year the Council was overspent against its overall budget by £2.696m.

The overspend was funded from the General Fund Reserve. This reserve is held to offset unforeseen risks. This will leave a General Fund Reserve of £22.307m.

The table below sets out the year end position and is reported to Executive as part of the Revenue Outturn Report 2017/18.

Net Revenue Expenditure

	Revised Budget	*Outturn*	*Variance*
	£000	*£000*	*£000*
Total Available Resources	***(546,403)***	***(551,278)***	***(4,875)***
Total Corporate Budgets	***94,680***	***91,988***	***(2,692)***
Directorate Budgets			
Children's Services	*103,819*	*113,838*	*10,019*
Adult Social Care	*175,144*	*177,923*	*2,779*
Adults - Health and Care System Related	*(2,151)*	*(1,251)*	*900*
Corporate Core	*78,144*	*75,600*	*(2,544)*
Growth and Neighbourhood	*91,992*	*91,042*	*(950)*
Strategic Development	*5,998*	*6,057*	*59*
Total Directorate Budgets	***452,946***	***463,209***	***10,263***
Total Use of Resources	***547,626***	***555,197***	***7,571***
Total over spend	***1,223***	***3,919***	***2,696***

Spend per Directorate in the table is different to that shown in the Comprehensive Income and Expenditure Statement (CIES). This is because the Directorate spend reported to Executive does not contain items such as depreciation. The Expenditure and Funding Analysis Note within the accounts shows the reasons for the differences in the Directorate figures reported in the CIES and those included in the outturn report to Executive.

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

The main variations to the budget are set out below.

The available resources are £4.875m higher than budgeted for mainly due to unbudgeted income including a rebate from the waste levy and additional dividends.

The underspend on the Corporate Items budgets totals £2.692m. This partly relates to the release of unallocated contingency held until year end in case of any unforeseen pressures. There have also been underspends on a number of other corporately held budgets including those for inflation, budget growth items now not required until 2018/19 and historic pension liabilities.

The net position on budgets for services is an overspend of £10.263m. The main reasons are as follows:-

- The overall position for Children's Services is an overspend of £10.019m. This mainly relates to placement costs of looked after children particularly external residential care placements, as the numbers in care have been increasing, and those leaving care.

- Adults and Public Health have an overspend of £3.679m due to increased demand for services for people with mental health needs and learning disabilities. The budget for homelessness services also overspent, largely due to a change in the central government funding arrangement.

- The Corporate Core has an underspend of £2.544m. This predominately relates to staffing savings and increased housing benefit subsidy income.

- The overall position for Growth and Neighbourhoods is an underspend of £0.95m. This mainly relates to additional income on planning, building control and licencing and from business units such as bereavement services.

- Strategic Development has a small overspend of £59k. This relates to underspends on facilities management and the investment estate partly offset by reduced income on the operational estate.

The Housing Revenue Account (HRA) contains the costs of owning and maintaining properties which are let to tenants and income from renting Council houses to tenants. This is shown separately from the general fund revenue budget position. The final outturn position for the HRA is an overall underspend of £24.112m compared to budget in 2017/18, this mainly related to lower than budgeted revenue contributions to capital due to delays in the capital programme. (Whilst the HRA figures are included within the Comprehensive Income and Expenditure Statement there is also a separate HRA Income and Expenditure Statement within the accounts.)

Capital Expenditure

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

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

- Borrowing.
- Grants or contributions from the Government or another third party.

- Use of the HRA Major Repairs Reserve.
- Capital receipts which are proceeds from the sale of capital assets or the repayment of capital loans.
- Contributions from revenue funding (revenue contributions).

The Council spent £291.262m on capital related projects in 2017/18, which is summarised in the following tables.

This was against a latest budget position of £366.2m with the majority of unused budget being re-profiled into future years.

Capital Expenditure by Asset Type	£000s
Council Dwellings	19,675
Other Land and Buildings	48,846
Vehicles, Plant and Equipment	7,979
Infrastructure (e.g. Roads, Street Furniture)	26,900
Community Assets (e.g. Parks)	522
Assets Under Construction	41,960
Surplus Assets	9,179
Investment Properties	5,535
Intangible Assets	66
Capital Expenditure not Relating to Council Assets	63,039
Assets Held for Sale	5,571
Purchase of Shares	4,000
Long-Term Loans	57,990
Total	**291,262**

This has been spent on the following capital programmes:

Capital Expenditure by Capital Programme	£000s
Highways Planned Maintenance Programme	11,258
Airport Relief Road (SEMMS) A6 Scheme	5,730
Highways Maintenance Challenge Fund for additional maintenance works to key strategic city routes	3,987
Street Lighting	7,582
Other Highways Capital Schemes	4,049
Total Highways	**32,606**
Environmental Capital Programme including: Waste Collection	1,126

Capital Expenditure by Capital Programme	**£000s**
Parks Improvement Programme	1,089
Moss Side Indoor Leisure Centre	2,860
Other Leisure and Sports Facilities	1,003
Libraries and Information Services Programme	824
Total Growth and Neighbourhoods	**6,902**
The Factory Arts Centre	5,695
Asset Management Programme	10,112
Strategic Acquisitions – purchases of land and property to support current and future regeneration and development within the city	10,886
Heron House Refurbishment	3,279
Other Corporate Property Capital Programme	1,242
The Space Project	10,388
Eastern Gateway – Central Retail Park	37,038
Other Development Programme including One Central Park Digital Assets	1,835
Mayfield Joint Venture Equity	4,000
Airport City Power Infrastructure	1,773
Total Strategic Development	**86,248**
Town Hall Refurbishment	**3,811**
Housing – Private Sector	**19,397**
Housing - HRA	**20,278**
Schools Basic Need Programme	56,859
Schools Capital Maintenance	3,163
Other Schools Capital Programme	156
Total Children's Services	**60,178**
ICT	**4,819**
Corporate Services	**314**
Manchester City Council Total	**234,553**
Housing Investment Programme	56,209
Greater Manchester Loans Fund	500
Total Programme on behalf of Greater Manchester	**56,709**
Total	**291,262**

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

Manchester City Council Programme	Outturn 2017/18 £m	Budget 2017/18 £m	Variation 2017/18 £m
Highways	32.6	37.8	(5.2)
Growth and Neighbourhoods	6.9	11.7	(4.8)
Strategic Development	86.2	119.0	(32.8)
Town Hall Refurbishment	3.8	5.2	(1.4)
Housing – Private Sector	19.4	16.5	2.9
Housing - HRA	20.3	19.5	0.8
Children's Services	60.2	69.1	(8.9)
ICT	4.8	5.1	(0.3)
Corporate Services	0.3	1.8	(1.5)
MCC Total	**234.5**	**285.7**	**(51.2)**
Programme on behalf of Greater Manchester	56.8	80.5	(23.7)
TOTAL	**291.3**	**366.2**	**(74.9)**

The underspend for the Council is largely due to the timing of spend for Strategic Development which will now be incurred in 2018/19.

The financing of this expenditure was by the following methods:

	2016/17 £m	2017/18 £m
Borrowing	72.6	60.9
Government Grants such as Basic Need funding from the Department for Education to fund additional school places	46.7	118.2
External Contributions such as contributions from Transport for Greater Manchester to support transport initiatives	14.4	5.5
Capital Receipts from the sale of Council properties and loan repayments	52.3	79.1
HRA Major Repairs Reserve	19.2	17.5
Revenue Contributions by the Council	7.0	10.1
Total	**212.2**	**291.3**

The Financial Statements: Purpose and Summary

The annual statement of accounts has been prepared in accordance with the 2017/18 Code of Practice on Local Authority Accounting (The Code) and International Financial

Reporting Standards (IFRS). Changes in accounting requirements over the past few years have led to an increase in complexity of the accounts and the level of detail they contain.

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

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

The core financial statements are:

- The Comprehensive Income and Expenditure Statement (CIES)
- The Movement in Reserves Statement (MIRS)
- The Balance Sheet
- The Cash Flow Statement

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

These are followed by three further sections:

- The Housing Revenue Account (HRA) sets out the costs and income of owning and maintaining council properties which are let to tenants. The costs and income are also shown within the main statements.
- The Collection Fund Account includes the collection of local taxes (council tax and business rates) and their distribution to the Council, the Greater Manchester Combined Authority (Police and Crime Commissioner) and Greater Manchester Combined Authority (Fire and Rescue).
- The Group Accounts are of equal status to the single entity accounts but to achieve a meaningful presentation to the reader of the accounts they are positioned after the single entity financial statements and notes. The Group Accounts show the full extent of the Council's economic activities by including the Council's involvement with its group companies and organisations. These are also followed by notes explaining these statements.

Accounting Changes

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

There have been no changes to accounting policies from 2016/17. Accounting policies are set out in note 6 to the financial statements.

Business Rates 100% Retention Pilot

From April 2017 the ten Greater Manchester authorities including Manchester were able to retain 100% of Business Rates income collected rather than the 50% previously. However any business rates income in excess of Manchester's assessed funding need is still paid back to government to be redistributed but the Council does now retain all of the growth it achieves in its business rates base. Under the new regime Revenue Support Grant and Public Health grant will not be received for 2017/18 but with the assumption that such spend will now be funded by Business Rates income.

The Government has guaranteed that the individual authorities within Greater Manchester will not be any worse off under the 100% Rates Retention Pilot than they would otherwise have been. This is referred to as the 'No Detriment' principle.

As 1% of business rates is transferred to the Greater Manchester Combined Authority (fire and rescue element) the Council retains 99% of business rates in 2017/18 compared to 49% in 2016/17.

This results in the following changes within the 2017/18 statement of accounts:

- As the collection of business rates on behalf of other bodies is treated as an agency arrangement, the 2017/18 balance sheet contains 99% of balances relating to business rates – debtors, impairment of debtors, creditors, provision for appeals, cash and reserves. The 2016/17 balance sheet contains 49% of these balances.
- The Consolidated Income and Expenditure Statement notes will show additional business rate income in 2017/18 largely offset by the loss of Revenue Support Grant and Public Health grant.
- The Collection Fund Statement will show the Council precepting 99% of business rates in 2017/18 in comparison to 49% to the Council and 50% to Central Government in 2016/17.

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

The Council was a member of the Greater Manchester, Cheshire East and Cheshire West and Chester Business Rates Pool in 2017/18. The purpose of pooling rates across the individual authorities is not intended to alter individual authorities income levels but to retain any levy that might be payable by some authorities to Central Government enabling it to be invested in the locality.

As a result of participation in the business rates retention pilot in 2017/18 the Greater Manchester authorities within the pool no longer generate a levy payment. However any levy that would have been paid is taken into account when measuring the 'no detriment' principle.

In 2017/18 Cheshire East and Cheshire West and Chester retain 50% of any levy saved. The remainder of the levy is retained centrally by the Pool.

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

The summary of the pool position for 2017/18 is shown below –

Local Authority	**Levy Saving £000**	**Retained by Local Authority £000**	**Retained by Pool £000**
Cheshire West and Chester	383	192	191
Cheshire East	916	458	458
			649
Less administration costs			20
Retained by Pool			**629**

The amount retained by the Pool has been transferred to the Greater Manchester Combined Authority (GMCA).

The Financial Statements

The Council's Comprehensive Income and Expenditure Statement

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

As the Council operates and manages most of its corporate and support services separately from the other directorates these services are shown separately and not apportioned across the other directorates.

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

The CIES is broken down into three sections:

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

This Net Cost of Services is the cost of providing the Council's services as reported in the revenue monitoring reports and also including accounting adjustments for items such as depreciation and impairment. These would be a significant cost in a commercial organisation but legislation is in place that ensures these costs do not

have to be funded by council tax or housing rent payers. (The details of the accounting adjustments are shown in the Expenditure and Funding Analysis Note). These items are transferred to unusable reserves in the Movement in Reserves Statement.
The Total Net Cost of Services (including the technical accounting adjustments) totals £543.559m.

Other Operating Expenditure includes costs such as levies paid and payments made in relation to the pooling of HRA capital receipts (capital receipts relating to right to buy sales of council dwellings are pooled between the Council and central government) as well as technical adjustments such as the loss on the disposal of non-current assets (including schools transferred to Academies). These total £77.542m.

Corporate Expenditure and Income includes:

- corporate expenditure and income such as interest paid and received, investment property rentals income and the change in values of investment properties (net income totalling £59.702m)
- general income due to the Council from Council taxpayers, National Non Domestic ratepayers (NNDR) and general government grants including grants to fund capital expenditure (net income totalling £597.413m).

These three sections are totalled to produce an overall surplus on the provision of services of £36.014m.

The CIES is then reconciled to the change in the balance sheet by adding the impact of the following accounting entries:

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

The following table shows the reconciliation from the overall underspend to the surplus in the Consolidated Income and Expenditure Statement by adding the notional accounting adjustments shown in the CIES and removing transfers to earmarked reserves.

	General Fund £m	**HRA £m**	**Total £m**
Over / (Under)spend	**2.696**	**(24.112)**	**(21.416)**
Budget carry forwards agreed from 2016/17 underspend	0.700	0	0.700
Budgeted transfer from general reserves	0.523	15.163	15.686
Net transfer (to) / from general reserves	**3.919**	**(8,949)**	**(5.030)**
Transfers (to) earmarked reserves	(53.773)	0	(53.773)

	General Fund £m	HRA £m	Total £m
Notional accounting adjustments	40.182	(17.393)	22.789
(Surplus) per CIES	**(9.672)**	**(26.342)**	**(36.014)**

Note 12 to the accounts shows the notional accounting adjustments that do not affect the level of council tax or housing rents.

The Council's Movement in Reserves Statement (MIRS)

This statement sets out the movements in the main reserves and balances of the Council from 1 April 2016 to 31 March 2018.

The reserves are distinguished between

- usable (those that can be used to finance expenditure) and
- unusable (those that contain technical accounting adjustments and cannot be used to finance expenditure).

Of the usable reserves only the General Fund Reserve has not been allocated for specific purposes. The usable reserves are cash backed. The unusable reserves are mostly non cash backed.

It is a requirement placed on all Councils that the level of reserves is reviewed regularly by the City Treasurer and due consideration is given to all local financial risks and liabilities when doing so. The reserves are fully reported in the Budget Report presented to Full Council each year.

Usable Reserves

The usable reserves are held for the following purposes:-

Type of Reserve	31 March 2017 £000	31 March 2018 £000
CAPITAL Reserves held for capital purposes including capital receipts and capital grants unapplied	63,012	90,548
SUB TOTAL	**63,012**	**90,548**
REVENUE Statutory reserves that have to be set aside e.g. On street parking reserve, bus lane enforcement	8,766	13,807
Reserves held for PFIs to meet contracted future costs	1,726	1,978

Type of Reserve	31 March 2017 £000	31 March 2018 £000
Reserves held to smooth risk or for assurance including the insurance reserve of £15.623m and airport dividend reserve of £38.029m (the dividend is used a year in arrears)	65,735	79,356
Business Rates Reserves	10,328	15,204
Revenue reserves held to support capital including the Capital Fund	66,886	100,072
Reserves held to encourage economic growth or for public sector reform e.g. Our Manchester reserve, Town Hall reserve	28,617	25,028
Small specific reserves	2,953	2,425
Grants and contributions held to meet expenditure commitments over more than one year	17,828	17,224
SUB TOTAL	**202,839**	**255,094**
Housing Revenue Account reserve (£35.37m earmarked for future PFI payments and other potential liabilities)	**90,991**	**99,940**
General Fund reserve	**26,226**	**22,307**
Schools reserves (this belongs to schools and is for their use only)	**25,971**	**27,490**
TOTAL	**409,039**	**495,379**

Details of changes in these reserves are shown in Note 43 to the financial statements.

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

Unusable Reserves

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

The unusable reserves are shown in the table below:

Unusable Reserve	31 March 2017 £000s	31 March 2018 £000s
Revaluation Reserve	968,042	1,115,677
Available for Sale Financial Instruments Reserve	6,318	12,723

Unusable Reserve	31 March 2017 £000s	31 March 2018 £000s
Pensions Reserve	(832,654)	(805,280)
Capital Adjustment Account	1,302,723	1,353,138
Deferred Capital Receipts Reserve	2,567	2,894
Financial Instruments Adjustment Account	1,498	1,549
Collection Fund Adjustment Account	36,167	27,301
Short-term Accumulated Absences Account	(6,132)	(6,290)
	1,478,529	**1,701,711**

The negative pensions reserve of £805.28m has decreased by £27.374m from the previous year. This matches the pension liability in the balance sheet as measured under International Accounting Standard (IAS) 19. This is as a result of an increase in the net discount rate over this period.

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

Overall the net worth of the Council has increased by £309.522m during 2017/18.

The increase in usable reserves of £86.339m is mainly due to:

- £32.9m increase in the usable capital receipts reserve. This mainly relates to HRA capital receipts which will be used to fund future capital expenditure.
- £8.9m increase in the airport dividend reserve which will support the 2018/19 revenue budget.
- £33.7m increase in the capital fund due to capital expenditure being delayed into future years. This reserve will be used to support future capital schemes.
- £8.9m increase in HRA reserves due to delays in capital expenditure funded from revenue resources.

The increase in unusable reserves of £223.183m is mainly due to:

- £147.6m increase in revaluation reserve from the revaluations of non-current assets, during 2017/18 mainly in relation to council dwellings and other land and buildings.
- £50.4m increase in the capital adjustment account. This includes the costs of depreciation and impairment losses in addition to amounts set aside to finance capital expenditure including grants, contributions and capital receipts.
- £27.4m decrease in the minus pension reserve following the IAS19 actuarial valuation of the pension liability as outlined above

The increase in the net worth is matched by an increase in value of net assets of the Council of £309.522m.

The Council's Balance Sheet

The Balance Sheet shows a summary of the Council's financial position as at the 31 March 2018, the last day of the financial year. This shows what the Council owns (its assets) and its debts (its liabilities) as well as the net worth of the Council assets less liabilities.

Assets	**£000s**	**Liabilities**	**£000s**
Council Dwellings	563,298	Borrowing	534,479
Other Land and Buildings	1,858,724	Provisions for Future Liabilities	267,314
Heritage Assets	539,254	Liability for Pension Scheme	805,280
Investment Properties	414,985	Capital Grants Received in Advance	41,581
Other Assets	148,453	Money owed by the Council	180,060
Investments	142,422		
Money owed to the Council	358,668		
Total	**4,025,804**	**Total**	**1,828,714**
	Net Worth of the Council		**2,197,090**

The net worth of the Council is £2,197,090m. This is split between usable reserves of £495,379m and unusable reserves of £1,701,711m.

Cash Flow Statement

This summarises the total movement on Cash and Cash equivalents during the year for revenue and capital purposes.

The Council's Group Accounts

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

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

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

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

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

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

Manchester Airport Holdings Limited (MAHL) accounts are prepared using deemed cost for land and buildings. Deemed cost is the cost or valuation of assets as at 1 April 2005. Consequently property, plant and equipment is included in MAHL's accounts at cost or deemed cost less accumulated depreciation. A valuation of MAHL's land and building assets has been undertaken in order to align the accounting policy with that of the Council. This valuation has been used for the Council's group accounts.

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

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

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

Housing Revenue Account

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to an authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants Consequently the HRA is a statutory account, ring-fenced from the

rest of the General Fund, so that rents cannot be subsidised from council tax (or vice versa).
The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the movement on the Housing Revenue Account Statement.

Collection Fund

The Collection Fund is a fund administered by the Council that shows the transactions of the billing authority (the Council), in relation to the collection of Council Tax and Non-Domestic Rates (NDR) and how the income from these sources has been distributed to precepting authorities and the Council's General Fund. It is a statutory requirement to maintain a Collection Fund.

Borrowing Limit

In 2017/18 the Council had an authorised limit for borrowing of £1,771.4m (£1,555.4m for external debt and £216m for other long term liabilities such as PFIs and finance leases). The actual level of external debt at 31 March 2018 is £534.479m.

Due to its positive cash flow the Council did not need to undertake any external borrowing during the financial year.
The external debt is made up of the following figures on the balance sheet:

	2016/17 £000s	**2017/18 £000s**
Long-term Borrowing	524,789	482,531
Short-term Borrowing	15,172	51,948
Total	**539,961**	**534,479**

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

Whilst the 2017/18 Capital Programme was funded notionally by borrowing of £60.9m, the debt outstanding on the balance sheet at 31 March 2018 has decreased by £5.5m as the Council's Treasury Management Strategy is to use cash backed reserves, i.e. internal borrowing, in lieu of external borrowing.

This is due to historic low interest rates not providing the Council with value on its investments as borrowing rates are substantially higher than investment returns.

The Council's Cash Flow Statement

This shows the reasons for the change in cash, cash equivalents (investments made for a period of less than three months) and the bank balance during the year. The cash balance at 31 March 2018 had increased by £31.472m from 31 March 2017.

Major Acquisitions and Disposals

The Council's significant acquisitions of non-current assets during 2017/18 included: Central Retail Park Ancoats £37m, the former Sonoco site in Clayton £2.2m, various properties formerly held by the Homes and Communities Agency in Ancoats £4.5m, various properties in the Holt Town area £2.3m and the former Weir Pumps site Newton Heath £1.4m.

Significant disposals in 2017/18 included schools which transferred to academy status. Their value upon disposal was £15.7m. Other significant disposals were:
Land near Fairfield Street that will form part of the Mayfield development £4m, land at Hardman Square Spinningfields £9m, land adjacent to the Manchester Enterprise Academy £3.3m, the site of the former Minehead Centre in Withington £0.9m and the former Woodlands Children's Home £0.6m.

Investment in Manchester Airport Group

The Council's shareholding remains at 35.5%. The Council receives significant dividend income during the year from this investment. This is a key item of income in the Council's Medium Term Financial Plan (MTFP).

The Manchester Airport Group disposed of Bournemouth Airport on the 4 December 2017.

Private Finance Initiatives (PFI)

PFIs involve a private sector contractor building or improving buildings used in the provision of public services and operating and maintaining the asset for an agreed period of time.
As at 31 March 2018, the Housing Energy Services, Miles Platting Housing, Plymouth Grove Housing, Brunswick Housing, Temple School, Wright Robinson Sports College and Street Lighting PFI schemes were ongoing.

The schemes were funded as follows:

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

Further details on these schemes are shown in Note 13.

Private Public Partnership (PPP) Schemes

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

- Manchester Working – during 2006/07 the Council established a partnership arrangement with Morrison PLC for the provision of building maintenance services for the Council and Northwards Housing.
- Indoor Leisure PPP – the renovation, maintenance and management of some indoor leisure facilities has been undertaken via a trust for more than ten years. A contract was awarded to Greenwich Leisure Ltd for the period 1 September 2014 to 31 March 2018 with an option to extend for a further two years. The contract includes the management of leisure centres, some Activity Lifestyle service delivery and school swimming instruction.
- Wythenshawe Forum PPP – the Council has established a trust, which has responsibility for the renovation, maintenance and facilities management of Wythenshawe Forum.
- Car Parks Partnership – the Council has entered into a partnership with National Car Parks Limited to manage its car parks.
- Eastlands Trust – the Council has established a trust which has responsibility for the management of the National Cycling Centre, the National Squash Centre, the National Taekwondo Centre, the Regional Athletics Centre, the Regional Tennis Centre, the Regional Gymnastics Centre and Belle Vue Leisure Centre / Regional Hockey Facility.

Events after the Balance Sheet Date

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

Health and Social Care Integration

From 1 April 2017 the Manchester Health and Care Commissioning (MHCC) Board has been in place, with representatives from health and social care commissioning, governing the commissioning spend in Manchester. A key part of the single commissioning function (SCF) is that integrated decision making will take place for the health and social care commissioning budgets in Manchester. The partnership between the Clinic Commissioning Group (CCG) and the Council is to be supported through a new section 75 partnership arrangement (S75) from the 1 April 2018. As part of the partnership arrangements, the CCG and the Council have agreed to establish and maintain an Integrated Care Budget (ICB) which will be used by the MHCC Board to commission the Services, comprising Pooled Budgets, Aligned Budgets and In-Collaboration Budgets – Delegated Primary Medical Services as set out in the approved Locality Plan.

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

The Basis of the Preparation of the Accounts;

The accounts that follow have been prepared to be:

a. Relevant: The accounts provide information about the Council's performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

b. Reliable : The financial information
    - Has been prepared so as the reflect the reality or substance of the transaction and activities and underlying them
    - Is free from deliberate or systematic bias
    - Is free from material error
    - Is complete within the bounds of materiality and
    - Has been prudently prepared

c. Comparable; In addition to complying with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ('the Code'), the Service Reporting Code of Practice establishes proper practice to be followed with regard to consistent financial reporting on matters below the high level shown in the Statement of Accounts and therefore comparable with other local authorities.

d. Understandable: These accounts are based on accounting concepts, treatments and terminology that require reasonable knowledge of accounting and Local Government. However, every effort has been made to us plain language and where technical terms are unavoidable they have been explained in the glossary of terms.

    Throughout, consideration has been given to the significance ('materiality') of an item – i.e. whether its misstatement or omission might reasonably be expected to influence assessments of the Council's financial management.

Underlying Assumptions

Accruals Basis

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

Going Concern

- The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future. This is essential as local authorities carry out essential functions to the local community.

Primacy of Legislation Requirements

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

- The Local Government Act 2003 requires the Council to set aside a minimum revenue provision.

Outlook – 2018/19 and future

Introduction

Financial performance is reported to Members of the Council regularly and up to date financial information is available throughout the year. Additionally the future years' position is reported as the Medium Term Financial Plan (MTFP) regularly to Members and officers. Reports are available to the public via the Council's website.

The MTFP supports the Council's medium term policy and financial planning processes. Fundamentally the strategy is designed to help provide a stable financial base to support savings planning. The strategy also fits with the wider system of corporate planning.

Robust medium term financial planning is a key requirement in the current financial environment and it is actively securing the ongoing viability of service budgets.

The Council's MTFP was approved in March 2018 and covers the period up to and including 2019/20. To provide prudent resource estimates for these additional years is challenging but it is also an important part of thinking ahead and knowing that the challenge will not get easier. Forecasting future years anticipated spending and resources allows the Council to plan ahead and anticipate the level of savings required and for savings plans to be drawn up

2018/19 is the second year of the three year Medium Term Financial Plan (MTFP) approved in March 2017. Whilst the overall strategic direction and ambition set out in the Our Manchester Strategy and from consultation with residents has not changed a number of the underpinning assumptions have. The resources have been refreshed in the context of the City's growing business and residential base and being part of the 100% business rates growth retention pilot, the Finance Settlement and the Adult Social Care grant which was announced after the three year strategy was set. Alongside this there is a need to invest more into the Council's front line services, particularly for adults and children's social care, for services to the homeless and to help mitigate some of the impacts of welfare reform.

Priorities

The priorities for the Manchester Capital and Revenue Strategies stem from the 'Our Manchester' Strategy. Our Manchester represents both the long-term strategy for the city and is at the core of how that strategy is delivered. The underpinning principles have been developed to fundamentally change the way that services are delivered and a shift in the relationship between the Council and the people of Manchester. The vision remains for Manchester to be in the top flight of world class cities. It will be a City:

- where residents from all backgrounds feel safe, can aspire, succeed and live well
- that is connected, internationally and within the UK
- with a competitive, dynamic and sustainable economy that draws on its distinctive strengths in science, advanced manufacturing, culture, creative and digital business to cultivate and encourage new ideas
- with highly skilled, enterprising and industrious people
- that plays its full part in limiting the impacts of climate change
- that is clean, attractive, culturally rich, outward-looking and welcoming

The most recent approved MTFP is summarised below:

Resources Summary

	2018/19 £'000	2019/20 £'000
Resources Available		
Business Rates Baseline	316,597	241,901
Business Rates Top Up / (Tariff)	(19,015)	41,536
Baseline Funding Level	*297,582*	*283,437*
Additional Business Rates Income	7,393	21,223
Business Rates Grants	19,778	15,535
Council Tax	154,070	161,723
Other non ring fenced Grants	35,809	39,662
Dividends and Use of Reserves	53,342	53,342
Use of other Reserves	8,188	4,490
Resources to be identified	0	8,967
Total Resources Available	**576,162**	**588,379**
Resources Required		
Corporate Costs:		
Levies/Charges	68,045	68,862
Contingency	3,103	2,100
Capital Financing	44,582	44,582
Transfer to Reserves	7,181	3,409
Sub Total Corporate Costs	*122,911*	*118,953*
Directorate Costs:		
Additional Allowances and other pension costs	10,183	10,183
Insurance Costs	2,004	2,004
Directorate Budgets	422,086	423,111
Inflationary Pressures and budgets to be allocated	18,978	34,128
Total Directorate Costs	*453,251*	*469,426*
Total Resources Required	**576,162**	**588,379**
Total	**0**	**0**

Taken together the impact of funding reductions and demand pressures has resulted in savings requirements of £25.5m in 2018/19 and an additional estimated £9m in 2019/20. The Council is working with year-on year pressures.

Detailed savings plans have been produced and are monitored and reporting regularly to members.

	2018/19			2019 / 20			2 Year Total Savings	FTE Impact (Indicative)
	Current MTFP £000	Proposed Delivery Plan £000	Total £000	Current MTFP £000	Proposed Delivery Plan £000	Total £000	£000	
Adult Services	4,814	3,705	8,519	4,000	(3,982)	18	8,537	0.0
Children's Services	220	10,463	10,683	180	2,089	2,269	12,952	26.0
Corporate Core (incl. Highways)	2,945	478	3,423	2,160	65	2,225	5,648	14.5
Growth and Neighbourhoods	1,250	1,607	2,857	4,510	0	4,510	7,367	3.0
Total Savings identified	**9,229**	**16,253**	**25,482**	**10,850**	**(1,828)**	**9,022**	**34,504**	**43.5**

The updated MTFP sets out the anticipated savings requirement for the period 2018/19 to 2019/20. This is the context of a number of challenges both internal and external to the Council, including:

Further information can be found in the MTFP which was approved by Executive in February 2018.

The Statement of Responsibilities for the Annual Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The City Treasurer's Responsibilities

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

In preparing this statement of accounts, the City Treasurer has

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

The City Treasurer has also.

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

The statement of accounts gives a true and fair view of the financial position of the Council and Group as at 31 March 2018 and their income and expenditure for the year ended 31 March 2018

Carol Culley
City Treasurer
31 July 2018

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at the meeting held on 31 July 2018.

Signed on behalf of Manchester City Council

Councillor Ahmed Ali
Chair of meeting approving the accounts
31 July 2018

Comprehensive Income and Expenditure Statement

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

Restated 2016/17 Gross Expenditure £000s	2016/17 Gross Income £000s	Restated 2016/17 Net Expenditure £000s		Notes	2017/18 Gross Expenditure £000s	2017/18 Gross Income £000s	2017/18 Net Expenditure £000s
			Continuing operations				
230,005	65,971	164,034	Adults Social Care		250,187	70,634	179,553
558,514	387,800	170,714	Children's Services		583,006	422,129	160,877
403,859	310,422	93,437	Corporate Core		414,299	306,399	107,900
112,958	51,303	61,655	Growth and Neighbourhoods		132,602	61,285	71,317
49,279	15,951	33,328	Strategic Development		55,285	11,088	44,197
5,518	58,606	(53,088)	Corporate Items	1	6,820	8,855	(2,035)
4,684	0	4,684	Council Wide Costs	2	11,296	0	11,296
56,063	88,884	(32,821)	Housing Revenue Account		57,758	87,304	(29,546)
1,420,880	**978,937**	**441,943**	**Net cost of services**		**1,511,253**	**967,694**	**543,559**
			Other operating expenditure				
42,636	3,578	39,058	Loss on disposal of non-current assets	24	12,994	7,261	5,733
69,164	0	69,164	Levies not included in net cost of services		69,256	0	69,256
3,542	0	3,542	Payments to government housing capital receipts pool	43a(1)	2,553	0	2,553
115,342	**3,578**	**111,764**	**Total other operating expenditure**		**84,803**	**7,261**	**77,542**
172,371	200,721	(28,350)	Financing and investment income and expenditure	16	133,164	192,866	(59,702)
0	525,719	(525,719)	Taxation and non-specific grant income	17	0	597,413	(597,413)
1,708,593	**1,708,955**	**(362)**	**(Surplus) on provision of services**		**1,729,220**	**1,765,234**	**(36,014)**
			Items that will not be subsequently classified in (Surplus) of Provision of Services				
		(148,663)	(Surplus) on revaluation of non-current assets	44a			(188,417)
		14,313	Impairment losses on non-current assets charged to the revaluation reserve	44a			10,977
		19,844	Re-measurements of the net defined benefit liability	46			(89,658)
			Items that will be subsequently classified in (Surplus) of Provision of Services				
		3,534	(Surplus) / deficit on revaluation of available for sale financial assets	44b, f			(6,410)
		(110,972)	**Total other comprehensive income and expenditure**				**(273,508)**
		(111,334)	**Total comprehensive income and expenditure**				**(309,522)**

The 2016/17 gross and net expenditure figures have been restated to remove internal recharges following clarification of their treatment issued by CIPFA

Carol Culley
City Treasurer

31 July 2018

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Movement In Reserves Statement

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

	Note	General Fund Reserves £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Major Repairs Reserve £000s	Total Usable Reserves £000s	Total Unusable Reserves £000s	Total Council Reserves £000s
Balance at 1 April 2016		**(232,074)**	**(86,010)**	**(37,949)**	**(25,682)**	**(1,909)**	**(383,624)**	**(1,392,610)**	**(1,776,234)**
Movement in reserves during 2016/17									
Total comprehensive income and expenditure	CIES	26,214	(26,576)	0	0	0	(362)	(110,972)	(111,334)
Total adjustments between accounting basis and funding basis under regulations	4b and 12	(49,176)	21,595	(1,186)	3,188	526	(25,053)	25,053	0
(Increase) / decrease in year		**(22,962)**	**(4,981)**	**(1,186)**	**3,188**	**526**	**(25,415)**	**(85,919)**	**(111,334)**
Balance at 31 March 2017		**(255,036)**	**(90,991)**	**(39,135)**	**(22,494)**	**(1,383)**	**(409,039)**	**(1,478,529)**	**(1,887,568)**
Movement in reserves during 2017/18									
Total comprehensive income and expenditure	CIES	(9,672)	(26,342)	0	0	0	**(36,014)**	**(273,508)**	**(309,522)**
Total adjustments between accounting basis and funding basis under regulations	4b and 12	(40,183)	17,394	(32,885)	3,965	1,383	**(50,326)**	**50,326**	**0**
(Increase) / decrease in year		**(49,855)**	**(8,948)**	**(32,885)**	**3,965**	**1,383**	**(86,340)**	**(223,182)**	**(309,522)**
Balance at 31 March 2018		**(304,891)**	**(99,940)**	**(72,020)**	**(18,528)**	**(0)**	**(495,379)**	**(1,701,711)**	**(2,197,090)**

Balance Sheet

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

31 March 2017 £000s		Note	31 March 2018 £000s	
	Non-current assets			
2,183,307	Property, plant and equipment	23	2,422,022	
539,468	Heritage assets	26	539,254	
394,212	Investment properties	32	414,985	
346	Intangible non-current assets		284	
128,744	Long-term investment in subsidiaries, associates and joint ventures	35	134,449	
3,269	Other long-term investments	35	7,973	
156,765	Long-term debtors	36	197,272	
3,406,111	**Total non-current assets**			**3,716,239**
	Current assets			
5,000	Short-term investments	35	8,945	
484	Inventories and long-term contracts		537	
169,658	Short-term debtors	36	161,396	
96,320	Cash and cash equivalents	52	127,792	
21,376	Short-term assets held for sale	28	10,414	
515	Intangible current assets	37	481	
293,353	**Total current assets**			**309,565**
3,699,464	**Total assets**			**4,025,804**
	Current liabilities			
(15,172)	Short-term borrowing	42	(51,948)	
(189,156)	Short-term creditors	38	(178,964)	
(15,368)	Short-term provisions	41	(38,320)	
(13,642)	Short-term deferred liabilities	40	(15,538)	
(233,338)	**Total current liabilities**			**(284,770)**
3,466,126	**Total assets less current liabilities**			**3,741,034**
	Long-term liabilities			
(2,140)	Long-term creditors	38	(1,096)	
(49,261)	Long-term provisions	41	(62,839)	
(524,789)	Long-term borrowing	39 & 42	(482,531)	
(139,975)	Long-term deferred liabilities	40	(150,617)	
(29,739)	Capital grants receipts in advance	38	(41,581)	
(832,654)	Pensions liability	46	(805,280)	
(1,578,558)	**Total long-term liabilities**			**(1,543,944)**
1,887,568	**Net assets**			**2,197,090**
	Financed by:			
409,039	Usable reserves	43		495,379
1,478,529	Unusable reserves	44		1,701,711
1,887,568	**Total reserves**			**2,197,090**

Carol Culley
City Treasurer

31 July 2018

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Cash Flow Statement

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

2016/17 £000s		Note	2017/18 £000s
(362)	Net (surplus) on the provision of services		(36,014)
(132,844)	Adjustments to net (surplus) on the provision of services for non-cash movements	53	(163,180)
105,107	Adjustments for items included in the net (surplus) on the provision of services that are investing and financing activities	54	183,420
(28,099)	**Net cash flows from operating activities**		**(15,774)**
44,220	Investing activities	56	(27,669)
(15,891)	Financing Activities	57	11,971
230	**Net decrease / (increase) in cash and cash equivalents**		**(31,472)**
96,550	Cash and cash equivalents at the beginning of the reporting period		96,320
96,320	**Cash and cash equivalents at the end of the reporting period**	52	**127,792**

Notes to the Core Financial Statements

Note 1. Corporate Items

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

	Restated 2016/17 £000s	2017/18 £000s
Gross Expenditure		
Insurance Costs	4,822	4,083
Apprentice Levy	0	848
Other Central Expenditure	696	1,889
	5,518	6,820
Gross Income		
Insurance Income	1,152	1,023
Higher Education Fund Grant	1,290	1,241
Public Health Grant	54,596	0
Other Grants	0	1,294
Fortuitous Income including events income, waste levy refund and business rates refunds on council properties	0	3,608
Other Central Income	1,568	1,689
	58,606	8,855
Total Corporate Items	**(53,088)**	**(2,035)**

The 2016/17 gross expenditure figure has been restated to remove internal recharges following clarification of their treatment issued by CIPFA.

(a) The apprentice levy was introduced in 2017/18 and is based on 1% of applicable pay.

(b) Public Health grant is no longer received in 2017/18 and is funded by business rates from the 100% rates retention pilot.

(c) Grants include Education Services Grant.

Note 2. Council Wide Costs

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

	2016/17 £000s	2017/18 £000s
Pensions Past Service Costs	2,009	983
Depreciation - Non Operational Properties	218	338
Impairment - Non Operational Properties	2,457	9,975
Total Council Wide Costs	**4,684**	**11,296**

Note 3. Expenditure and Funding Analysis

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

2016/17						2017/18				
As reported to Members £000	Restated Adjustments to arrive at net amount chargeable to the general fund and HRA balances £000	Net expenditure chargeable to the general fund and HRA balances £000	Adjustments between funding and accounting basis £000	Restated Net expenditure in the Comprehensive Income and Expenditure Statement £000		As reported to Members £000	Adjustments to arrive at net amount chargeable to the general fund and HRA balances £000	Net expenditure chargeable to the general fund and HRA balances £000	Adjustments between funding and accounting basis £000	Net expenditure in the Comprehensive Income and Expenditure Statement £000
	Note 4a		Note 4b				Note 4a		Note 4b	
167,264	(5,619)	161,645	2,389	164,034	Adult Social Care	176,672	(5,698)	170,974	8,579	179,553
108,290	17,621	125,911	44,803	170,714	Children's Services	113,838	7,703	121,541	39,336	160,877
77,000	66	77,066	16,371	93,437	Corporate Core	75,600	(2,790)	72,810	35,090	107,900
73,977	(21,116)	52,861	8,794	61,655	Growth and Neighbourhoods	91,042	(44,032)	47,010	24,307	71,317
7,034	18,422	25,456	7,872	33,328	Strategic Development	6,057	27,246	33,303	10,894	44,197
(54,556)	1,847	(52,709)	(379)	(53,088)	Corporate Items	8,171	(10,207)	(2,036)	0	(2,036)
0	0	0	4,684	4,684	Council Wide Costs	0	0	0	11,296	11,296
(4,981)	(6,245)	(11,226)	(21,595)	(32,821)	Housing Revenue Account	(8,949)	(3,203)	(12,152)	(17,394)	(29,546)
374,028	4,976	379,004	62,939	441,943	Net Cost of Services	462,431	(30,981)	431,450	112,108	543,558
(377,758)	(29,189)	(406,947)	(35,358)	(442,305)	Other Income and Expenditure	(467,461)	(22,792)	(490,253)	(89,319)	(579,572)
(3,730)	(24,213)	(27,943)	27,581	(362)	(Surplus) on Provision of Services	(5,030)	(53,773)	(58,803)	22,789	(36,014)
Opening General Fund and HRA Reserves		318,084				Opening General Fund and HRA Reserves		346,027		
Surplus on General Fund and HRA Reserves in year		27,943				Surplus on General Fund and HRA Reserves in year		58,803		
Closing General Fund and HRA Reserves at 31 March		346,027				Closing General Fund and HRA Reserves at 31 March		404,830		

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

The variance in the figures between 2016/17 and 2017/18 for those reported to Members for Growth and Neighbourhoods are due to a one off increase in the waste levy in order to facilitate changes in the waste contract. In order to assist districts in meeting this cost the Transport Levy was reduced on a one-off basis to give the necessary financial capacity. The Transport Levy is shown in the Other Income and Expenditure line.

The 2016/17 figures have been restated to remove internal recharges following clarification of their treatment issued by CIPFA.

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

Note 4. Note to the Expenditure and Funding Analysis

(a) Adjustments to arrive at net amount chargeable to the general fund and HRA balances 2016/17				
Other Adjustments	Adjustments relating to other income and expenditure (i) £000	Adjustments relating to transfers to / from reserves (ii) £000	Restated Adjustments relating to internal recharges (iii) £000	Restated Total Adjustments £000
Adults Social Care	(171)	(2,975)	(2,473)	(5,619)
Children's Services	4,569	14,701	(1,649)	17,621
Corporate Core	2,267	(4,341)	2,140	66
Growth and Neighbourhoods	(28,114)	6,307	691	(21,116)
Strategic Development	12,872	4,392	1,158	18,422
Corporate Items	152	1,562	133	1,847
Housing Revenue Account	(6,245)	0	0	(6,245)
Net Cost of Services	(14,670)	19,646	0	4,976
Other Income and Expenditure from the Expenditure and Funding Analysis	14,670	(43,859)	0	(29,189)
Difference between General Fund and HRA Deficit and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	0	(24,213)	0	(24,213)

The 2016/17 figures have been restated to remove internal recharges following clarification of their treatment issued by CIPFA.

(a) Adjustments to arrive at net amount chargeable to the general fund and HRA balances 2017/18				
Other Adjustments	Adjustments relating to other income and expenditure (i) £000	Adjustments relating to transfers to / from reserves (ii) £000	Adjustments relating to internal recharges (iii) £000	Total Adjustments £000
Adults Social Care	(2,554)	(570)	(2,574)	(5,698)
Children's Services	4,518	5,763	(2,578)	7,703
Corporate Core	2,284	(8,077)	3,003	(2,790)
Growth and Neighbourhoods	(48,769)	5,493	(756)	(44,032)
Strategic Development	19,349	5,376	2,521	27,246
Corporate Items	(10,298)	(293)	384	(10,207)
Council Wide	0	0	0	0
Housing Revenue Account	(3,203)	0	0	(3,203)
Net Cost of Services	(38,673)	7,692	0	(30,981)
Other Income and Expenditure from the Expenditure and Funding Analysis	38,673	(61,465)	0	(22,792)
Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Surplus on the Provision of Services	0	(53,773)	0	(53,773)

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

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

(iii) Internal recharges between services are included in the outturn report but are not shown within the CIES.

(b) Adjustments between Funding and Accounting Basis 2016/17					
Adjustments between funding and accounting basis	Adjustments for Capital Purposes (i) £000	Pension Adjustments (ii) £000	Collection Fund Adjustments (iii) £000	Other Adjustments (iv) £000	Total Adjustments £000
Adults Social Care	857	1,686	0	(154)	2,389
Children's Services	40,254	4,579	0	(30)	44,803
Corporate Core	13,721	2,654	0	(4)	16,371
Growth and Neighbourhoods	7,199	1,633	0	(38)	8,794
Strategic Development	7,471	353	0	48	7,872
Corporate Items	0	0	0	(379)	(379)
Council Wide Costs	2,675	2,009	0	0	4,684
Housing Revenue Account	(21,706)	116	0	(5)	(21,595)
Net Cost of Services	50,471	13,030	0	(562)	62,939
Other Income and Expenditure from the Expenditure and Funding Analysis	(28,011)	15,956	(21,230)	(2,073)	(35,358)
Difference between General Fund and HRA Deficit and Comprehensive Income and Expenditure Statement Surplus on the Provision of Services	22,460	28,986	(21,230)	(2,635)	27,581

(b) Adjustments between Funding and Accounting Basis 2017/18					
Adjustments between funding and accounting basis	Adjustments for Capital Purposes (i) £000	Pension Adjustments (ii) £000	Collection Fund Adjustments (iii) £000	Other Adjustments (iv) £000	Total Adjustments £000
Adults Social Care	997	7,610	0	(28)	8,579
Children's Services	18,074	21,071	0	191	39,336
Corporate Core	22,329	12,771	0	(10)	35,090
Growth and Neighbourhoods	16,733	7,583	0	(9)	24,307
Strategic Development	9,190	1,705	0	(1)	10,894
Corporate Items	0	0	0	0	0
Council Wide Costs	10,313	983	0	0	11,296
Housing Revenue Account	(17,690)	297	0	(1)	(17,394)
Net Cost of Services	59,946	52,020	0	142	112,108
Other Income and Expenditure from the Expenditure and Funding Analysis	(111,014)	10,264	8,865	2,566	(89,319)
Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Surplus on the Provision of Services	(51,068)	62,284	8,865	2,708	22,789

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

(ii) Adjustments relating to pensions are the removal of employee pension costs for the Local Government Pension Scheme and their replacement with current service costs and past service costs plus the net interest on the defined pension liability.

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

(iv) Other adjustments include soft loans, employee benefit accruals and the payment to the housing capital receipts pool.

Note 5. Prior Period Restatement

The prior period is restated so that 2016/17 is presented in a comparable way to 2017/18.

Service Expenditure and Income

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

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

The 2016/17 gross and net expenditure figures have been restated to exclude internal recharges for services following clarification of their treatment by CIPFA. Recharges for central support services are also excluded. There have been no transfers of services between directorates in 2017/18 that would have required restatement of the 2016/17 figures.

The two tables below shows how the net expenditure and gross expenditure have been restated. There is no change to the gross income figures.

	As reported in the 2016/17 CIES £000	Adjustments between internal reporting classifications £000	As restated 2016/17 £000
Net Expenditure			
Directorate Line			
Adults Social Care	166,507	(2,473)	164,034
Children's Services	172,363	(1,649)	170,714
Corporate Core	91,297	2,140	93,437
Growth and Neighbourhoods	60,964	691	61,655
Strategic Development	32,170	1,158	33,328
Corporate Items	(53,221)	133	(53,088)
Council Wide Costs	4,684	0	4,684
Housing Revenue Account	(32,821)	0	(32,821)
Total Net Cost of Services	441,943	0	441,943

Gross Expenditure			
Directorate Line			
Adults Social Care	232,478	(2,473)	230,005
Children's Services	560,163	(1,649)	558,514
Corporate Core	401,719	2,140	403,859
Growth and Neighbourhoods	112,267	691	112,958
Strategic Development	48,121	1,158	49,279
Corporate Items	5,385	133	5,518
Council Wide Costs	4,684	0	4,684
Housing Revenue Account	56,063	0	56,063
Total Net Cost of Services Gross Expenditure	1,420,880	0	1,420,880

Note 6. Accounting Concepts and Policies

The Statement of Accounts summarises the Council’s transactions for the 2017/18 financial year and its position at the year end 31 March 2018. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003.

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

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

6.1. Underlying Assumptions

6.1.1 Going Concern

The Accounting Code, (standard IAS 1) requires management to make an assessment of an entity’s ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern. The authority discloses that the accounts have been prepared on a going concern basis and that the Council will continue in existence for the foreseeable future.

This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. The Code is clear that transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern. However if there are material concerns about the financial health of the authority this would be raised as part of the statutory responsibilities of the Section 151 Officer and by the external auditors as part of the accounts audit process.

The accounts have been prepared on the assumption that the Council will continue and there are no material concerns over its financial position which would impact on this conclusion.

6.1.2 Primacy of Legislation Requirements

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

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

6.2. Accounting Policies

6.2.1 Property, Plant and Equipment (PPE)

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

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

Capital expenditure is initially added to the value of an asset but if expenditure is not considered to increase the value of the asset the value is reduced by this expenditure. Expenditure that is not consider to increase the value of an asset includes fees, expenditure below £10,000 and 60% of the value of expenditure on council dwellings. This percentage is the amount by which the open market value of council dwellings is reduced to give a balance sheet value of 40% (the social housing discount). In addition all property, plant and equipment, where expenditure in excess of £500,000 has been incurred during 2017/18, have been considered by the Council's Valuers who have quantified the amount of downward valuation.

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

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

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

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

Community assets and infrastructure are measured at depreciated historical cost.

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

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

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

Valuations have a valuation date of 1 April 2017. Any material change that occurs after the valuation date is taken account of in the balance sheet value.

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

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

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

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

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

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

6.2.2 Depreciation on Property, Plant and Equipment

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

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

Depreciation has been charged to the Housing Revenue Account (HRA) in accordance with proper practices and credited to the Major Repairs Reserve (MRR).

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

6.2.3 Derecognition of Property, Plant and Equipment

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

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

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

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

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

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

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

6.2.4 Private Finance Initiatives (PFIs) and Similar Contracts

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

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

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

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

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

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

6.2.5 Heritage Assets

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

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

Heritage assets are shown in the Balance Sheet at market value where this is available. For those assets where no market value is available the insurance valuation is used.

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

Depreciation is not provided for as these assets are considered to have infinite lives. Any impairment is recognised and measured in accordance with the Council’s general policies on impairment (policy 6.2.8). The proceeds of any disposals are accounted for in accordance with the Council’s general provisions relating to the derecognition of property, plant and equipment (policy 6.2.3).

6.2.6 Investment Properties

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

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

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

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

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

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

6.2.7 Schools

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

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

Capital expenditure on schools shown on the Council’s balance sheet is added to the value of those schools. Capital expenditure on schools not on the Council’s balance sheet is treated as REFCUS (Revenue Expenditure Funded from Capital under Statute) expenditure and written off each year to the Comprehensive Income and Expenditure Statement as part of the Children's Services line. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

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

Individual schools' balances at 31 March 2018 are included in the balance sheet of the Council as any unspent delegated schools budget remains the property of the Council although these can only be spent by the school.

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

6.2.8 Impairment

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

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

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

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

6.2.9 Provision for Redemption of Debt

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

For all non-HRA capital expenditure funded by supported borrowing, otherwise known as supported capital expenditure, the Council's policy is to charge 2% of the capital financing requirement

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

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

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

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

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

There is no MRP charge to the HRA.

6.2.10 Revenue Expenditure Funded From Capital under Statute

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

Details of the accounting policy relating to grants and external contribution funding of REFCUS expenditure is shown in policy 6.2.15c.

6.2.11 Non-Current Assets held for Sale

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

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

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

6.2.12 Accruals of Income and Expenditure

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

Supplies are recorded as expenditure when they are consumed.

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

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

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

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

6.2.13 Cash and Cash Equivalents

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

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

6.2.14 Provisions

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

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

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

6.2.15 Government Grants and Contributions

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

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

a. Revenue Grants and Contributions

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

b. Capital Grants and Contributions

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

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

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

6.2.16 Reserves

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

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

6.2.17 Revenue Recognition

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

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

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

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

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

6.2.18 Value Added Tax (VAT)

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

6.2.19 Leases

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

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

Finance Leases

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

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

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

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

Operating Leases

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

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

6.2.20 Benefits Payable during Employment

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

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

6.2.21 Termination Benefits

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

6.2.22 Post-Employment Benefits

a. Teachers' Pension Scheme

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

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

b. National Health Service (NHS) Pension Scheme

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

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

c. Local Government Pension Scheme

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

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

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

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

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

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

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

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

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

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

Re-measurements comprising:
- The return on plan assets excluding amounts included in net interest on the defined benefit liability;
- change in demographic assumptions re-measurements; and
- actuarial gains and losses on changes in financial assumptions – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their financial assumptions (such as percentage increase in salaries) are shown within Other Comprehensive Income and Expenditure.

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

Financial Instruments

6.2.23 Financial Assets

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

- **Loans and Receivables**

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

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

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

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

- **Available for Sale Assets**

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

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

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

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

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

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

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

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

6.2.24 Embedded Derivatives

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

6.2.25 Financial Liabilities

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

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

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

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

Where the Council is in receipt of loans that are interest free or at less than prevailing market interest rates if material, the effective interest rate is calculated so that the value of the financial assistance to the Council by the lender is separated from the financial cost of the transaction. This gain is calculated by working out the net present value of all future cash payments using the interest rate for a similar loan taken by the Council. This results in a lower figure for the fair value of the loan with the difference from the loan received treated as a government grant. This gain is reversed out in the Movement in Reserves Statement to the Financial Instruments Adjustment Account.

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

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

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

6.2.26 Contingent Assets and Liabilities

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

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

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

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

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

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

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

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

6.2.28 Material Items of Income and Expenditure

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

6.2.29 Events after the Balance Sheet Date

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

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

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

6.2.30 Interests in Companies and Other Entities

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

6.2.31 Joint Operations

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

6.2.32 Local Taxation

The Council, as a billing authority act as an agent, collecting Council Tax and national non-domestic rates (NNDR) on behalf of the major preceptors and, as principals, collecting Council Tax and NNDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NNDR. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of Council Tax and NNDR collected could be less or more than predicted.

The Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NNDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.
The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

6.2.33 Fair Value Measurement

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

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

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

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

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

Note 7. Critical Accounting Judgements

In applying the accounting policies set out in Note 6 the Council has to make certain judgements about complex transaction or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

7.1 Schools Non-Current Assets

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

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

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

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

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

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

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

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

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

Details of the value of schools land and building assets are shown in Note 25 to the accounts.

7.2 PFI and Similar Arrangements

The Council is deemed to control the services provided via its PFI arrangements and also to control the residual value of the assets at the end of the contract. The accounting policy for PFIs and similar contracts has been applied to these arrangements and the assets valued at £269.632m (£217.970m in 2016/17) are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

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

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

7.3 Classification of Leases

The Council has undertaken an analysis to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and assets valued at £0.014m (£0.072m in 2016/17) are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

7.4 Investment Properties

The Council has reviewed all assets in accordance with the accounting policy for investment properties and as a result assets valued on that basis total £414.985m (£402.715m in 2016/17) and are recognised as Investment Properties in the Council's Balance Sheet.

7.5 Valuation of Property Plant and Equipment

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

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

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

- council dwellings were valued in accordance with Ministry of Housing, Communities and Local Government (MHCLG) guidance at open market value less a specified, notified percentage known as the social housing discount.

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

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

Council dwellings are revalued annually. All other non-current assets, with the exception of those valued at depreciated historical cost are valued sufficiently regularly to ensure that their carrying amount is not materially different from their value at year end, but as a minimum every five years. Valuations are undertaken during the year by internal council valuers, Roger Hannah and Co and Jacobs, external valuers commissioned by the Council with a valuation date of 1 April 2017. Jacobs provided indexation factors for the percentage increase in value from the date of the last valuation to 31 March 2018 for each category of asset. These were applied to the asset values, where material, to provide a more accurate balance sheet value.

7.6 Valuation of Heritage Assets

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

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

As a result assets valued at £539.254m (£539.468m in 2016/17) have been classed as Heritage Assets.

7.7 Better Care Fund (BCF)

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

7.8 Composition of the Council's Group

The Council undertakes its activities through a variety of undertakings, either under ultimate control or in partnership with other organisations. Those considered to be material are included in the group accounts. Profit and loss, net worth and value of non-current assets for each organisation are considered as a percentage of the Council's single entity accounts to determine those that are material. Turnover, assets and liabilities are assessed individually. An entity could be material but still not consolidated (if all of its business is with the Council and eliminated on consolidation) – i.e. the consolidation would mean that the group accounts are not materially different to the single entity accounts. The assessment of materiality also considers qualitative factors such as whether the Council depends significantly on these entities for the continued provision of its statutory services or where there is concern about the level to which the Council is exposed to commercial risk

Note 8. Key Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2018 for which there is a risk of adjustment in the following financial year are:

8.1 Revaluation of Property, Plant and Equipment (PPE)

Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and small value items of vehicles, plant and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. This includes examination of capital expenditure incurred in the financial year to ascertain whether or not it has resulted in an increase in value of an asset. Advice has been provided by valuers employed by the Council. If the actual results differ from the assumptions the value of PPE will be over or understated. This would be adjusted when the assets were next revalued. It is estimated that the carrying value of property, plant and equipment would increase by £18.1m for every 1% increase in valuation.

8.2 Depreciation of Property, Plant and Equipment.

Assets are depreciated based on useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to maintain the expenditure on repairs and maintenance resulting in uncertainty in the useful lives assigned to assets by the Valuers. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge would increase by £4.6m for every year the useful lives are reduced.

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

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

8.3 Valuation of Investments in Non-Group Entities

The Council has various investments in entities, which due to materiality of the entity or the share of the investment in the entity, are not included in its Group Accounts. Where there is a quoted market price for these investments they are classified as available for sale investments and included in the balance sheet at fair value. Where there is no market value available they are included at cost less impairment. The investments in Manchester Mortgage Corporation, Manchester Working, National Car Parks (Manchester), Matrix Homes and One Education are shown as the value of the Council’s share of their reserves based on its percentage shareholding. The remainder of the shares totalling £1.306m are shown at cost as the relevant valuation techniques produce a significant range of reasonable fair value estimates such that no valuation would be reliable. This does not have a material effect on the Council’s balance sheet.

8.4 Compensation Provisions

The Council has made various provisions in relation to compensation claims submitted to the Council. These provisions are based on the number of claims outstanding at the end of the financial year, the average settlement amount for each type of claim and the likelihood of each type of claim being settled. It is not certain that the precedents set in previous years will be applicable to the current outstanding claims. An increase of 1% in the estimate average settlement would have the effect of adding £0.140m to the provision required. An increase of 1% in the likelihood of each claim being settled would have the effect of adding £0.105m to the provision.

8.5 Provision for Business Rate Appeals

The Council has made a provision for a reduction in business rate income due to appeals made against rateable values set by the Valuation Office Agency (VOA). This is based on percentage reductions in rateable values for hereditaments where there was an outstanding appeal at 31 March 2018. The percentages used for appeals against the 2005 and 2010 valuation list are based on information from the VOA on the percentage reductions, per category of property and type of appeal, to the valuation list following previously settled appeals. Appeals raised against hereditaments with larger RVs have been considered separately. The percentage used for the reduction in the 2017 valuation list is based on the percentage that the 2010 list has fallen by adjusted by the reduction in value that has already occurred as a result of the new check, challenge, appeal process. An increase of 1% in the percentage reduction would have the effect of adding £10.941m to the total provision required (Council's share £10.832m).

8.6 Arrears

At 31 March 2018 the Council had a balance of short term debtors of £284.899m. This included sundry debtors of £178.117m (including housing benefit overpayments), housing rent debtors of £7.949m, council tax debtors of £57.486m and business rates debtors of £41.347m. A review of these outstanding balances suggests that an impairment of doubtful debts of £123.503m (£53.671m sundry debtors, £5.967m housing rents, £41.432m council tax and £22.433m business rates) was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate by 1% this would require an additional £2.211m (£1.095m sundry debtors, £0.039m housing rents, £0.558m council tax and £0.519m business rates) to be set aside.

8.7 Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions. A firm of actuaries are engaged by the Pension Fund to provide expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £340.85m, a 0.5% increase in the salary increase rate would result in a £45.306m increase in the pension liability and a 0.5% increase in the assumed pension rate increase would result in a £291.515m increase in the pension liability.

Note 9. Impact of Accounting Changes Issued But Not Yet Adopted

The Code of Practice on Local Authority Accounting requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the 2017/18 Code.

The Code has introduced changes in accounting policies which will be required from 1 April 2018 and will therefore be valid for the 2018/19 accounts. The changes introduced by the 2018/19 Code that will be adopted by the Council and its Group are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

IFRS 9 Financial Instruments

This amendment relates to the classification of financial assets primarily investments, cash and cash equivalents and debtors. The current classification of these assets is either loans and receivables, available for sale assets or unquoted equity investment at cost less impairment.

Financial assets will have to be valued at amortised cost, fair value through other comprehensive income and expenditure or fair value through profit and loss. The basis of classification is dependent on both:

a) the authority’s business model for managing the financial assets, and
b) the contractual cash flow characteristics of the financial asset.

A financial asset is measured at amortised cost if it is held to collect cash flows and the cash flows are solely principal and interest receipts on specified days. The Council’s treasury management investments are likely to fall within this category.

A financial asset is measured at fair value through other comprehensive income and expenditure if it is held to collect cash flows and sale assets. The cash flows are solely principal and interest receipts on specified days.

A financial asset is measured at fair value through profit and loss unless it is classed as either financial asset measured at amortised cost or at fair value through other comprehensive income and expenditure. Changes in value of financial assets in this category have an effect of the Council’s income and expenditure and the Council’s usable reserves. The Council has a small number of investments that are likely to fall into this category.

However the Council can make an irrevocable decision at initial recognition to designate particular equity investments as fair value through other comprehensive income and expenditure so subsequent changes in value do not affect the Council's usable reserves. It is likely that the Council's strategic equity investments will fall into this category.

IFRS9 also has implications for the recognition of impairment of financial assets.

At each balance sheet date the Council is required to calculate and account for lifetime credit losses of a financial instrument if there has been a significant increase in credit risk since the recognition of that asset. If the credit risk has not increased significantly twelve months of expected credit losses are accounted for.

These changes are to be implemented from 1 April 2018 and do not require the restatement of the previous year's information.

It is not anticipated that these changes will have a material impact on the Council's accounts.

IFRS15 Revenue from Contracts with Customers

This includes all contracts with customers with the exception of leases, financial instruments and insurance contracts. It also excludes council tax and business rates income.

There is a five step approach as to when income and the value of it is to be included in the accounts. The five steps are:

- Identify the contract
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price
- Recognise income when (or as) a performance obligation is satisfied.

These changes are to be implemented from 1 April 2018 and do not require the restatement of the previous year's information.

It is not anticipate that there will be any significant changes to the timing of income recorded in the accounts.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

This relates to changes in the treatment of income taxes. There is no effect from this amendment on the Council's single entity accounts but there could be implications for the entities within the Council's group accounts.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

This amendment is a disclosure amendment and requires a disclosure of changes in liabilities arising from financing activities including both changes arising from cash flows and other non cash changes.

Note 10. Significant items warranting additional disclosure

The following items of material expenditure occurred during the year:

Impairment including downward revaluation and reversal of past impairment

Impairment of property plant and equipment and investment properties of £24,564,000 (£36,166,000 in 2016/17) has been included within net cost of services:

	2016/17 £000s	2017/18 £000s
Adults Social Care	112	292
Children's Services	1,409	2,502
Corporate Core	2,354	0
Growth and Neighbourhoods	320	922
Strategic Development	2,185	4,600
Council Wide Costs	2,457	9,975
Housing Revenue Account	1,837	1,773
Investment properties	25,492	4,500
Total	**36,166**	**24,564**

Note 11. Expenditure and Income Analysis

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

	2016/17 £000	2017/18 £000
Expenditure		
Employee Benefit Expenses	467,305	505,919
Other Service Expenses	832,286	857,148
Capital Charges including Depreciation and impairment (a)	146,269	155,065
Interest Payments	34,545	34,941
Pensions Interest Costs	109,878	91,344
Precepts and Levies	69,164	69,256
Payments to Housing Capital Receipts Pool	3,542	2,553
Loss on Disposal of Non-current Assets (general fund)	42,636	12,994
Total Expenditure	1,705,625	1,729,220
Income		
Fees, Charges and Other Service Income	(222,847)	(248,911)
Interest and Investment Income	(65,326)	(68,332)
Return on Pension Assets	(82,437)	(70,033)
Capital Charges related income	(106,999)	(154,137)
Income from Council Tax	(142,533)	(148,977)
Business Rates Income (i)	(178,889)	(313,376)
Government Grants and Contributions (ii)	(903,378)	(754,207)
Gain on Disposal of Fixed Assets (HRA)	(3,578)	(7,261)
Total Income	(1,705,987)	(1,765,234)
(Surplus) on the Provision of Services	(362)	(36,014)

(i) Business rates income retained is 49% in 2016/17 and 99% in 2017/18 due to the 100% rates retention pilot.

(ii) As a result of the rates retention pilot Revenue Support Grant and Public Health Grant were not received in 2017/18.

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

	2016/17 £000	2017/18 £000
Adults Social Care	1,155	997
Children's Services	62,826	61,666
Corporate Core	16,125	24,170
Growth and Neighbourhoods	10,070	18,155
Strategic Development	14,663	16,754
Council Wide Costs	25,199	14,812
HRA	16,231	18,511
Total Capital Charges including Depreciation and Impairment	146,269	155,065

Note 12. Adjustments Between Accounting and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. It shows the technical items that are removed that do not impact on the funded position and replaces them with other items that are funded.

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

	Usable Reserves						Unusable Reserves
	General Fund Reserves £000s	**Housing Revenue Account Reserves £000s**	**Capital Receipts Reserve £000s**	**Capital Grants Unapplied £000s**	**Major Repairs Reserve £000s**	**Total Usable Reserves £000s**	**Total Unusable Reserves £000s**
Reversal of items debited or credited to the comprehensive income and expenditure statement:							
Depreciation	(37,687)	0	0	0	(14,333)	(52,020)	52,020
Amortisation of intangible assets	(138)	0	0	0	0	(138)	138
Transfer from HRA to major repairs reserve	0	4,355	0	0	(4,355)	(0)	0
Impairment / revaluation losses charged to the comprehensive income and expenditure statement	(34,329)	(1,837)	0	0	0	(36,166)	36,166
Movement in fair value of investment property	31,757	0	0	0	0	31,757	(31,757)
Financing of capital expenditure on council dwellings	0	0	0	0	19,214	19,214	(19,214)
Capital grants and contributions	46,263	623	0	28,511	0	75,397	(75,397)
Revenue expenditure funded from capital under statute	(35,529)	(61)	0	(25,323)	0	(60,913)	60,913
Gain / (loss) on disposal of non-current assets	(42,636)	3,578	0	0	0	(39,058)	39,058
Amount by which pension costs calculated in accordance with IAS19 are different from pension contributions due	(28,870)	(116)	0	0	0	(28,986)	28,986
Private finance initiative charges to the HRA	0	14,925	0	0	0	14,925	(14,925)
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	5,944	0	0	0	0	5,944	(5,944)
Amount by which council tax and business rates income adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulation	21,230	0	0	0	0	21,230	(21,230)
Statutory provision for the repayment of debt - minimum revenue provision	15,597	0	0	0	0	15,597	(15,597)
Statutory provision for the repayment of debt - finance lease liabilities	147	0	0	0	0	147	(147)
Statutory provision for the repayment of debt - private finance initiatives	3,130	0	0	0	0	3,130	(3,130)
HRA capital receipts to housing central pool	(3,542)	0	3,542	0	0	(0)	0
Revenue contribution to finance capital	6,872	123	0	0	0	6,995	(6,995)
Premiums and discounts charged to revenue	332	0	0	0	0	332	(332)
Principal repayment of ex-GMC debt	2,056	0	0	0	0	2,056	(2,056)
Capital receipts received	0	0	(24,650)	0	0	(24,650)	24,650
Use of capital receipts reserve to finance capital expenditure	0	0	52,303	0	0	52,303	(52,303)
Write down of long term debtor	(24)	0	0	0	0	(24)	24
Capital receipts for long term debtors	0	0	(32,381)	0	0	(32,381)	32,381
Transfer to short term accumulated absences account	249	5	0	0	0	254	(254)
Total adjustments	**(49,176)**	**21,595**	**(1,186)**	**3,188**	**526**	**(25,053)**	**25,053**

The table below shows the adjustments made in 2017/18:

	Usable Reserves						Unusable Reserves
	General Fund Reserves	Housing Revenue Account Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Usable Reserves	Total Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Reversal of items debited or credited to the comprehensive income and expenditure statement:							
Depreciation	(51,220)	0	0	0	(16,114)	(67,335)	67,335
Amortisation of intangible assets	(128)	0	0	0	0	(128)	128
Impairment / revaluation losses charged to the comprehensive income and expenditure statement	(22,791)	(1,773)	0	0	0	(24,564)	24,564
Movement in fair value of investment property	33,443	0	0	0	0	33,443	(33,443)
Financing of capital expenditure on council dwellings	0	0	0	0	17,497	17,497	(17,497)
Capital grants and contributions	68,780	1,183	0	53,685	0	123,648	(123,648)
Revenue expenditure funded from capital under statute	(12,695)	(624)	0	(49,720)	0	(63,039)	63,039
Gain / (loss) on disposal of non-current assets	(12,994)	7,261	0	0	0	(5,733)	5,733
Amount by which pension costs calculated in accordance with IAS19 are different from pension contributions due	(61,986)	(298)	0	0	0	(62,284)	62,284
Private finance initiative charges to the HRA	0	10,100	0	0	0	10,100	(10,101)
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	88	0	0	0	0	88	(88)
Amount by which council tax and business rates income adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulation	(8,865)	0	0	0	0	(8,865)	8,865
Statutory provision for the repayment of debt - minimum revenue provision	15,829	0	0	0	0	15,829	(15,829)
Statutory provision for the repayment of debt - finance lease liabilities	48	0	0	0	0	48	(48)
Statutory provision for the repayment of debt - private finance initiatives	3,395	0	0	0	0	3,395	(3,395)
HRA capital receipts to housing central pool	(2,553)	0	2,553	0	0	0	0
Revenue contribution to finance capital	8,568	1,543	0	0	0	10,111	(10,111)
Premiums and discounts charged to revenue	493	0	0	0	0	493	(493)
Principal repayment of ex-GMC debt	2,175	0	0	0	0	2,175	(2,175)
Capital receipts received	0	0	(57,767)	0	0	(57,767)	57,767
Use of capital receipts reserve to finance capital expenditure	0	0	79,147	0	0	79,147	(79,147)
Write down of finance lease liability	413	0	0	0	0	413	(413)
Write down of long term debtor	(24)	0	0	0	0	(24)	24
Capital receipts for long term debtors	0	0	(56,818)	0	0	(56,818)	56,818
Transfer to short term accumulated absences account	(158)	0	0	0	0	(158)	158
Total adjustments	**(40,183)**	**17,392**	**(32,885)**	**3,965**	**1,383**	**(50,326)**	**50,326**

Note 13. Long-term Contracts

Undischarged obligations arising from PFI and similar transactions as at 31 March 2018 were as follows:

Scheme	Payments Liability Repayment £000s	Lifecycle Costs £000s	Interest Charges £000s	Service Charges* £000s	Total £000s	Indexation	Contract Expiry	Scheme Details
Housing Energy Services Contract						GDP Deflator	2020	Energy Services Contract - provision and maintenance of energy services for a number of blocks of flats – service commenced in 1999/00. Total obligation as at start of contract of £10,196,000 to be met from PFI grant and the Housing Revenue Account.
Payments within 1 year	289	93	57	114	554			
Payments within 2 to 5 years	241	70	20	89	419			
	530	163	77	203	973			
Miles Platting Housing						RPI	2037	Miles Platting – housing refurbishment, maintenance and estate management - services commenced in 2006/07. Total obligation as at start of contract of £496,894,000 to be met from PFI Grant and the Housing Revenue Account.
Payments within 1 year	3,529	3,476	3,056	5,584	15,644			
Payments within 2 to 5 years	8,261	13,902	10,573	32,285	65,021			
Payments within 6 to 10 years	11,301	17,378	10,405	48,168	87,252			
Payments within 11 to 15 years	13,515	17,378	6,718	57,094	94,705			
Payments within 16 to 20 years	13,967	13,902	2,299	51,040	81,208			
	50,572	66,036	33,050	194,171	343,830			
Plymouth Grove Housing						RPI	2033	Plymouth Grove – housing refurbishment, maintenance and estate management - services commenced in 2003/04. Total obligation as at start of contract of £145,785,000 to be met from PFI Grant and the Housing Revenue Account.
Payments within 1 year	585	730	1,671	2,336	5,321			
Payments within 2 to 5 years	2,779	2,918	6,013	10,265	21,975			
Payments within 6 to 10 years	4,812	3,648	5,671	15,022	29,153			
Payments within 11 to 15 years	7,704	3,648	2,633	17,304	31,289			
	15,879	10,944	15,988	44,927	87,738			
Temple School						RPI	2026	Temple School – design, build and maintenance of Temple Primary School – services commenced in 2001/02. Total obligation as at start of contract of £14,617,000 to be met from PFI Special Grant and Dedicated Schools Grant (DSG).
Payments within 1 year	191	0	244	280	715			
Payments within 2 to 5 years	1,070	0	761	1,190	3,020			
Payments within 6 to 10 years	1,222	0	250	973	2,444			
	2,483	0	1,255	2,442	6,180			
Wright Robinson Sports College						RPI	2032	Wright Robinson Sports College - design, build and maintenance of sports college - services commenced in 2007/08. Total obligation as at start of contract of £116,428,000 to be met from PFI Special Grant and Dedicated Schools Grant (DSG).
Payments within 1 year	1,015	461	1,430	1,615	4,522			
Payments within 2 to 5 years	4,758	1,844	5,023	6,994	18,619			
Payments within 6 to 10 years	7,893	2,305	4,334	10,044	24,576			
Payments within 11 to 15 years	8,493	1,871	1,435	9,346	21,145			
	22,159	6,482	12,222	27,999	68,862			
Public Lighting						RPI	2030	Public Lighting – refurbishment and maintenance of street lighting and illuminated street signage – services commenced in 2004/05. Total obligation as at start of contract of £164,300,000 to be met from PFI Special Grant and council resources.
Payments within 1 year	1,855	620	1,566	2,490	6,530			
Payments within 2 to 5 years	8,587	2,479	5,196	11,156	27,418			
Payments within 6 to 10 years	13,891	3,098	3,577	15,129	35,695			
Payments within 11 to 15 years	4,561	775	265	4,321	9,921			
	28,894	6,971	10,603	33,096	79,565			
Brunswick Housing						RPIX	2038	Brunswick – housing refurbishment, maintenance and estate management - services commenced in 2013/14. Total obligation as at start of contract of £258,236,000 to be met from PFI Grant and the Housing Revenue Account.
Payments within 1 year	(7,106)	0	3,735	2,451	(920)			
Payments within 2 to 5 years	(6,697)	0	17,331	9,633	20,268			
Payments within 6 to 10 years	9,301	0	18,124	13,433	40,858			
Payments within 11 to 15 years	9,892	0	14,814	14,957	39,663			
Payments within 16 to 20 years	19,787	0	8,393	17,317	45,498			
Payments within 21 to 25 years	4,881	0	322	2,670	7,874			
	30,059	0	62,720	60,462	153,240			
Refuse Vehicles Service Concession						Various	2023	Refuse vehicles utilised in the provision of refuse collection services to the Council. The service contract commenced in 2015 and the purchase of new vehicles to be utilised in the contract commenced in 2016.
Payments within 1 year	486	0	59	15,809	16,354			
Payments within 2 to 5 years	2,017	0	164	63,196	65,377			
Payments within 6 to 10 years	130	0	6	0	136			
	2,633	0	229	79,005	81,867			
Total	**153,208**	**90,596**	**136,145**	**442,305**	**822,254**			

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

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

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

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

HRA (Housing) PFI Schemes

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

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

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

Children's Services PFI Schemes

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

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

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

Growth and Neighbourhoods PFI Scheme

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

Changes to the Street Lighting PFI contract have been negotiated in 2017/18. These relate to the procurement and installation of low energy LED street lighting technology and a management system for centralised control. The equipment is designed to deliver long term sustainable benefits and revenue savings, whilst providing high quality lighting to recognised statements.

Refuse Vehicles Service Concession

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

Note 14. Trading Operations

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

	2016/17 (Surplus) / Deficit * £000s	2017/18 Turnover £000s	2017/18 Expenditure £000s	2017/18 (Surplus) / Deficit* £000s
Highways maintenance	2,365	(8,959)	11,433	2,474
Schools and welfare catering	(51)	(12,870)	14,908	2,038
Other catering	(804)	(858)	277	(581)
Corporation estates	(1,158)	(3,674)	1,758	(1,916)
Markets	(910)	(9,731)	9,707	(24)
Total (Surplus) / Deficit	**(558)**	**(36,092)**	**38,083**	**1,991**

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

Note 15. National Health Services Act 2006 Pooled Funds

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

Better Care Fund (BCF)

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

On 1 April 2017 the three Manchester CCGs merged to form the a single CCG for Manchester.

	2016/17 £000s	2017/18 £000s	
Funding			
Manchester City Council	14,623	32,066	(a)
Manchester CCGs	72,380	70,143	(b)
Total Funding	87,003	102,209	
Expenditure			
New Delivery Models of Integrated Care	48,175	64,650	
Protection of Adult Social Care	12,430	12,652	
Reablement	15,871	16,339	
Non Elective Risk Reserve	3,248	0	(b)
Care Act Responsibilities	1,533	1,560	
Capital Expenditure	4,546	7,008	
Transfer to Capital Grants Unapplied Reserve	1,200	0	
Total Expenditure	87,003	102,209	
Overspend / (Underspend)	0	0	

(a) A new funding element has been added to the BCF from 2017/18 - the Improved Better Care Fund (iBCF). The allocation for the Council is £16.2m in 2017/18.

(b) The CCG contribution has reduced in 2017/18 as the non elective risk reserve is no longer included in accordance with BCF guidance.

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

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

- deliver reform of the local health and care system based on agreed strategic objectives for the Locality Plan and national conditions for use of the Better care Fund

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

Further detail can be found in the report to the Manchester Health and Wellbeing Board dated 25 March 2015 and the Manchester Health and Wellbeing Board adopted a refreshed version of the Locality Plan on 14 March 2018.

The Better Care Fund plan continues to align to the Manchester Locality Plan which has been supported previously by the Health and Wellbeing Board. The locality plan describes the core schemes Local Care Organisation (LCO), Single Commissioning Function and Single Hospital Services which together will bring major transformational change in how the needs of people of Manchester are met.

The Improved Better Care Fund (iBCF) is subject to national conditions. The iBCF will have a focus on the following key areas for the Manchester system:

• The development of new models of home care, residential and nursing care homes, acknowledging the pressures upon the care market, and the development of reformed models of care that deliver a step change in outcomes and experience for citizens, which offers attractive employment opportunities and scope for career development; and supports the delivery of wider system benefits
• Review and reform (where applicable) adult social care direct provision in readiness for a safe transfer of services to the emerging LCO, recognising the phased of approach of services therefore conducting a review of those services that will be retained but transfer to the LCO in later phases.
• Develop an appropriate and effective finance, performance and contract management system infrastructure required to support the delivery of new models of social care delivery
• Short term improvements/here and now pressures, focussing upon high cost provision, and addressing the system pressures and demand challenges resulting in delayed transfers of care (DTOC);

The new models of care will bring together and integrate services across health and care, the models are co-ordinated around the needs of the individual. A strong focus on early help, intervention and prevention will be achieved through the new care models and our strength based, population health approach which is a core part of the Our Manchester approach.

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

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

- investment into the new care models will be tracked in terms of impact on activity levels in the acute sector and in residential care in particular.
- A transition will happen over a four year period so that existing models of care are gradually replaced with the new integrated models of care.

Note 16. Financing and Investment (Income) and Expenditure

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

	2016/17 £000s	2017/18 £000s
Interest payable on debt	24,024	23,286
Interest element of finance leases (lessee)	39	21
Interest payable on PFI unitary payments	10,481	11,634
Net interest on the net defined benefit liability (pension scheme)	27,441	21,311
Investment interest income	(14,305)	(14,293)
Rentals received on investment properties	(20,397)	(20,761)
Expenses incurred on investment properties	2,457	2,663
Investment properties Impairment	25,492	4,500
Change in fair value of investment properties	(31,757)	(33,443)
Dividends receivable	(51,021)	(54,038)
(Gain) on trading accounts (not applicable to a service)	(804)	(582)
Total financing and investment income and expenditure	**(28,350)**	**(59,702)**

Note 17. Taxation and non-specific grant income

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

	2016/17 £000s	2017/18 £000s	
Council Tax Income	142,533	148,977	a
Business Rates Income	171,314	313,376	b
Business Rates Retention Top Ups	7,575	2,984	b
Business Rates Section 31 Grants	5,787	19,657	c
Enterprise Zone Relief Grant	1,217	494	d
Revenue Support Grant	113,768	0	e
Education Services Grant	5,134	2,577	f
New Homes Bonus Grant	13,128	9,587	g
New Homes Bonus return of top slice	373	394	
Housing Benefit and Council Tax Support Administration Grant	4,430	4,161	
Private Finance Initiative Grant (General Fund)	6,580	6,589	
Other Grants	1,355	311	
Gain / (Loss) on concessionary interest loan	5,639	(519)	h
Improved Better Care Fund	0	16,183	i
Adult Social Care Support Grant	0	2,678	j
Capital Grants and contributions	46,886	69,963	k
Total taxation and non-specific grant income	**525,719**	**597,413**	

a Council Tax Income has increased due to an increase in the Council Tax Base.

b. As a result of its participation in the 100% business rates retention pilot the Council now retains 99% of business rates income rather than 49%. Business rate top ups have been adjusted as a result.

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

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

e. The Council no longer receives Revenue Support Grant as a result of its participation in the 100% business rates retention pilot. This is now funded from the additional business rates income retained.

f. Education Services Grant has reduced as a result of the general grant being phased out. This was only received for five months in 2017/18. The retained rate (to fund statutory duties) equates to £1.3m and will continue to be received.

g. New Homes Bonus grant has reduced due to the government's decision to move from paying for six years of legacy payments to five in 2017/18 (and then four from 2018/19). In addition they have introduced a stretch target of 0.4%, below which NHB is not received

h. The Council has received interest free loans of £25.2m from the Homes and Communities Agency repayable in 2022, £8.5m repayable in 2024 and £42.7m from HM Treasury repayable in 2028. This amount represents the saving to the Council over the remaining length of the loans of them being interest free.

i. The Improved Better Care Fund is allocated to local authorities to fund social care. It is made up of £3.266m that was announced in the 2016/17 local government finance settlement and a further £12.917m announced in March 2017 in the Chancellor of the Exchequer's Budget.

j. The Adult Social Care Support Grant was introduced in the provisional 2017/18 settlement. Its stated aim is to bring forward support for adults social care pressures.

k. The Capital Grants and Contributions include Basic Need Grant (to fund additional school places), Arts Council England funding for The Factory and contributions from developers.

Note 18. Revenue grants credited to the Comprehensive Income and Expenditure Statement

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

	2016/17 £000s	2017/18 £000s	
Dedicated Schools Grant	311,903	316,835	
Pupil Premium	27,050	25,759	
Housing and Council Tax Support	256,750	238,914	
Public Health Grant	54,596	0	a
Private Finance Initiative Grant (Housing Revenue Account)	23,598	23,600	
Learning and Skills Council Grants	7,706	8,007	
Asylum Seekers Grant	5,314	4,190	
Universal Free School Meals Grant	4,781	4,571	
Sixth Form Funding Grant	1,765	2,227	
Troubled Families Grant	2,429	3,274	
Independent Living Fund	2,185	2,113	
Youth Justice Board Grants	1,160	1,338	
Higher Education Funding Council Grant	1,290	1,241	
Homelessness Grant	0	1,135	
Home Office Grants	1,424	2,851	
PE and Sports Grant	1,021	414	
Other Grants	5,375	4,590	
Total revenue grants credited to the Comprehensive Income and Expenditure Statement	**708,347**	**641,059**	

a. The Council no longer receives Public Health grant as a result of its participation in the 100% business rates retention pilot.

Note 19. Members' Allowances

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

	2016/17 £000s	2017/18 £000s
Members' allowances	1,985	1,999
Members' expenses	2	2
Total	**1,987**	**2,001**

Note 20. Officers' Emoluments

Employee Remuneration

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

Non schools based staff

The number of non-schools based staff in each salary band over £50,000 is shown below, split between those staff who have not received severance payments and those who have.

	Restated 2016/17 Staff Who Have Not Received Severance Payments	2016/17 Staff Who Have Received Severance Payments	Restated 2016/17 Total	2017/18 Staff Who Have Not Received Severance Payments	2017/18 Staff Who Have Received Severance Payments	2017/18 Total
£50,000 - £54,999	40	0	40	49	0	49
£55,000 - £59,999	22	0	22	24	0	24
£60,000 - £64,999	32	0	32	18	0	18
£65,000 - £69,999	19	0	19	28	0	28
£70,000 - £74,999	13	0	13	13	0	13
£75,000 - £79,999	6	0	6	9	0	9
£80,000 - £84,999	8	0	8	12	0	12
£85,000 - £89,999	6	0	6	3	0	3
£90,000 - £94,999	6	0	6	4	0	4
£95,000 - £99,999	1	0	1	3	0	3
£100,000 - £104,999	2	0	2	3	0	3
£105,000 - £109,999	1	0	1	0	0	0
£110,000 - £114,999	0	0	0	0	1	1
£115,000 - £119,999	0	0	0	1	0	1
£125,000 - £129,999	1	0	1	1	0	1
£135,000 - £139,999	0	0	0	1	0	1
	157	**0**	**157**	**169**	**1**	**170**

The 2016/17 figures have been restated to include officers who were previously included in the senior officers note in 2016/17 but have been removed from that note as they are no longer members of the Senior Management Team (SMT) following a rationalisation of SMT.

Schools based staff

The number of schools based staff in each salary band over £50,000 is shown below, split between those staff who have not received severance or other related payments and those who have.

	Restated 2016/17 Staff Who Have Not Received Severance Payments	2016/17 Staff Who Have Received Severance Payments	Restated 2016/17 Total	2017/18 Staff Who Have Not Received Severance Payments	2017/18 Staff Who Have Received Severance Payments	2017/18 Total
£50,000 - £54,999	63	0	63	68	0	68
£55,000 - £59,999	33	0	33	27	0	27
£60,000 - £64,999	26	0	26	21	0	21
£65,000 - £69,999	23	0	23	20	0	20
£70,000 - £74,999	17	0	17	16	0	16
£75,000 - £79,999	11	0	11	7	0	7
£80,000 - £84,999	3	0	3	5	1	6
£85,000 - £89,999	5	0	5	2	0	2
£90,000 - £94,999	3	0	3	3	0	3
£95,000 - £99,999	1	0	1	3	0	3
£105,000 - £109,999	1	0	1	0	0	0
£110,000 - £114,000	0	0	0	1	0	1
£115,000 - £119,999	1	0	1	1	0	1
	187	**0**	**187**	**174**	**1**	**175**

Senior Employees' Remuneration

The following Council employees are classed as senior employees as they received a salary in excess of £150,000 (disclosed by name) or received a salary in excess of £50,000 and are part of the Council's Strategic Management Team or are in a designated post that is required to be disclosed (disclosed by job title). The Council's SMT was restructured during 2017/18. Where officers are no longer members of SMT their details have been removed from the 2016/17 comparators in this note and included in the officers' emoluments note.

	Salary, Fees or Allowances		Expenses Allowance		Employer's Contribution to Pension		Employer's Contribution to Early Retirement Costs		Severance Payments	
	Restated 2016/17 £	2017/18 £	Restated 2016/17 £	2017/18 £	Restated 2016/17 £	2017/18 £	2016/17 £	2017/18 £	2016/17 £	2017/18 £
Chief Executive of the Council and Head of Paid Service of the Greater Manchester Combined Authority, Sir Howard Bernstein (a)	205,974	0	0	0	0	0	0	0	0	0
Chief Executive of the Council, Joanne Roney (a)	0	194,645	0	0	0	40,569	0	0	0	0
City Treasurer of the Council and the Treasurer of the Greater Manchester Combined Authority, Richard Paver (b)	26,077	0	361	0	0	0	0	0	0	0
City Treasurer of the Council (b)	108,333	131,015	0	0	20,692	25,159	0	0	0	0
City Solicitor of the Council and Monitoring Officer of the Greater Manchester Combined Authority (c)	120,061	121,343	0	0	22,932	23,176	0	0	0	0
Interim City Solicitor of the Council (c)	0	19,552	0	0	0	3,761	0	0	0	0
Deputy Chief Executive (People, Policy and Reform)	131,302	132,615	0	0	25,079	25,329	0	0	0	0
Deputy Chief Executive (Growth and Neighbourhoods)	119,806	127,513	0	0	22,883	24,355	0	0	0	0
Strategic Director of Children and Commissioning Services	126,250	128,690	0	0	25,269	24,580	0	0	0	0
Strategic Director Commissioning	123,580	108,035	0	0	23,604	20,486	0	0	0	0
Director of Education and Skills (d)	116,152	11,984	0	0	22,185	2,289	0	0	0	0
Director of Education and Skills (d)	0	57,080	0	0	0	12,179	0	0	0	0
Strategic Director (Strategic Development)	121,200	122,412	882	882	23,149	23,381	0	0	0	0
Chief Information Officer, Bob Brown	156,886	175,399	0	0	29,965	33,616	0	0	0	0

(a) Sir Howard Bernstein left the Council on 31 March 2017. The replacement Chief Executive of the Council, Joanne Roney, was appointed on 1 April 2017.

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

(c) The previous postholder left the Council on 14 March 2018 and became full time Monitoring Officer of the Greater Manchester Combined Authority. The current postholder was appointed on an interim basis on 29 January 2018.

(d) The previous postholder left the Council on 8 May 2017 . The current postholder was appointed on 6 October 2017.

Note 21. Exit Packages

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

The total cost figures shown include severance, early retirement and any compensation for loss of office payments that have been agreed at the year end. There were no compulsory redundancies during the financial years 2016/17 and 2017/18.

	2016/17 Number of Staff Departures Agreed	2016/17 Total Cost of Exit Packages £000s	2017/18 Number of Staff Departures Agreed	2017/18 Total Cost of Exit Packages £000s
£0 - £19,999	30	255	175	1,095
£20,000 - £39,999	11	323	18	464
£40,000 - £59,999	1	45	6	268
£60,000 - £79,999	1	61	2	140
	43	**684**	**201**	**1,967**

The figures include both schools and non-schools staff.

Note 22. Audit Fees

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

	2016/17 £000s	2017/18 £000s
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	176	207
Fees payable to Grant Thornton for the certification of grant claims	12	14
Fees payable to Grant Thornton for services relating to other returns	7	7
Fees payable to Grant Thornton for Non-Audit Services	0	12
	195	**240**

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

The Non-Audit Services relate to CFO insights works which involves an online service allowing rapid analysis of key financial performance data.

Note 23. Property Plant and Equipment

Movements on property, plant and equipment during 2017/18 were as follows:

	Property, Plant and Equipment							
	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s
Movement in 2017/18								
Gross book value brought forward	508,251	1,127,353	91,292	535,139	29,982	32,486	127,490	2,451,993
Accumulated depreciation and impairment brought forward	(25,730)	(82,174)	(30,880)	(100,363)	(206)	0	(29,333)	(268,686)
Net book value carried forward as at 1 April 2017	**482,521**	**1,045,179**	**60,412**	**434,776**	**29,776**	**32,486**	**98,157**	**2,183,307**
Additions	19,675	48,846	7,979	26,900	522	41,960	9,179	155,061
Revaluations recognised in revaluation reserve	71,797	110,692	151	0	0	0	5,881	188,521
Downward Revaluations recognised in surplus on the provision of services	(353)	(7,832)	0	0	0	0	(8,341)	(16,526)
Derecognition - disposals	0	(21,006)	(10)	0	0	0	(954)	(21,970)
Transferred (to) / from held for sale assets	(7,838)	850	0	0	0	0	(5,452)	(12,440)
Other transfers	(416)	(2,299)	413	(788)	129	1,777	843	(341)
Other movements in cost or valuation - newly recognised leased / PFI assets / donated assets	25,572	0	1,089	0	0	0	0	26,661
Depreciation	(15,880)	(25,204)	(7,934)	(17,977)	(1)	0	(337)	(67,333)
Impairments charged to the comprehensive income and expenditure statement	(1,325)	(466)	(113)	0	0	0	(34)	(1,938)
Impairments covered by the revaluation reserve	(10,455)	(425)	0	0	0	0	(100)	(10,980)
Net book value carried forward as at 31 March 2018	**563,298**	**1,148,335**	**61,987**	**442,911**	**30,426**	**76,223**	**98,842**	**2,422,022**

Gross book value carried forward	590,722	1,204,728	100,068	561,251	31,279	76,223	108,789	2,673,060
Accumulated depreciation and Impairment carried forward as at 31 March 2018	(27,424)	(56,393)	(38,081)	(118,340)	(853)	0	(9,947)	(251,038)
Net book value carried forward as at 31 March 2018	**563,298**	**1,148,335**	**61,987**	**442,911**	**30,426**	**76,223**	**98,842**	**2,422,022**

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

	Property, Plant and Equipment							
	Council Dwellings	Restated Other Land and Buildings	Vehicles, Plant, and Equipment	Restated Infrastructure Assets	Restated Community Assets	Assets Under Construction	Surplus Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Movement in 2016/17								
Gross book value brought forward	449,078	1,150,263	83,176	483,727	28,405	18,277	171,843	2,384,769
Accumulated depreciation and impairment brought forward	(31,023)	(75,468)	(26,730)	(90,227)	(71)	0	(74,713)	(298,232)
Reclassification adjustments	0	(29,370)	0	28,617	753	0	0	0
Net book value carried forward as at 1 April 2016	**418,055**	**1,045,425**	**56,446**	**422,117**	**29,087**	**18,277**	**97,130**	**2,086,537**
Additions	18,118	14,850	9,112	21,514	712	17,863	4,332	86,501
Revaluations recognised in revaluation reserve	68,260	44,825	0	0	0	0	9,844	122,929
Downward Revaluations recognised in surplus on the provision of services	(1,604)	(3,281)	0	0	0	0	(1,568)	(6,453)
Derecognition - disposals	0	(45,279)	0	0	0	0	(572)	(45,851)
Transferred (to) held for sale assets	(5,565)	71	0	0	(1)	0	(11,096)	(16,591)
Other transfers	(173)	1,829	1,353	(745)	12	(3,654)	1,225	(153)
Other movements in cost or valuation - newly recognised leased / PFI assets	11,475	14,310	1,033	0	0	0	0	26,818
Depreciation	(14,199)	(21,961)	(7,496)	(8,110)	(34)	0	(218)	(52,018)
Impairments charged to the comprehensive income and expenditure statement	(188)	(3,107)	(36)	0	0	0	(888)	(4,219)
Impairments covered by the revaluation reserve	(11,658)	(2,503)	0	0	0	0	(32)	(14,193)
Net book value carried forward as at 31 March 2017	**482,521**	**1,045,179**	**60,412**	**434,776**	**29,776**	**32,486**	**98,157**	**2,183,307**
Gross book value carried forward	508,251	1,127,353	91,292	535,139	29,982	32,486	127,490	2,451,993
Accumulated depreciation and impairment carried forward as at 31 March 2017	(25,730)	(82,174)	(30,880)	(100,363)	(206)	0	(29,333)	(268,686)
Net book value carried forward as at 31 March 2017	**482,521**	**1,045,179**	**60,412**	**434,776**	**29,776**	**32,486**	**98,157**	**2,183,307**

The 2016/17 figures have been restated as a result of reclassification of public realm from other land and buildings to infrastructure assets and Clayton Vale Mountain Bike Trail from other land and buildings to community assets.

Note 24. Disposal of Assets

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

	2016/17 £000s	2017/18 £000s
Disposals of Assets		
Held for Sale - Council dwellings (right to buy)	5,565	7,838
Held for Sale - General Fund	12,294	19,645
Academy Disposals	45,278	19,457
Other General Fund Disposals	572	16,560
	63,709	**63,500**

The schools that transferred to academies in 2017/18 were; Brookburn Primary. Barlow Hall Primary and Rolls Crescent Primary

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

	2016/17 £000s	2017/18 £000s
Held for Sale - Council dwellings (right to buy)	(2,011)	(2,616)
HRA Other	(1,567)	(4,645)
Held for Sale General Fund	464	13,650
Academy Disposals	45,278	19,457
Other General Fund Disposals & other Capital Receipts	(3,106)	(20,113)
	39,058	**5,733**

Note 25. Accounting for Local Government Schools

The Council has the following maintained schools:

	Community	Voluntary Controlled	Voluntary Aided	Foundation
Number of schools, excluding PFI schools	58	13	44	2
Value of Land and Buildings at 31 March 2018	£312,260,000	N/A	N/A	£10,964,000
Value of Land and Buildings at 31 March 2017	£302,997,000	N/A	N/A	10,544,000
Number of schools subject to PFI contracts	1	0	0	1
Value of Land and Buildings at 31 March 2018	£6,426,000	N/A	N/A	£42,196,000
Value of Land and Buildings at 31 March 2017	£5,560,000	N/A	N/A	£37,517,000

Non Current assets

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

Capital expenditure on community and foundation schools vested with the governing body schools is added to the balances for those schools as reported in property, plant and equipment (note 23). Capital expenditure on voluntary aided, voluntary controlled and foundation schools vested with an external trust is treated as REFCUS (Revenue Expenditure Funded from Capital under Statute) expenditure and written off each year to the Comprehensive Income and Expenditure Statement within the Children's Services line.

Revenue Funding

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

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

Individual schools' balances, for all categories of schools apart from academies, are included in the balance sheet of the Council within usable reserves (note 43).

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

	Community	Voluntary Controlled	Voluntary Aided	Foundation	Total
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Opening schools reserves	15,561	2,903	6,688	819	25,971
Funding, including DSG	154,186	27,151	91,803	16,824	289,964
Net expenditure incurred by schools	(153,133)	(26,934)	(91,698)	(16,680)	(288,445)
Closing schools reserves	16,614	3,120	6,793	963	27,490

PFI Schemes

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

Note 26. Heritage Assets

Movements on heritage assets during 2017/18 were as follows:

	Heritage Assets					
	Fine Art Works	Civic Plate	Monuments Statues and Fountains	Town Hall Sculptures	Other	Total
Cost or valuation	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at 1 April 2017	529,061	2,959	619	3,462	3,367	539,468
Revaluations	(214)	0	0	0	0	(214)
Balance at 31 March 2018	**528,847**	**2,959**	**619**	**3,462**	**3,367**	**539,254**

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

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

a) Heritage Assets Nature and Scale of Assets Held

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

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

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

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

Further details can be found in the following documents:

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

b) Heritage Asset Management and Preservation

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

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

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

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

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

Further details can be found in the following documents:

- Manchester City Galleries Constitution
- Manchester Art Gallery Strategic Plan 2016-2020
- Manchester City Galleries Procedures Manual 2016
- Manchester City Galleries Collections Development Policy 2016-19 (Amended July 2017)
- Manchester City Galleries Loans Policy 2016-2019
- Manchester City Galleries Conservation and Collection Care Policy 2016 -2019
- Manchester City Galleries Handling Guidelines 2016
- Manchester City Galleries Collection Information Policy 2016-2019

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

c) Heritage Assets Accounting Policies

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

Over the course of the year the valuations of works which are due to go out on loan are checked and amended if necessary. Valuations are also updated on an incidental basis if a curator becomes aware that a particular work may have increased or decreased in value based on comparative works sold at auction. Changes in value during 2017/18 resulted in a reduction in value of £214,000 (2016/17 increase of £18.226m).

Civic Plate / Lord Mayors Regalia / Model of HMS Manchester
These items are included in the balance sheet at insurance valuation.

Town Hall Sculptures

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

Town Hall and Central Library Furniture

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

The majority of the heritage furniture, paintings and social history material (including civic gifts) from the Town Hall will be moved to an offsite storage location during 2018. A selection of furniture and the Lord Mayor's regalia has been retained for use in the Lord Mayor's rooms in Central Library. The Town Hall silver collection will remain in the secure silver store until December 2018 when it will be removed to an offsite secure storage facility. The Town Hall sculpture collection has been relocated to various venues within the Council's Estate, or on loan to other venues in the city.

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

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

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

d) Heritage Assets not Reported in the Balance Sheet

Listed Buildings

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

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

There has been expenditure of £88,000 on Victoria Baths in 2016/17.

Statues / Fountains

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

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

Note 27. Valuation of Property, Plant and Equipment

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

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

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

- council dwellings were valued at open market value less a specified, notified percentage known as the social housing discount

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

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

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

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

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

Asset Valuation Groups	Range	
	From (years)	To (years)
Council Dwellings - Main Structure	15	67
Adult Education Facilities	10	39
Car Parks	17	22
Children's Home / Family Centres	7	45
Day Centres / Luncheon Clubs	7	45
Galleries	36	65
Depots	11	52
Housing Offices	8	28
Leisure Centres / Sports Facilities	5	72
Libraries	3	62
Markets	13	18
Offices	12	56
Park Buildings	1	56
Schools	1	58
Youth Clubs / Children's Centres / Nurseries	5	52
BMX / Skate / Bike Facilities	21	54
Cemeteries and Crematoria	8	33
Vehicles, Plant, Furniture and Equipment	1	22
Infrastructure Assets	24	49
Surplus Assets	1	49

Council dwellings are valued annually. All other assets, with the exception of those valued at historic cost net of depreciation, are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at year end, but as a minimum every five years. Valuations have been undertaken during the year by internal Council valuers and Roger Hannah and Co and Jacobs, external valuers commissioned by the Council with a valuation date of 1 April 2017. Jacobs have provided indexation factors for the percentage increase in value from the date of the last valuation to 31 March 2018 for each category of asset. These have been applied to the asset values, where material, to provide a more accurate balance sheet value.

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

A large proportion of the Council's PPE asset value is comprised of properties valued using the Depreciated Replacement Cost (DRC) method of valuation. Throughout 2017/18 building costs have risen markedly and this is reflected in the valuations.

Inspections of property, plant and equipment (PPE) were carried out in 2017/18 as part of the Council's revaluation process. As a result of these inspections the Council recognised revaluations of PPE in the revaluation reserve of £188,521,000 reflecting the revaluation movement since the last revaluation of these assets.

The Council also performed impairment reviews where there were impairment indicators, such as a change in use or capital expenditure in excess of £500,000 during the year. Downward valuations were charged against the revaluation reserve to the extent there was a credit balance in the reserve for the individual asset. Amounts in excess of the credit balance in the reserve were charged to the Comprehensive Income and Expenditure Statement. This has resulted in £16,526,000 in relation to PPE being charged to the Comprehensive Income and Expenditure Statement.

The following table lists the date of revaluation for each type of property, plant and equipment:

	Council dwellings £000	Other land and buildings £000	Vehicles, plant & equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total £000
Historical cost	0	0	57,300	442,911	30,426	0	76,223	606,860
Valuation year								
17/18	537,894	752,987	4,687	0	0	46,391	0	1,341,959
16/17	11,475	156,805	0	0	0	13,486	0	181,766
15/16	11,094	108,125	0	0	0	33,052	0	152,271
14/15	2,835	124,458	0	0	0	3,875	0	131,168
13/14	0	5,960	0	0	0	2,038	0	7,998
Total	563,298	1,148,335	61,987	442,911	30,426	98,842	76,223	2,422,022

Surplus Assets

Fair Value Hierarchy

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

		31 March 2017 £000	31 March 2018 £000
Other significant inputs	Level 2	33,479	27,002
Significant unobservable inputs	Level 3	64,678	71,840
		98,157	98,842

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

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

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

There have been transfers of £4m between levels of fair value hierarchy during 2017/18. These include land at Collyhurst and Ashton New Road.

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

	2016/17 £000	2017/18 £000
Balance at 1 April	63,102	64,678
Transfers to / (from) surplus assets	(7,022)	1,677
Transfers between levels	0	4,008
Total (losses) included in deficit / surplus on provision of services resulting from changes in the fair value	(1,994)	(3,262)
Total gains included in other comprehensive income and expenditure	9,844	5,881
	63,930	72,982
Additions	964	150
Disposals	0	(954)
Depreciation	(216)	(338)
Balance at 31 March	64,678	71,840

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

Note 28. Assets Held For Sale

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

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

	Assets Held For Sale £000s
Net book value brought forward	**6,152**
Movement in 2016/17	
Reclassifications	18,855
Additions	6,840
Disposals	(17,858)
Revaluations	7,387
Net book value carried forward as at 31 March 2017	**21,376**
Movement in 2017/18	
Reclassifications	12,439
Additions	5,571
Disposals	(27,482)
Revaluations	110
Impairments	(1,600)
Net book value carried forward as at 31 March 2018	**10,414**

Note 29. Assets Recognised Under PFI and Similar Arrangements

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

	Energy Services £000s	Temple Primary School £000s	Plymouth Grove Housing £000s	Miles Platting Housing £000s	Brunswick Housing £000s	Public Lighting £000s	Wright Robinson Sports College £000s	Refuse Vehicles Service Concession £000s	Total £000s
Net book value brought forward	**102**	**5,256**	**20,649**	**40,435**	**41,702**	**46,885**	**35,889**	**2,897**	**193,815**
Movement in 2016/17									
Expenditure	0	67	0	0	2,333	220	0	0	2,620
Newly recognised assets	0	0	0	0	11,475	0	0	1,033	12,508
Reclassifications	0	0	(632)	(680)	(424)	0	0	0	(1,736)
Depreciation	(8)	(101)	(695)	(1,498)	(862)	(938)	(589)	(341)	(5,032)
Revaluations	0	338	4,420	9,120	1,628	0	2,217	0	17,723
Impairments	0	0	0	0	(1,928)	0	0	0	(1,928)
Net book value carried forward as at 31 March 2017	**94**	**5,560**	**23,742**	**47,377**	**53,924**	**46,167**	**37,517**	**3,589**	**217,970**
Movement in 2017/18									
Expenditure	0	0	0	0	341	7,774	0	0	8,115
Newly recognised assets	0	0	0	0	25,572	0	0	1,089	26,661
Reclassifications	0	0	(1,236)	(467)	(306)	(192)	0	0	(2,201)
Depreciation	(8)	(121)	(742)	(1,749)	(1,119)	(2,150)	(696)	(439)	(7,024)
Revaluations	0	990	3,828	11,064	9,074	0	5,375	0	30,331
Impairments	0	(2)	0	0	(4,218)	0	0	0	(4,220)
Net book value carried forward as at 31 March 2018	**86**	**6,427**	**25,592**	**56,225**	**83,268**	**51,599**	**42,196**	**4,239**	**269,632**

	Energy Services £000s	Temple Primary School £000s	Plymouth Grove Housing £000s	Miles Platting Housing £000s	Brunswick Housing £000s	Public Lighting £000s	Wright Robinson Sports College £000s	Refuse Vehicles Service Concession £000s	Total £000s
Deferred liability brought forward	**1,027**	**2,793**	**16,911**	**56,138**	**7,980**	**32,272**	**24,006**	**2,897**	**144,024**
Movement in 2016/17									
Additional liability	0	0	0	0	11,475	0	0	1,033	12,508
Write down of liability	(235)	(144)	(496)	(3,841)	(7,756)	(1,634)	(895)	(341)	(15,342)
Deferred liability carried forward as at 31 March 2017	**792**	**2,649**	**16,415**	**52,297**	**11,699**	**30,638**	**23,111**	**3,589**	**141,190**
Movement in 2017/18									
Additional liability	0	0	0	0	25,572	0	0	1,089	26,661
Write down of liability	(262)	(166)	(536)	(1,725)	(5,661)	(1,745)	(952)	(438)	(11,485)
Deferred liability carried forward as at 31 March 2018	**530**	**2,483**	**15,879**	**50,572**	**31,609**	**28,893**	**22,159**	**4,240**	**156,365**

Note 30. Assets Held as Lessee

Operating Leases

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

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

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

	Restated 31 March 2017 £000s	**31 March 2018 £000s**
Not later than one year	3,190	2,820
Later than one year and not later than five years	7,211	6,729
Later than five years	16,170	14,905
	26,571	**24,454**

Lease payments made:

	Restated 2016/17 £000s	**2017/18 £000s**
Minimum lease payments	3,256	3,288
	3,256	**3,288**

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

	Restated 2016/17 £000s	**2017/18 £000s**
Corporate Core	15	90
Growth and Neighbourhoods	52	9
Strategic Development	3,189	3,189
Total minimum lease payments	**3,256**	**3,288**

Finance Leases

The Council has acquired a number of items of equipment under finance lease agreements.

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

	Restated 31 March 2017 £000s	**31 March 2018 £000s**
Vehicles, plant and equipment	72	14
	72	**14**

The Council is committed to making minimum lease payments, under these leases, comprising settlement of the long-term liability for the interest in the assets acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	Restated 31 March 2017 £000s	**31 March 2018 £000s**
Finance lease liability		
current	58	14
non-current	14	0
Finance costs payable in future years	17	3
	89	**17**

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

	Restated 31 March 2017 £000s	**31 March 2018 £000s**
Not later than one year	72	17
Later than one year and not later than five years	17	0
Total minimum lease payments	**89**	**17**

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

	Restated 31 March 2017 £000s	**31 March 2018 £000s**
Not later than one year	58	14
Later than one year and not later than five years	14	0
Total finance lease liability	**72**	**14**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. No contingent rents were payable by the Council in 2016/17 or 2017/18.

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

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

	Land and building £000s	Vehicles, plant and equipment £000s	Total £000s
Net book value brought forward	**0**	**72**	**72**
Movement in 2017/18			
Transfers of Assets upon Expiry of Lease - Gross Asset Cost	0	(422)	(422)
Transfers of Assets upon Expiry of Lease - Accumulated Depreciation	0	422	422
Disposals - Gross Asset	0	(102)	(102)
Disposals - Accumulated Depreciation	0	92	92
Depreciation	0	(48)	(48)
Net book value carried forward as at 31 March 2018	**0**	**14**	**14**
Gross Book Value as at 31 March 2018	0	482	482
Accumulated Depreciation as at 31 March 2018	0	(468)	(468)
Net book value carried forward as at 31 March 2018	**0**	**14**	**14**

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

Note 31. Assets Held as Lessor

Operating Leases

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

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

	Restated 31 March 2017 £000s	31 March 2018 £000s
Not later than one year	21,278	20,541
Later than one year and not later than five years	75,668	70,562
Later than five years	1,055,581	969,842
Total minimum lease payments	**1,152,527**	**1,060,945**

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

Note 32. Investment Properties

The value of income generating investment properties classed as operating leases is £412,982,000 (£390,307,000 in 2016/17). The balance of investment properties are held for capital appreciation purposes.

These assets are classed as investment properties because they are held to solely earn rentals during the year and are not used by the Council in delivering its services. As these assets are classed as investment properties no depreciation charge has been made in 2016/17 or 2017/18.

	2016/17 £000s	2017/18 £000s
Rental income from investment property	(20,397)	(20,761)
Direct operating expenses arising from investment property	2,457	2,663
Net gain	**(17,940)**	**(18,098)**

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

	Investment Properties £000s
Net book value brought forward as at 1 April 2016	**387,118**
Movement in 2016/17	
Expenditure	2,941
Reclassifications	(2,112)
Revaluations	31,757
Impairments (including downward revaluations)	(25,492)
Net book value carried forward as at 31 March 2017	**394,212**
Movement in 2017/18	
Expenditure	5,535
Disposals	(14,047)
Reclassifications	342
Revaluations	33,443
Impairments (including downward revaluations)	(4,500)
Net book value carried forward as at 31 March 2018	**414,985**

Fair Value Hierarchy

All properties within the Council's investment portfolio have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (accounting policy 6.2.33 provides an explanation of the fair value levels).

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

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

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

Highest and Best Use

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

Valuers

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

Note 33. Capital Expenditure and Capital Financing

	2016/17 £000s	2017/18 £000s
Opening Capital Financing Requirement	**1,102,655**	**1,168,872**
Expenditure		
Property, plant and equipment	86,502	155,061
Heritage assets	88	0
Investment properties	2,941	5,535
Assets held for sale	6,840	5,571
Revenue expenditure funded from capital under statute*	60,913	63,039
Intangible assets	0	66
Long term debtors	54,901	57,990
Investment in share capital (Mayfield Developments)	0	4,000
	212,185	291,262
Assets acquired under finance lease / PFI arrangements	12,508	26,661
Funding Resources		
Revenue contributions	6,995	10,111
Capital Receipts	52,303	79,147
Major Repairs Reserve	19,214	17,497
Government grants	46,716	118,122
External contributions	14,371	5,526
Minimum Revenue Provision	18,877	19,272
	158,476	249,675
Closing Capital Financing Requirement	**1,168,872**	**1,237,120**
HRA	243,673	269,245
Non HRA	925,199	967,875
Closing Capital Financing Requirement	**1,168,872**	**1,237,120**
Explanation of Movement in Year		
Minimum Revenue Provision	(18,877)	(19,272)
Increase in underlying need to borrow	72,586	60,859
Assets acquired under finance lease / PFI arrangements	12,508	26,661
	66,217	68,248

* Legislation allows some expenditure to be classed as capital expenditure even though it does not result in the recognition of a non-current asset on the Council's balance sheet (i.e. grants and expenditure on property not owned by the Council). This enables the expenditure to be funded by capital resources, rather than charging the General Fund and impacting upon the year's council tax.

Note 34. Contracted Capital Commitments

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

	31 March 2017 £000s	31 March 2018 £000s
Housing	7,006	7,970
Education	18,985	6,820
The Factory	6,922	5,767
The Space Project	10,166	0
Our Town Hall	0	15,829
Street Lighting	0	19,458
Other services	479	0
	43,558	**55,844**

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

Note 35. Investments

The Council has the following long-term investments:

	31 March 2017 £000s	31 March 2018 £000s
Investments in organisations included in the group statements		
Manchester Airports Holdings Ltd Share Capital	112,354	112,354
Destination Manchester Ltd Share Capital	10,200	10,200
Other long-term investments		
Investments in subsidiaries not included in the group statements		
Manchester Mortgage Corporation Plc Share Capital	149	155
Investments in associates and joint ventures not included in the group statements		
National Car Parks (Manchester) Ltd Share Capital	934	1,693
Eastlands Development Company Limited	1,300	1,300
Matrix Homes Ltd	3,807	4,747
Mayfield Developments	0	4,000
	128,744	**134,449**
Other long-term investments	3,269	7,973
Total other long-term investments	**3,269**	**7,973**
Total Long-Term Investments	**132,013**	**142,422**

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

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

Other long-term investments are shown at their market value or cost. Holding investments at cost does not make a material difference to the accounts.

At 31 March 2018 the Council had short term investments of £8.945m with the Bank of Scotland (£3.962m) and HSBC (£4.983m) (31 March 2017 £5m with Liverpool City Council.). These are classed as short term investments as they have been invested for a period greater than three months but less than twelve months.

The table below shows summarised financial information for the Council's joint venture for 2016/17 and 2017/18. These figures show the Council's share of the joint venture's results:

Council's share of Manchester Airports Holdings Ltd	2016/17 £000s	2017/18 £000s
Total current assets as at 31 March	41,180	60,031
Total long term assets as at 31 March	1,139,089	1,176,683
Total current liabilities as at 31 March	133,374	99,187
Total long term liabilities at 31 March	499,485	593,738
Total income	297,632	327,630
Total expenditure	255,316	284,320

Note 36. Debtors and Payments in Advance

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

The Council also makes provision for outstanding monies which it is anticipated will not be recovered. These amounts are then deducted from the total value of debtors shown in the accounts. An analysis of this impairment of debt is shown below:

	31 March 2017 £000s	31 March 2018 £000s	
Short term debtors and payments in advance			
Debtors classed as Financial Instruments			
Government departments	11,907	21,437	a
Other local authorities	24,510	12,518	b
NHS bodies	1,912	3,611	
Public corporations	0	309	
Housing rents	7,868	7,949	
All other bodies (external to government) - trade organisations and individuals	137,230	121,172	c
	183,427	166,996	
Impairment of Debt			
Housing rents	(5,396)	(5,967)	
Other	(48,250)	(53,671)	
	129,781	107,358	
Debtors not classed as Financial Instruments			
HM Revenue and Customs	6,337	8,441	
Government departments payments in advance	4	0	
Financial institutions payments in advance	427	0	
Council tax	54,946	57,486	
Business rates	13,825	41,348	d
All other bodies (external to government) payments in advance	10,016	10,628	
Impairment of Debt			
Council tax	(38,102)	(41,432)	
Business rates	(7,576)	(22,433)	d
Total	**169,658**	**161,396**	

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

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

c. The decrease in debtors for other bodies external to government relate to loans to external organisations under the Housing Investment Fund partly offset by increased debtors relating to payments towards care costs and for parking and bus lane enforcement

d. As a result of the Council's participation in the business rates retention pilot the 2017/18 business rate debtors and impairment of business rate debtors figures include the Council's proportion of 99% of the total whereas the 2016/17 figures include 49%.

Within debtors and payments in advance the amount outstanding for over 30 days that is not impaired is £62.4m. This includes business rates debtors £17.7m, council tax debtors £14.7m and housing benefit overpayment debtors of £3.8m.

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

	31 March 2017 £000s	31 March 2018 £000s	
Amounts falling due after one year			
Debtors classed as Financial Instruments			
Mortgages			
Housing Revenue Account	3	0	(a)
General Fund	18	0	(a)
Manchester Airports Holdings Ltd	83,168	83,168	(b)
Destination Manchester Ltd / Manchester Central Ltd	17,907	17,157	(c)
Ex GMC debt	95	71	(d)
Private Sector Housing Loans	11,389	11,672	(e)
Equity Mortgages	3,019	2,789	(f)
Eon Reality	1,100	0	(g)
Greater Manchester Loans Fund	5,369	6,062	(h)
Matrix Homes	7,236	7,777	(i)
Biffa Municipal	3,212	3,343	(j)
Peel Media Development	0	5,163	(k)
FQ Developments	0	34,461	(l)
Other	2,369	2,336	(m)
	134,885	173,999	
Debtors not classed as Financial Instruments			
PFI prepayments	21,880	23,273	(n)
Total	**156,765**	**197,272**	

a - These debtors relate to mortgages granted to individuals. All mortgage debtors are due within one year and have therefore been classified as short term debtors.

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

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

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

e - These debtors relate to loans to individuals given to carry out works to their properties or to provide relocation assistance following compulsory purchase orders. These loans are accounted for as embedded derivatives (see note 44e) or soft loans. The amount relating to embedded derivatives is an estimate of the amount to be repaid based on the amount of loans outstanding adjusted by the Land Registry House Pricing Index. The amount relating to soft loans is based on the amount to be repaid reduced by the amount of foregone interest as these loans are offered at below market rates of interest.

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

g - This debtor related to loans made to the company and has been reclassified as a short term debtor as it is due within one year.

h - This debtor relates to loans made to the fund and includes accrued long term interest.

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

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

k - This debtor relates to a loan made from the Housing Investment Fund administered by the Council on behalf of the Greater Manchester Combined Authority.

l - This debtor relates to a loan made from the Housing Investment Fund administered by the Council on behalf of the Greater Manchester Combined Authority.

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

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

Note 37. Current Intangible Assets

Current intangible assets of £481,000 (£515,000 at 31 March 2017) relate to Carbon Reduction Commitment (CRC) allowances purchased against future emissions. These will be surrendered to the CRC Registry in 2018/19.

Note 38. Creditors and Receipts in Advance

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

	31 March 2017 £000s	31 March 2018 £000s	
Short Term Creditors and Receipts in Advance			
Creditors classed as Financial Instruments			
Government departments	76,017	15,899	a
Other local authorities	10,884	20,071	b
NHS bodies	662	2,908	
Public corporations	70	127	
Financial institutions	27	22	
Housing rents	1,728	2,044	
Other bodies (external to government) - trade organisations and individuals	65,313	91,780	
	154,701	132,851	
Creditors not classed as Financial Instruments			
Government departments receipts in advance	8,207	5,147	
Other local authorities receipts in advance	350	201	
NHS bodies receipts in advance	68	278	
Other public bodies receipts in advance	0	94	
Other bodies (external to government) receipts in advance	2,645	4,736	
HM Revenue and Customs	9,080	6,331	
Council tax	6,513	7,326	
Business rates	7,592	22,000	c
Total	**189,156**	**178,964**	

a. The decrease in government department creditors relates to central government's net share of balance sheet items relating to business rates. As this is classed as an agency arrangement a net creditor position is shown. This is as result of the 100% business rates retention pilot where central government no longer received a share of business rates in 2017/18 with the Council foregoing revenue support grant and public health grant.

b. The increase in local authority creditors relates to the Greater Manchester Combined Authority's share of the gain from the introduction of the 100% business rates retention pilot.

c. As a result of the Council's participation in the business rates retention pilot the 2017/18 business rate creditor figure include the Council's proportion of 99% of the total whereas the 2016/17 figures include 49%.

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

	31 March 2017 £000s	31 March 2018 £000s
Amounts falling due after one year		
Creditors classed as Financial Instruments		
Equity mortgages - share of proceeds	1,026	948
Homes and Communities Agency re Matrix Homes	108	148
	1,134	1,096
Creditors not classed as Financial Instruments		
Rental deposits	1,006	0
Total	**2,140**	**1,096**

Capital Grants Receipts in Advance

	31 March 2017 £000s	31 March 2018 £000s
Carrington Reinstatement Deposit	801	801
Contributions from Private Developers	7,412	7,084
Basic Need Grant	21,526	33,696
Total	29,739	41,581

Note 39. Analysis of Long-term Borrowing

a. To Balance Sheet Date

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

	31 March 2017 £000s	Range of Interest Rates Payable from %	to %	Average Interest %	31 March 2018 £000s
Analysis of loans by type					
Market Loans	459,050	4.1400	8.9000	4.5013	410,909
Government Debt	58,379	0.0000	0.0000	0.0000	70,763
Stocks	7,360	4.0000	4.0000	4.0000	859
Total Outstanding	524,789				482,531
Analysis of loans by maturity					
1-2 years	45,877				2,472
2-5 years	18,884				29,828
5-10 years	11,157				49,159
after 10 years	448,871				401,072
	524,789				482,531

The Council's stock was issued between 1874 and 1891. It was a mixture of redeemable and irredeemable stock. The redeemable stock was redeemed in March 2018.

b - To Maturity

The table below includes the outstanding long-term borrowing at the balance sheet date (as per the table above) plus interest due to the date of maturity of the outstanding loans. This provides details of future commitments if the loans are held to the date of maturity.

	31 March 2017 £000s	Range of Interest Rates Payable from %	to %	Average Interest %	31 March 2018 £000s
Analysis of loans by type					
Market Loans	1,224,351	4.1400	8.9000	4.5013	1,154,092
Government Debt	58,379	0.0000	0.0000	0.0000	70,763
Stocks	15,165	4.0000	4.0000	4.0000	1,953
Total Outstanding	1,297,895				1,226,808
Analysis of loans by maturity					
1-2 years	67,190				17,867
2-5 years	73,110				85,456
5-10 years	98,828				135,383
after 10 years	1,058,767				988,102
	1,297,895				1,226,808

Note 40. Deferred Liabilities

The note below shows the amounts owed by the Council, split between short term (amounts owed in less than 12 months) and long term (amounts owed in more than 12 months) on the balance sheet.

	31 March 2017 £000s	Repaid in year £000s	Additions in year £000s	31 March 2018 £000s	Short Term 31 March 2018 £000s	Long Term 31 March 2018 £000s
Ex GMC debt	11,951	(2,175)	0	9,776	2,278	7,498
Finance leases	476	(462)	0	14	14	0
Private Finance Initiatives	137,601	(11,048)	25,572	152,125	12,760	139,365
Service Concession	3,589	(439)	1,089	4,239	486	3,754
	153,617	**(14,124)**	**26,661**	**166,154**	**15,538**	**150,617**

Note 41. Provisions

Provisions are established to meet liabilities or losses which are likely or certain to be incurred, but the amounts or timings are uncertain. These have been split between short term (amounts owed in less than 12 months) and long term (amounts owed in more than 12 months) on the balance sheet.

The Council has established the following provisions:

	31 March 2017 £000s	Transfers in year £000s	Amounts used in year £000s	Contributions in year £000s	Amounts released in year £000s	31 March 2018 £000s	Short Term 31 March 2018 £000s	Long Term 31 March 2018 £000s	
Compensation provisions	10,889	3,622	(2,179)	2,921	(1,211)	14,042	7,363	6,679	a
Insurance provision (including HRA)	5,555	(3,622)	(1,607)	4,549	0	4,875	2,979	1,896	b
Provision for business rate appeals	46,137	0	(26,602)	65,579	(4,549)	80,565	26,603	53,962	c
Various other provisions	2,048	0	(815)	452	(8)	1,677	1,375	302	
	64,629	**0**	**(31,203)**	**73,501**	**(5,768)**	**101,159**	**38,320**	**62,839**	

a - The compensation provisions have been set up to compensate claimants for claims received by the Council as at 31 March 2018. These claims will be paid as the amount of compensation is agreed for each case. The amounts of the provisions have been calculated based on an estimate of the likely settlement of the claims. There is no expected reimbursement to fund these claims.

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

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

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

The rate of Levy may be adjusted by the Scheme Administrator if, following a review of the financial position of MMI, he determines that the rate requires to be increased or decreased. Any such adjustment would be applied to the carried forward gross payments at that time.

Based on the most recent insurance data, £3.465m claims had already been paid with outstanding claims of £1.680m for which a provision of £1.286m has been made at 31 March 2018.

c - Following the partial localisation of business rates from 1 April 2013 the Council is required to make a provision for its share of the estimated settlement value of appeals against business rates. For the 2005 and 2010 lists this provision has been estimated using information received from the Valuation Office Agency (VOA) on appeals settled and outstanding. For the 2017 rating list the assumption has been made that the reduction in income due to appeals will be a similar percentage to the prior lists. The Council can not be certain as to when these appeals will be settled as it is dependant on the timing of their settlement by the VOA. This provision has been determined on the assumption that current outstanding appeals will be settled in line with previous experience. The Council's share of the provision is 99% in 2017/18 and 49% in 2016/17 as a result of the Council participating in the 100% rates retention pilot (the remaining 1% is attributable to the GMCA fire and rescue element). Settled appeals will be charged to the provision once determined by the VOA.

Note 42. Financial Instruments

The Council's treasury management policy complies with the CIPFA Code of Practice on Treasury Management (Revised November 2009). This was adopted by the Council on 7 March 2012. In accordance with best practice, the City Treasurer has undertaken a review of the policy and is satisfied that the policy is relevant and complete.

The Council's treasury management activities are managed through a Central Loans and Investment Account. Operating a Central Loans and Investment Account enables the Council to borrow on advantageous terms, minimise administration costs and dampen the effects of large interest rate changes. In 2017/18 the average net rate of interest paid and received was 4.95% (4.99% in 2016/17).

A financial instrument is any contract that results in a financial asset in one entity and a financial liability or equity shareholder in another.

Financial Instruments Balances

	Long-Term		Current		Total	
	31 March 2017 £000s	31 March 2018 £000s	31 March 2017 £000s	31 March 2018 £000s	31 March 2017 £000s	31 March 2018 £000s
Financial Liabilities at Amortised Cost:						
Borrowings	524,789	482,531	15,172	51,948	539,961	534,479
Deferred Liabilities	139,975	150,617	13,642	15,538	153,617	166,155
Creditors	1,134	1,096	154,701	132,851	155,835	133,947
Total Financial Liabilities	**665,898**	**634,244**	**183,515**	**200,337**	**849,413**	**834,581**
Loans and receivables	134,885	173,999	231,101	244,097	365,986	418,096
Available for sale assets	8,083	18,408	0	0	8,083	18,408
Unquoted equity investment at cost less impairment	1,376	1,306	0	0	1,376	1,306
Total Financial Assets	**144,344**	**193,713**	**231,101**	**244,097**	**375,445**	**437,810**

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

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

Fair Value of Assets and Liabilities Carried at Amortised Cost

	Carrying Amount		Fair Value	
Liabilities	31 March 2017 £000s	31 March 2018 £000s	31 March 2017 £000s	31 March 2018 £000s
Market debt	474,222	462,857	709,670	680,661
Government debt	58,379	70,763	60,023	70,122
Stocks	7,360	859	9,015	1,149
Total Borrowings	**539,961**	**534,479**	**778,708**	**751,932**
Ex GMC debt	11,951	9,776	11,951	9,776
PFI, service concessions and finance lease liabilities	141,666	156,379	206,160	219,134
Trade creditors	155,835	133,947	155,835	133,947
Total Financial Liabilities	**849,413**	**834,582**	**1,152,654**	**1,114,789**

	Carrying Amount		Fair Value	
Assets	31 March 2017 £000s	31 March 2018 £000s	Restated 31 March 2017 £000s	31 March 2018 £000s
Cash and cash equivalents	96,320	127,792	96,321	127,806
Short term investments	5,000	8,945	5,001	8,945
Trade debtors	264,666	281,358	493,150	500,810
Total Loans and Receivables	**365,986**	**418,095**	**594,472**	**637,561**

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

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

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

The fair values for market and Government debt were determined by reference to new loan rates on the Gilt market as at the balance sheet date as there is no active market for similar assets at this time and include accrued interest as this provides a sound approximation for the fair value for these instruments (level 2). By way of comparison, if the fair values were calculated with reference to PWLB redemption rules and prevailing PWLB redemption rates, they would be £74,183,000 for Government debt and £846,480,000 for market debt.

It is likely that the Government Debt relating to the Housing Investment Fund will transfer to the Greater Manchester Combined Authority in the next financial year.

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

	Financial Liabilities 2017/18	Financial Assets 2017/18			
	Measured at Amortised Cost £000s	Loans and Receivables £000s	Available for Sale Assets £000s	Fair Value through the I&E £000s	Total £000s
Interest Expense	34,941	0	0	0	34,941
Interest Payable and Similar Charges	**34,941**	**0**	**0**	**0**	**34,941**
Interest Income	0	14,293	0	0	14,293
Interest and Investment Income	**0**	**14,293**	**0**	**0**	**14,293**

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

Key Risks

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

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

Overall Procedures for Risk

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

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

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

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

The annual Treasury Management Strategy was approved by Council on 3 March 2017. The strategy is available on the Council's website.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is managed through the Annual Investment Strategy which was approved by full Council on 3 March 2017. This strategy is available on the Council's website. Some of the key areas of the strategy are as follows:

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

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

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

Investment Limits

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

Banks and Building Societies	
Fitch or Equivalent AA+ and above	£20 million
Fitch or Equivalent AA/AA-	£15 million
Fitch or Equivalent A+/A	£15 million
Fitch or Equivalent A-	£10 million
Fitch or Equivalent BBB+	£10 million
Other	
Debt Management Office	£200 million
Greater Manchester Combined Authority	£200 million
Other local authorities	£20 million

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

Monitoring of credit ratings

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

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

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

The trade debtor amount is £340,995,000 and the estimated exposure to default is £59,638,000

Liquidity Risk

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

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

Refinancing and Maturity Risk

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

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

The Council has £339,825,000 lender option borrower option (LOBO) loans. These have fixed rates of interest but the lender may seek to increase interest rates at which point the Council has the option to repay the loan. As there is no certainty as to whether these loans will be repaid early, the Council has treated these loans as fixed loans which will run to maturity. In forming this judgement the Council has taken account of its ability to refinance through PWLB.

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:
- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- borrowings at fixed rates – the fair value of the borrowing liability will fall.
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and effect the General Fund Balance.

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

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

The maximum interest rate increase that could be expected in the current climate is assessed at 0.50%. This would only apply to the net short-term investments. The Council also has a number of LOBO loans that can be called at periods. There is the risk that these may have to be refinanced at a higher rate.

- LOBO risk (loans potentially subject to call £100,575,000 @ 0.50%) = £503,000.

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares but does have shareholdings at a cost of £142,422,000 in a number of organisations. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares or impairment of the assets held. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

Foreign Exchange risk

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

Note 43. Usable Reserves

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

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

	31 March 2017 £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2018 £000s	Note
a) Reserves Held for Capital Purposes						
Capital Receipts Reserve	39,135	0	114,585	(81,700)	72,020	a(1)
Major Repairs Reserve	1,383	0	16,114	(17,497)	0	a(2)
Capital Grants Unapplied Reserve	22,494	0	119,682	(123,648)	18,528	a(3)
Total Reserves Held for Capital Purposes	**63,012**	**0**	**250,381**	**(222,845)**	**90,548**	
Reserves Held for Revenue Purposes						
b) Schools Reserves						
Local Management of Schools (LMS) Reserve	25,971	0	1,519	0	27,490	b(1)
Total reserves held for schools	**25,971**	**0**	**1,519**	**0**	**27,490**	
c) Statutory Reserves						
Bus Lane Enforcement Reserve	1,634	0	5,737	(1,518)	5,853	c(1)
On-street Parking Reserve	2,790	0	6,195	(5,582)	3,403	c(2)
Ancoats Square Reserve	1,917	0	0	0	1,917	c(3)
Cutting Room Square Ext Ancoats Reserve	1,044	0	0	(66)	978	c(4)
Other smaller reserves under £1m	1,381	0	288	(13)	1,656	
Total Statutory Reserves	**8,766**	**0**	**12,220**	**(7,179)**	**13,807**	
d) Reserves held for PFIs						
Public Lighting PFI Reserve	153	0	1	(113)	41	d(1)
Temple School PFI Reserve	653	0	12	0	665	d(2)
Wright Robinson Sports College PFI Reserve	920	0	352	0	1,272	d(3)
Total Reserves held for PFIs	**1,726**	**0**	**365**	**(113)**	**1,978**	
e) Small specific reserves						
Other smaller reserves under £1m	2,424	0	329	(329)	2,424	e(1)
Total small specific reserves	**2,424**	**0**	**329**	**(329)**	**2,424**	
f) Reserves held to smooth risk / assurance						
Insurance Fund Reserve	15,917	0	0	(294)	15,623	f(1)
Housing Investment Fund Reserve	530	0	1,466	0	1,996	f(2)
Historic Abuse Reserve	5,563	(5,000)	559	0	1,122	f(3)
Manchester International Festival Reserve	1,500	0	0	(500)	1,000	f(4)
Adult Social Care Reserve	2,000	0	5,090	(2,000)	5,090	f(5)
Transformation Reserve	8,763	0	191	0	8,954	f(6)
Airport Dividend Reserve	29,161	0	38,029	(29,161)	38,029	f(7)
Planning Income Reserve	1,511	0	0	0	1,511	f(8)
Budget Smoothing Reserve	0	5,000	0	0	5,000	f(9)
Other smaller reserves under £1m	1,322	0	352	(643)	1,031	
Total reserves held to smooth risk / assurance	**66,267**	**0**	**45,687**	**(32,598)**	**79,356**	
g) Business Rates Reserves						
Business Rates Reserve	10,328	(2,000)	8,191	(1,315)	15,204	g(1)
Total Business Rates Reserves	**10,328**	**(2,000)**	**8,191**	**(1,315)**	**15,204**	
h) Revenue reserves held to support capital schemes						
Capital Fund Reserve	44,847	0	38,768	(5,099)	78,516	h(1)
English Institute of Sport Reserve	7,447	0	3,935	(3,970)	7,412	h(2)
Housing Regeneration Reserve	14,371	0	0	(450)	13,921	h(3)
Other smaller reserves under £1m	223	0	0	0	223	
Total revenue reserves held to support capital schemes	**66,888**	**0**	**42,703**	**(9,519)**	**100,072**	

	31 March 2017 £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2018 £000s	Note
i) Reserves held for economic growth and public sector reform						
Troubled Families Reserve	1,333	(347)	0	(986)	0	i(1)
Clean and Green Places Reserve	2,910	0	0	(815)	2,095	i(2)
Children and Families Investment Reserve	7,208	4,720	0	(5,521)	6,407	i(3)
Our Manchester Reserve	5,735	0	500	(321)	5,914	i(4)
City Centre Review Reserve	1,000	(2,720)	3,500	(1,573)	207	i(5)
Town Hall Reserve	9,111	0	2,400	(2,366)	9,145	i(6)
Other smaller reserves under £1m	1,321	347	0	(408)	1,260	
Total reserves held for economic growth and public sector reform	**28,618**	**2,000**	**6,400**	**(11,990)**	**25,028**	
j) Grants and contributions used to meet commitments over more than one year (shown as reserves due to the required accountancy treatment)						
English Partnership Reserve	1,902	0	0	(110)	1,792	
Other Grants and Contributions Reserve	3,164	0	275	(464)	2,975	
Better Care Fund Reserve	11,013	0	716	(619)	11,110	
Other smaller reserves under £1m	1,745	0	507	(905)	1,347	
Total grants and contributions used to meet commitments over more than one year	**17,824**	**0**	**1,498**	**(2,098)**	**17,224**	j(1)
Total earmarked revenue reserves	**228,812**	**0**	**118,912**	**(65,141)**	**282,583**	
k) General Fund Reserve						
General Fund Reserve	26,226	0	0	(3,919)	22,307	k(1)
Total all general fund reserves	**255,038**	**0**	**118,912**	**(69,060)**	**304,890**	
l) Housing Revenue Account Reserve						
Housing Revenue Account Reserve	90,991	0	8,949	0	99,940	l(1)
Total All Usable Reserves	**409,041**	**0**	**378,242**	**(291,905)**	**495,379**	

a(1) - Capital Receipts Reserve

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

	2016/17 £000s	2017/18 £000s
Balance at 1 April	37,949	39,135
Capital receipts received in year	57,031	114,585
Paid to housing national pool	(3,542)	(2,553)
Applied to fund capital expenditure	(52,303)	(79,147)
Balance at 31 March	**39,135**	**72,020**

a(2) - Major Repairs Reserve

Resources available to meet capital investment in council housing.

	2016/17 £000s	2017/18 £000s
Balance at 1 April	1,909	1,383
HRA depreciation	14,333	16,114
Financing of capital expenditure on council dwellings	(19,214)	(17,497)
Transfer from the HRA	4,355	0
Balance at 31 March	**1,383**	**0**

a(3) - Capital Grants Unapplied Reserve

Capital grants and contributions available to meet future capital expenditure.

	2016/17 £000s	2017/18 £000s
Balance at 1 April	25,682	22,494
Grants received in year	59,236	119,682
Prior Year Grants recognised - now treated as Revenue Grants	(1,337)	0
Transferred to Capital Adjustment Account: General Grants and Contributions	(35,764)	(73,929)
Transferred to Capital Adjustment Account: Revenue Expenditure Funded from Capital Under Statute (REFCUS) Grants and Contributions	(25,323)	(49,720)
Balance at 31 March	**22,494**	**18,528**

b(1) The LMS Reserve is committed to be spent on the Education service and is not available for the general use of the Council. This is held by schools under delegated schemes.

c(1) The Bus Lane Enforcement Reserve was established to hold surpluses generated from bus lane enforcement and will be spent on public transport related activities and highways improvements.

c(2) The On-street Parking Reserve was established to hold surpluses generated from on-street parking and will be spent on transport related activities and road and environmental improvements.

c(3) Commuted sum received from the Homes and Communities Agency to fund maintenance in future years.

c(4)) Commuted sum received from the Homes and Communities Agency for cleaning and maintenance of the public realm area over a 25 year period.

d(1) The Public Lighting PFI Reserve has been established to fund future expenditure on the scheme.

d(2) The Temple School PFI Reserve has been established to fund future expenditure on the scheme.

d(3) The Wright Robinson Sports College PFI Reserve has been established to fund future expenditure on the scheme.

e(1) Small reserves under £1m.

f(1) The Insurance Fund has been established to fund risks that are self-insured.

f(2) Housing Investment Fund Reserve is to hold ring-fenced Housing Investment resources administered on behalf of the Greater Manchester Combined Authority.

f(3) The Historic Abuse Reserve was set up to meet future potential compensation claims.

f(4) The Manchester International Festival Reserve was established to give certainty to the cost to the Council of supporting the festival as timescales do not readily fit with the Council's annual budget process.

f(5) The Adult Social Care Reserve will support transformational activity in relation to Adult Social Care and Health integration

f(6) The Transformation Reserve has been set up to fund future service transformation costs.

f(7) The Airport Dividend Reserve relates to airport dividends which are used to support the budget a year in arrears. The approved 2017/18 budget included use of £29.161m in 2017/18.

f(8) The Planning Income Reserve was set up to smooth fluctuations in planning income

f(9) The Budget Smoothing Reserve was established in 2017/18 to smooth budgets over 2018/19 and 2019/20 as detailed in the budget report to February Executive.

g(1) The Business Rates Reserve was set up to hold additional Business Rates Income and Section 31 Business Rates Grants and is to be used to fund future liabilities relating to Business Rates including appeals risk, reset impact and shortfall in anticipated S31 grant following MHCLG notification of late formula change (£2.9m).

h(1) The Capital Fund was established to fund revenue contributions to major capital schemes.

h(2) The English Institute of Sport Reserve holds monies received in relation to the City of Manchester Stadium and is to be used to fund future developments at Sportscity.

h(3) The Housing Regeneration Reserve has been set up to develop private sector housing.

i(1) The Troubled Families Reserve was used to support Early Help programme.

i(2) The Clean and Green Reserve was funded from a dividend received from Manchester Airports Holdings Ltd and is being used to support green initiatives.

i(3) The Children and Families Investment Reserve was established with the aim to support families and reduce the numbers of looked after children

i(4) The Our Manchester Reserve is for additional investment made available as part of the 2017/2020 budget process to drive forward the delivery of Our Manchester for example through Voluntary Sector Grants. There was a £500k contribution from CCG in 2017/18.

i(5) City Centre Review Reserve has been set up to fund improvements in the City Centre, this was established from additional Business Rates Income and airport dividend. £2.7m has been transferred to the Children and Families Investment reserve.

i(6) The Town Hall Reserve has been set up to fund revenue expenditure on the Town Hall Complex Programme. The transfer to the reserve has been met from Minimum Revenue Policy savings following the review of the policy in 2016/17.

j(1) These grants were shown as receipts in advance on the Council's balance sheet under UKGAAP accounting standards as the spend they were funding had not been incurred. As these grants will not need to be repaid in accordance with the conditions on which the grant has been given, IFRS accounting standards require these grants to be recognised in the Consolidated Income and Expenditure Statement when they are due. The Council has chosen to transfer these grants to reserves to meet future spending commitments.

k(1) Resources available to meet future running costs for non-HRA services.

l(1) Resources available to meet future running costs for council housing.

Note 44 Unusable Reserves

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

Unusable Reserve	31 March 2017 £000s	31 March 2018 £000s	Note
Revaluation Reserve	968,042	1,115,677	a
Available for Sale Financial Instruments Reserve	6,318	12,723	b
Pensions Reserve	(832,654)	(805,280)	c, 46
Capital Adjustment Account	1,302,723	1,353,138	d
Deferred Capital Receipts Reserve	2,567	2,894	e
Financial Instruments Adjustment Account	1,498	1,549	f
Collection Fund Adjustment Account	36,167	27,301	g
Short-term Accumulated Absences Account	(6,132)	(6,290)	h
	1,478,529	**1,701,711**	

a - Revaluation Reserve

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

	2016/17 £000s	2017/18 £000s
Balance at 1 April	864,440	968,042
Revaluations relating to property, plant and equipment	122,929	188,521
Revaluations relating to other non-PPE assets	25,734	(104)
Revaluation gain depreciation	(8,754)	(11,939)
Impairment not charged to CIES	(14,313)	(10,977)
Disposals Transferred to Capital Adjustment Account	(21,994)	(17,680)
Transfer to CAA re investment properties	0	(186)
Balance at 31 March	**968,042**	**1,115,677**

b - Available for Sale Financial Instruments Reserve .

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

	2016/17 £000s	2017/18 £000s
Balance at 1 April	3,852	6,318
Increase in Financial Instruments Market Value	4,101	6,668
(Decrease) in Financial Instruments Market Value	(1,635)	(263)
Balance at 31 March	**6,318**	**12,723**

c - Pensions Reserve

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

	2016/17 £000s	2017/18 £000s
Balance at 1 April	(783,824)	(832,654)
Net Movement in Year	(48,830)	27,374
Balance at 31 March	**(832,654)**	**(805,280)**

d - Capital Adjustment Account (CAA)

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

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

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

	2016/17 £000s	2017/18 £000s
Balance at 1 April	1,295,891	1,302,723
Repayment of ex GMC debt	2,056	2,175
Minimum revenue provision	18,877	19,272
Reversal of PFI charges to HRA	14,925	10,101
Capital grants and contributions	75,397	123,648
Revenue contributions used	6,995	10,111
Investment property revaluations	31,757	33,443
Revaluation gain depreciation	8,754	11,939
Disposals transferred from revaluation reserve	21,994	17,680
Depreciation	(52,020)	(67,335)
Major Repairs Allowance	19,214	17,497
Capital Receipts Used	52,303	79,147
Other Disposals	(63,709)	(63,500)
Write down of intangible assets	(138)	(128)
Repayment of long-term debtors	(32,405)	(56,501)
(Loss) on repayment of housing loan	(89)	(133)
Write down of revenue expenditure funded from capital under statute	(60,913)	(63,039)
Impairment of non-current assets	(36,166)	(24,564)
Write down of finance lease liability	0	416
Transfer from RR re investment properties	0	186
Balance at 31 March	**1,302,723**	**1,353,138**

e - Deferred Capital Receipts Reserve

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

Historic Mortgages

These are historic mortgages provided by the Council in relation to Right to Buy council property sales. These mortgages are no longer offered by the Council, therefore the balance will continue to reduce in future years. The current balance outstanding is £3,000 and is due to be repaid within one year.

Equity Mortgages

These relate to a joint home build scheme between the Council and Redrow Homes. The Council has provided homebuyers, purchasing the properties, equity mortgage loans for up to 25% of the property value. These loans become repayable 10 years after the purchase of the property or earlier if the homeowner decides to sell the property before this time. There is also the option for the homebuyer to repay the loan before either of these events. The outstanding balance is adjusted each year in line with the Land Registry House Pricing Index.

Equity Loans

a) Home Improvement Loans

These are equity share loans offered to home owners to carry out essential renovation works. The minimum loan value available is £7,000 up to a maximum of £25,000 or 33% of the value of the improved home. The equity share is secured by a legal charge and loans are repayable on the death of the purchaser, or the sale of the property or when the purchaser ceases to occupy the property as their main home. The outstanding balance is adjusted each year in line with the Land Registry House Pricing Index.

b) Relocation Assistance Loans

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

	Opening Balance				Closing Balance
	1 April 2017 £000s	Gains on Disposal £000s	Principal Repayments £000s	Fair Value Adjustments £000s	31 March 2018 £000s
Historic Mortgages	21	0	(18)	0	3
Equity Mortgages	1,997	7	(136)	(26)	1,842
Equity Loans	549	0	0	500	1,049
Total Deferred Capital Receipts	**2,567**	**7**	**(154)**	**474**	**2,894**

f - Financial Instruments Adjustment Account

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

	2016/17 £000s	2017/18 £000s	
Balance at 1 April	1,469	1,498	
Soft loans in year movements	58	72	
Adjustment for interest free loans	5,639	(519)	f(a)
Premium and discounts	332	493	
Investment revaluations	(6,000)	5	f(b)
Balance at 31 March	**1,498**	**1,549**	

f (a) The Council has received interest free loans from the Homes and Communities Agency of £25.2m repayable in 2022, £8.5m repayable in 2024 and £42.7m from HM Treasury repayable in 2028. This amount represents the saving to the Council over the remaining length of the loan of them being interest free.

f (b) The investment revaluation in 2016/17 related to Manchester Mortgage Corporation which has reduced due to the distribution of a dividend of £6m.

g - Collection Fund Adjustment Account

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

Council Tax	2016/17 £000s	2017/18 £000s
Balance at 1 April	9,251	15,165
Movement in Year	5,914	(2,447)
Balance at 31 March	**15,165**	**12,718**

Business Rates	2016/17 £000s	2017/18 £000s
Balance at 1 April	5,687	21,002
Movement in Year	15,315	(6,419)
Balance at 31 March	**21,002**	**14,583**

Total	2016/17 £000s	2017/18 £000s
Balance at 1 April	14,938	36,167
Movement in Year	21,229	(8,866)
Balance at 31 March	**36,167**	**27,301**

h - Short-term Accumulated Absences Account

The Short-term Accumulated Absences Account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to and from this account.

	2016/17 £000s	2017/18 £000s
Balance at 1 April	(6,388)	(6,132)
Movement in Year	256	(158)
Balance at 31 March	**(6,132)**	**(6,290)**

Note 45. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the Schools Finance and Early Years (England) Regulations 2017. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable in 2017/18 are as follows:

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2017/18 before academy recoupment			492,195
Academy figure recouped for 2017/18			174,772
Total DSG after academy recoupment for 2017/18			317,423
Plus brought forward from 2016/17			45
Less carry forward to 2018/19 agreed in advance			0
Agreed initial budgeted distribution in 2017/18	20,958	296,510	317,468
In year adjustments	0	0	0
Final budgeted distribution for 2017/18	20,958	296,510	317,468
Less actual central expenditure	21,727		
Less actual ISB deployed to schools		296,510	
Plus local authority contribution for 2017/18	0	0	0
Carry forward to 2018/19	**(769)**	**0**	**(769)**

The original budget for the Central Expenditure includes the following which are transferred to schools during the year:

- provisions for funding for Special Education Needs
- increases in pupil numbers
- contingencies within schools.

Note 46. Local Government Pension Schemes

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

The Council participates in three pension schemes:

The Local Government Pension Scheme is a fully funded defined benefits scheme. The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of Tameside MBC who administer the scheme on behalf of the Greater Manchester Authorities. Tameside MBC delegates its functions in relation to the Greater Manchester Pension Scheme to the Pension Fund Management Panel, the Pension Fund Advisory Panel, Pension Fund Working Groups and the Executive Director of Pensions. The Pension Fund Management Panel is the key decision maker for investment management, monitoring investment activity and performance, overseeing administrative activities and providing guidance to officers in exercising delegated powers. All the Greater Manchester authorities are represented on the Management Panel.

The Public Service Pensions Act 2013 received Royal Assent on 25 April 2013. As a result benefits earned from 1 April 2014 are based on career average revalued earnings.

There are risks and uncertainties associated with whatever assumptions are adopted. The Accounting Standard requires the assumptions to be determined on a best estimate basis. However the assumptions are in effect projections of future investment returns and demographic experience many years into the future and there is inevitably a great deal of uncertainty in what constitutes best estimate for such projections.

The Accounting Standard requires the discount rate to be set with reference to yields on high quality corporate bonds irrespective of the investment strategy of the Fund. As such, the figures are unlikely to reflect either the actual eventual cost of providing benefits or the likely level of contributions to fund the employer's obligations to the Fund. The Balance Sheet position may change significantly due to relative changes in the equity and bond markets at the reporting date.

The main risk to the Council is that if the assumptions are more prudent than other employers it would lead to a poorer reported financial position or if less prudent an improved financial position. This does not have an impact on the underlying cost of the Fund nor the level of contributions that will be derived from future funding valuations.

In order to assess the value of the employer's liabilities in the Fund at 31 March 2018 the actuary has rolled forward the value of liabilities calculated at the latest formal valuation, 31 March 2016, allowing for the different financial assumptions required under the Accounting Standards at the accounting date. In calculating the current service cost, allowance has been made for changes in the employer's pensionable payroll as estimated from contribution information. In calculating the asset share the employer's share of assets allocated at the latest valuation has been rolled forward, allowing for investment returns, the effect of contributions paid into and benefits paid from the Fund by the employer and its employees.

The estimated liability will not reflect any difference in demographic experience from that assumed, the impact of differences in salary and pension increases and changes for specific individuals and the effect of any changes in the age and length of service structure of the liabilities. It is not possible to reflect these without undertaking a full valuation. There is no reason to believe that this will introduce any undue distortions in the results.

The Teachers' Pension Scheme is a defined benefit scheme, administered by the Department for Education. Further information is included in Note 47.

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

The NHS pension scheme is an unfunded, defined benefit scheme that covers NHS employers and is a multi-employer defined benefit scheme. Further information is included in Note 48.

Transactions Relating to Retirement Benefits

The costs of retirement benefits in the net cost of services are recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

	2016/17 £000s	2017/18 £000s
Comprehensive Income and Expenditure Statement		
Net Cost of Services:		
current service cost	54,423	93,659
past service costs	2,017	983
Financing and investment income and expenditure		
net interest expense	27,441	21,311
Total post employment benefits charged to the surplus on the provision of services	**83,881**	**115,953**
Other post employment benefits charged to total comprehensive income and expenditure		
Re-measurement of the Net Defined Benefit Liability comprising:		
return on plan assets (excluding amounts included in net interest)	(403,836)	(15,118)
Change in Demographic assumptions re-measurements	4,310	0
actuarial gains and losses arising on changes in financial assumptions	585,696	(65,620)
other experience re-measurements	(166,326)	(8,920)
Total post employment benefits charged to total comprehensive income and expenditure	**19,844**	**(89,658)**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus on Provision of Services for post employment benefits in accordance with IAS19.	28,986	62,284
Actual amount charged against the General Fund Balance for the pensions in the year:		
Employer's contribution payable to scheme	43,312	43,210
Employer's contribution re: unfunded deficit	11,583	10,459
	54,895	**53,669**

Assets and Liabilities in Relation to Retirement Benefits

Present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme	
	2016/17 £000s	2017/18 £000s
Balance at 1 April	3,160,927	3,655,439
Current service cost	54,423	93,659
Demographic Assumptions	4,310	0
Interest cost on defined benefit obligation	109,878	91,344
Contributions by scheme participants	14,579	14,590
Changes in financial assumptions	585,696	(65,620)
Other experience re-measurements	(166,326)	(8,920)
Unfunded benefits paid	(11,583)	(10,459)
Benefits paid	(98,482)	(97,047)
Past service cost including curtailments	2,017	983
Balance at 31 March	**3,655,439**	**3,673,969**

Fair value of the scheme assets:

	Local Government Pension Scheme	
	2016/17 £000s	2017/18 £000s
Balance at 1 April	2,377,103	2,822,785
Interest income on plan assets	82,437	70,033
Return on assets (excluding amounts included in net interest)	403,836	15,118
Contributions in respect of unfunded benefits	11,583	10,459
Employer contributions	43,312	43,210
Contributions by scheme participants	14,579	14,590
Benefits paid	(98,482)	(97,047)
Unfunded benefits paid	(11,583)	(10,459)
Balance at 31 March	**2,822,785**	**2,868,689**

The Council's share of pension fund assets is rolled forward, by the actuary, from the latest formal valuation date. The roll forward amount is then adjusted for investment returns, the effective contributions paid into and estimated benefits paid from the fund by the Council and its employees. As such this estimate may differ from the actual assets held by the Pension Fund at 31 March.

Net Liability for Year

	2016/17 £000s	2017/18 £000s
Present value of funded liabilities	(3,504,673)	(3,539,467)
Present value of unfunded liabilities	(150,766)	(134,502)
Fair value of assets	2,822,785	2,868,689
(Deficit) in the scheme	**(832,654)**	**(805,280)**

The liabilities show the underlying commitment that the Council has in the long run to pay retirement benefits. The total liability of £805,280,000 is included within the net worth of the Council which has increased by £309,522,000 as recorded in the balance sheet resulting in a positive overall balance of £2,197,090,000.

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

The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The next triennial valuation is due at 31 March 2019.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2019 is £43,210,000.

Basis for Estimating Assets and Liabilities

Assets and liabilities have been assessed on an actuarial basis by Hymans Robertson, an independent firm of actuaries.

The main assumptions used in their calculations have been:

	2016/17	2017/18
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	21.5 years	21.5 years
Women	24.1 years	24.1 years
Longevity at 65 for future pensioners *		
Men	23.7 years	23.7 years
Women	26.2 years	26.2 years
Rate of increase in salaries	2.5%	2.5%
Rate of increase in pensions	2.4%	2.4%
Discount rate	2.5%	2.6%
Take-up of option to convert annual pension into retirement lump sum - pre April 2008	55.0%	55.0%
Take-up of option to convert annual pension into retirement lump sum - post April 2008	80.0%	80.0%

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

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

Changes in assumptions at 31 March 2018	**% increase to Employer Liability**	**£000s**
0.5% decrease in real discount rate	9%	340,850
0.5% increase in the salary increase rate	1%	45,306
0.5% increase in the pension increase rate	8%	291,515

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

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

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

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

	Year Ended 31 March 2017				Year Ended 31 March 2018			
	Quoted Prices in Active Markets £000s	Quoted Prices not in Active Markets £000s	Total £000s	%	Quoted Prices in Active Markets £000s	Quoted Prices not in Active Markets £000s	Total £000s	%
Equity securities								
Consumer	229,434	0	229,434	8%	163,691	0	163,691	6%
Manufacturing	234,930	0	234,930	8%	196,370	0	196,370	7%
Energy and utilities	187,909	0	187,909	6%	155,491	0	155,491	5%
Financial institutions	288,573	0	288,573	10%	236,269	0	236,269	8%
Health and care	101,277	0	101,277	4%	73,320	0	73,320	3%
Information technology	71,713	0	71,713	3%	45,980	0	45,980	2%
Other	48,084	0	48,084	2%	28,060	0	28,060	1%
Debt securities								0%
Corporate bonds (investment grade)	133,914	0	133,914	5%	106,336	0	106,336	4%
UK government	37,139	0	37,139	1%	24,857	0	24,857	1%
Other	89,176	0	89,176	3%	79,829	0	79,829	3%
Private equity								0%
All	0	80,203	80,203	3%	0	95,997	95,997	3%
Real estate								0%
UK property	0	77,408	77,408	3%	0	98,215	98,215	3%
Investment funds and unit trusts								0%
Equities	706,716	0	706,716	25%	776,243	0	776,243	27%
Bonds	201,484	0	201,484	7%	371,958	0	371,958	13%
Infrastructure	0	65,081	65,081	2%	0	74,275	74,275	3%
Other	50,619	140,692	191,311	7%	75,545	161,327	236,872	8%
Derivatives								0%
All	0	0	0	0%	0	0	0	0%
Cash and cash equivalents								0%
All	78,433	0	78,433	3%	104,926	0	104,926	4%
	2,459,401	363,384	2,822,785	100%	2,438,875	429,814	2,868,689	100%

Note 47. Teachers' Pension Scheme

Although the scheme is unfunded, the Department for Education (DfE) uses a notional fund as the basis for calculating the employer's contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. Although the teachers' pension scheme is a defined benefits scheme, for the purposes of the statement of accounts it is accounted for on the same basis as a defined contributions scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability described in Note 46.

The pension costs charged to the accounts are at the contribution rate set by the DfE on the basis of a notional fund. In 2017/18 the Council's contribution to the DfE in respect of teachers' pension costs was £16,155,000 (£16,599,000 2016/17), the set contribution rate being 16.48% (16.48% 2016/17).

The total contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2019 is £15,778,000.

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with related increases. In 2017/18 these amounted to £5,996,000 (£6,206,000 2016/17) of which £1,241,000 (£1,290,000 2016/17) relates to former establishment employees and is refunded by the Higher Education Funding Council.

Note 48. National Health Service Pension Scheme

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

In 2017/18 the Council's contribution in respect of former NHS staff pension costs was £94,000 (£120,000 in 2016/17), the set contribution rate being 14.4% (14.3% in 2016/17).

Note 49. Contingent Assets and Liabilities

Contingent Assets

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

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

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

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

At 31 March 2018 loans totalling £5.55m have been advanced.

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

In December 2017 the Greater Manchester Combined Authority approved a proposal which will result in Manchester City Council being reimbursed during 2018/19 for the loans advanced.

Contingent Liabilities

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

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

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

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

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

At 31 March 2018 the amount drawn down was £44.127m.

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

b) The Council has guaranteed the pension liabilities of a number of organisations including those where services have been outsourced. These include Biffa Municipal, Eastland Homes Partnership, Manchester Airport Holdings Ltd, Manchester Working, Mears plc (Northwards Housing), Parkway Green Housing Trust, Southway Housing Trust and Willow Park Housing Trust. It is not expected that there will any call on these guarantees.

Note 50. Related Party Transactions

The Code of Practice on Local Authority Accounting requires the disclosure of any material transactions with related parties to ensure that stakeholders are aware that these transactions have taken place and the amount and implications of such transactions.

All material related party transactions are disclosed below:

Income	**2016/17 £000s**	**2017/18 £000s**	
Central Government - revenue grants	867,694	706,673	a
Central Government - capital grants	38,597	103,409	a
Greater Manchester Combined Authority - capital contribution	6,347	9,743	b
Manchester Airports Holdings Ltd - dividend	51,021	54,039	c
Manchester Airports Holdings Ltd - repayment of interest	9,980	9,980	c
Manchester Airports Holdings Ltd - net rent	7,790	7,458	c
Manchester Clinical Commissioning Groups	17,156	18,241	f
Destination Manchester Ltd - interest on loans	955	822	c
Destination Manchester Ltd - repayment of loan principal	2,250	750	c
Northwards Housing Ltd (capital and revenue income)	2,332	1,280	g
	1,004,122	**912,395**	

Expenditure	**2016/17 £000s**	**2017/18 £000s**	
Greater Manchester Combined Authority - levy	36,039	19,985	b
Greater Manchester Waste Disposal Authority - levy	32,807	48,938	b
Greater Manchester Police and Crime Commissioner - precept	16,606	17,825	b
Greater Manchester Fire and Rescue Authority - precept	6,205	6,584	b
Greater Manchester Fire and Rescue Authority - share of business rates	3,090	3,246	b
Central government - share of business rates	154,509	0	a
Greater Manchester Pension Fund - employer's contributions	54,895	53,669	d
Teachers' Pension Agency - employer's contributions	16,599	16,155	e
Manchester Clinical Commissioning Groups	4,898	4,898	f
Northwards Housing Ltd (capital and revenue spend)	27,432	25,245	g
Manchester Working Ltd (capital and revenue spend)	21,064	18,514	g
Agency Costs - Senior Management Team	171	0	h
	374,315	**215,059**	

Members and Chief Officers
Members of the Council have a direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2017/18 is set out in Note 19. Details of member's interest, both pecuniary and non-financial are recorded in the register of member's interest (available for public inspection). The executive directors are required on an annual basis to make any declaration of any related party transactions. During 2017/18 there were no reported material transactions with related parties advised by members or officers.

a. Central Government
Central Government has effective control over the general operations of the Council. It is responsible for providing the framework within which the Council operates and provides the majority of its funding in the forms of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills and housing benefits).

The Council paid 50% of the estimated Business Rates due to Central Government in 2016/17. The exception to this was growth in business rates where the Council, as part of the growth retention pilot, retained 99% of business rates above an adjusted baseline. As part of the 100% rates retention in pilot in 2017/18 business rates are not paid to the government but RSG and public health grant are foregone. Business rates tariffs and top ups are adjusted to ensure a neutral position.

The increase in Capital Grants was due to increase in Basic Needs Grant.
The award of Basic Need Grant is based on an assessment by government of the forecast pupil population in authorities. In Manchester significant growth was forecast, therefore the level of grant funding also increased significantly.

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

b. Other Public Bodies
The Council pays levies towards the services provided by Greater Manchester Waste Disposal Authority (for the management and disposal of household waste) and Greater Manchester Combined Authority (GMCA) (for public transport, economic development and regeneration activities). The GMCA Police and Fire and Rescue elements set their own charge to council tax payers which is then included in the council tax bill. This is known as the precept.

The variance in the figures between 2016/17 and 2017/18 GMCA and Waste Levies to a one off increase in the waste levy in 2017/18 in order to facilitate changes in the waste contract. In order to assist districts in meeting this cost the Transport Levy was reduced on a one-off basis to give the necessary financial capacity.

The Council pays 1% of the estimated Business Rates due to the Greater Manchester Combined Authority Fire and Rescue element.

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

Manchester Airports Holdings Ltd
The Council is a related party to Manchester Airports Holdings Ltd. The Council owns 35.5% of the share capital of the company. The principal activities of the Group during the year were ownership, operation and development of airport facilities. Cllr Sir Richard Leese, the Leader of the Council, is a

non-executive director to Manchester Airports Holdings Ltd.

Destination Manchester Ltd (DML)
Destination Manchester Ltd.'s ultimate parent and controlling party is Manchester City Council. Destination Manchester Ltd owns and manages the Manchester Central Convention Complex, which holds major conferences and exhibitions. The director who served the company during the year was the City Treasurer, Carol Culley.

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

e. Teacher's Pension Agency
The pension costs charged are at the contribution rate set by the Department for Education on the basis of a notional fund. Teacher's pension details are set out in Note 47.

f. Manchester Clinical Commissioning Groups (CCG)
The objective of the Manchester CCG is to ensure that people in Manchester have access to high quality, safe health services when they need them. Manchester CCG commission healthcare services including community health services and mental health and learning disability services.

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

g. Subsidiaries or associates of the Council.
These organisations are not consolidated into the Council's group accounts because they are not material.

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

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

h. Employment Agency fees filling interim Senior Management Team positions
To cover interim Senior Management Team positions employment agencies were used in 2016/17

Note 51. Trust Funds

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

Manchester City Council is sole trustee for Castlefield Heritage Trust. The Council administers the following trust funds: I Love Manchester (The Lord Mayor of Manchester's) Charity Appeal Trust; Manchester Immigration Needs Trust; Manchester Safeguarding Children Board.

These funds are not Council assets and are not included in the Council's Balance Sheet.

Note 52. Analysis of Cash and Cash Equivalents

Cash and Cash Equivalents	31 March 2017 £000s	31 March 2018 £000s
Cash in hand	49	52
Call accounts	37,660	13,353
Investments less than 3 months	41,043	115,584
Balance at bank	17,568	(1,197)
Total	**96,320**	**127,792**

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

	31 March 2017 £000s	31 March 2018 £000s
Depreciation of non current assets	(52,020)	(67,335)
Impairment of non current assets	(36,166)	(24,564)
Amortisation of intangible non-current assets	(138)	(128)
Pension fund adjustments	(28,986)	(62,284)
Movement in market value of investment property	31,757	33,443
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	5,944	88
(Increase) in impairment provision for bad debts	(5,812)	(7,421)
Contributions to provisions	(5,449)	(6,703)
Carrying amount of property, plant and equipment, investment properties and intangible assets sold	(63,709)	(63,500)
Amount by which council tax income and business rates adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulation	21,230	(8,865)
Other non-cash movements	(7,454)	(2,230)
(Decrease) / increase in inventories	(428)	53
(Decrease) / Increase in debtors (less capital)	12,275	57,801
(Decrease) / Increase in interest debtors	(659)	6,209
(Increase) in creditors (less capital)	(3,459)	(17,697)
Decrease / (Increase) in interest creditors	230	(47)
Total	**(132,844)**	**(163,180)**

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

	31 March 2017 £000s	31 March 2018 £000s
Proceeds from the disposal of property, plant and equipment, investment properties and intangible assets	58,221	113,457
Capital grants credited to surplus on the provision of services	46,886	69,963
	105,107	**183,420**

Note 55. Cash Flow Statement - Operating Activities

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

	2016/17 £000s	2017/18 £000s
Interest received	(13,636)	(8,117)
Interest paid	34,590	34,946
Dividends received	(51,021)	(54,039)

Note 56. Cash Flow Statement - Investing Activities

	2016/17 £000s	2017/18 £000s
Purchase of plant, property and equipment, investment property and intangible assets	155,330	220,906
Proceeds from the sale of plant, property and equipment, investment property and intangible assets	(58,221)	(113,457)
Capital grants received	(40,978)	(122,877)
Other receipts from investing activities	(11,911)	(12,241)
Net cash flows from investing activities	**44,220**	**(27,669)**

Note 57. Cash Flow Statement - Financing Activities

	2016/17 £000s	2017/18 £000s
Repayments of long term borrowing	27,664	18,020
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	15,054	11,486
Cash (receipts) of long and short term borrowing	(39,472)	(12,251)
Net (receipts) / payments relating to preceptors element of council tax	(494)	9,871
Net (receipts) relating to national non domestic rates	(18,643)	(15,155)
Net cash flows from financing activities	**(15,891)**	**11,971**

Note 58. Events after the Balance Sheet Date

Loan to Manchester Airports Holdings Ltd

Since the acquisition of Stansted Airport in 2012 Manchester Airport Holdings Ltd has traded ahead of the Business Plan agreed by shareholders. This has resulted in shareholder dividends being ahead of those anticipated. Both Stansted and Manchester airports are close to capacity at peak trading periods which will constrain growth. In order to drive further growth, substantial capital expenditure is required at both Manchester and Stansted. Both airports are in the process of commencing airport terminal transformation projects.

As shareholders the Council and the other nine Greater Manchester districts are contributing to the funding package that underpins the transformation programme through shareholder loans. The investment is fully compliant with the economic objectives for the City and will promote economic growth and employment opportunities for local residents.

There will also be a financial benefit to the Council. As well as the direct return on the loan, the airport transformation that the loans are supporting should enable future anticipated dividends to be paid.

The decision to approve this funding was made by full Council in November 2017 following a detailed due diligence exercise.

Manchester City Council advanced a loan payment to Manchester Airports Holdings Ltd of £62.125m on 5 July 2018. A further advance of loan is planned to be made in December 2018.

Health and Social Care Integration

From 1 April 2017 the Manchester Health and Care Commissioning (MHCC) Board has been in place, with representatives from health and social care commissioning, governing the commissioning spend in Manchester. A key part of the single commissioning function (SCF) is that integrated decision making will take place for the health and social care commissioning budgets in Manchester. The partnership between the Clinical Commissioning Group (CCG) and the Council is supported through a new section 75 partnership arrangement (S75) from 1 April 2018. As part of the partnership arrangements, the CCG and the Council have agreed to establish and maintain an Integrated Care Budget (ICB) which will be used by the MHCC Board to commission the Services, comprising Pooled Budgets, Aligned Budgets and In-Collaboration Budgets – Delegated Primary Medical Services as set out in the approved Locality Plan.

Note 59. Authorisation for Issue of the Statement of Accounts

The 2017/18 Statement of Accounts was authorised for issue by Carol Culley, the City Treasurer on 31 July 2018. All events after the Balance Sheet date until this date have been considered for disclosure as events after the Balance Sheet date.

Housing Revenue Account (HRA) Income and Expenditure Statement

The HRA reflects a statutory obligation to account separately for council housing provision. The HRA Income and Expenditure Statement shows the major elements of HRA expenditure and how they are met from rents, grants and other income. The account does not reflect all of the transactions required by statute to be charged or credited to the HRA for the year. The Movement on the HRA Statement gives details of the additional transactions which are required by statute.

2016/17 £000s		**Note**	**2017/18 £000s**
	Expenditure		
21,910	Repairs and maintenance		22,645
17,243	Supervision and management		15,194
458	Rents, rates, taxes and other charges		494
16,170	Depreciation and impairment of non-current assets	d,e	17,887
19	Debt management costs		18
202	Movement in the allowance for bad debts		896
61	Revenue expenditure funded from capital under statute	f	624
56,063			**57,758**
	Income		
62,185	Dwelling rents (gross)		60,814
536	Non-dwelling rents (gross)		711
2,271	Charges for services and facilities		1,795
292	Contributions towards expenditure		384
23,600	Private Finance Initiative Grant		23,600
88,884			**87,304**
(32,821)	**Net (Income) of HRA Services as included in the Council's Comprehensive Income and Expenditure Statement**		**(29,546)**
98	HRA services share of corporate and democratic core		98
8	HRA share of other amounts included in the Council's net cost of services but not allocated to specific services		4
(32,715)	**Net (Income) of HRA Services**		**(29,444)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(3,578)	(Gain) on disposal of HRA non-current assets		(7,261)
10,340	Interest payable and similar charges		11,551
(110)	Interest and investment income		(92)
110	Net interest on the net defined benefit liability		87
(623)	Capital grants and contributions		(1,183)
(26,576)	**(Surplus) for the year on HRA services**		**(26,342)**

Movement on the Housing Revenue Account Statement

2016/17 £000s		**2017/18 £000s**
(86,010)	**Balance on the HRA at the end of the previous year**	**(90,991)**
(26,576)	(Surplus) for Year on the HRA Income and Expenditure Statement	(26,342)
	Adjustments between accounting basis and funding basis under statute	
4,355	Transfer to Major Repairs Reserve	0
123	Capital expenditure funded by the HRA	1,543
3,578	Gain on disposal of HRA non-current assets	7,261
5	Transfer to short term accumulating absences account	1
(116)	HRA share of contributions from the pension reserve	(298)
(1,837)	Impairment of non-current assets	(1,773)
(61)	Amortisation of Revenue Expenditure Funded from Capital under Statute	(624)
14,925	PFI Charges	10,100
623	Capital grants and contributions receivable	1,183
(4,981)	**Net (Increase) in Year on the HRA**	**(8,949)**
(90,991)	**Balance on the HRA at the end of the current year**	**(99,940)**

Notes to the Housing Revenue Account

(a) Housing Stock

The Council was responsible for managing an average of 16,029 dwellings during 2017/18.

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

	Restated 31 March 2017	31 March 2018
Houses and bungalows	9,232	9,067
Flats	6,814	6,793
Others	77	77
	16,123	**15,937**

The change in stock is as follows:

	2016/17	2017/18
Stock at 1 April	16,308	16,123
Sales - Right to Buys	(167)	(222)
New Builds	14	37
Others	0	(1)
Demolitions	(32)	0
Stock at 31 March	**16,123**	**15,937**

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

	31 March 2017 £000s	31 March 2018 £000s
Operational		
Council dwellings	482,521	563,298
Other land and buildings	3,962	3,454
Vehicles, plant and equipment	57	955
Infrastructure	2,277	2,207
	488,817	**569,914**
Non-operational		
Surplus properties	426	580
Assets under construction	478	68
	489,721	**570,562**

(b) Vacant Possession of Dwellings

The vacant possession value of dwellings within the Council's HRA at 1 April 2017 was £1,253,135,000. The difference between the vacant possession value and balance sheet value of dwellings within the HRA shows the economic cost of providing council housing at less than open market rents.

(c) Capital Expenditure, Funding and Receipts

	2016/17 £000s	2017/18 £000s
Expenditure		
Property, plant and equipment	20,199	19,655
Revenue expenditure funded from capital under statute	61	624
	20,260	**20,279**
Funded by		
Revenue contributions	123	1,543
Capital receipts	300	56
Major repairs reserve	19,214	17,497
Government grants	299	1,157
External contributions	324	26
	20,260	**20,279**
Receipts		
Council dwellings	9,142	15,099
Mortgage repayments	31	18
	9,173	**15,117**

(d) Depreciation

	2016/17 £000s	2017/18 £000s
Property, plant and equipment		
Council dwellings	14,199	15,963
Other land and buildings	115	120
Vehicles, plant and equipment	19	31
	14,333	**16,114**

(e) Impairment Charges

	2016/17 £000s	2017/18 £000s
Non-enhancing capital expenditure	189	1,325
Downward revaluation of assets	1,648	448
	1,837	**1,773**

(f) Revenue Expenditure Funded From Capital Under Statute

Revenue expenditure funded from capital under statute of £624,000 (£61,000 in 2016/17) has been charged to the HRA.

(g) Contribution from the Pension Reserve

The cost of the HRA has increased after the replacement of employer's pension contributions by current service costs and a share of the corporate items (pensions interest costs, expected return on pensions assets, past service costs, settlements and curtailments). The HRA share of the contribution from the pensions reserve in 2017/18 is £298,000 (£116,000 in 2016/17). The overall amount to be met from rent payers remains unchanged.

(h) Rent Arrears

	2016/17 £000s	2017/18 £000s
Arrears at 31 March	7,868	7,949

	2016/17 £000s	2017/18 £000s
Provision at 1 April	5,065	5,396
Contributions in year	331	571
Provision as at 31 March	**5,396**	**5,967**

Collection Fund

Income and Expenditure Account

This account reflects statutory requirements for billing authorities to maintain a separate collection fund to account for the income from council tax and business rates and its distribution to the Council, the Greater Manchester Combined Authority Police and Crime and Fire and Rescue elements.

2016/17 £000s				2017/18 £000s		
Business Rates	**Council Tax**	**Total**		**Business Rates**	**Council Tax**	**Total**
			Income			
0	162,817	162,817	Council Tax - net amount receivable	0	175,141	175,141
357,167	0	357,167	Collectable from business ratepayers	364,965	0	364,965
357,167	162,817	519,984		364,965	175,141	540,106
			Apportionment of Previous Year Deficit			
31	0	31	- Manchester City Council	0	0	0
32	0	32	- Central Government	0	0	0
1	0	1	- GMCA Fire and Rescue	0	0	0
357,231	**162,817**	**520,048**		**364,965**	**175,141**	**540,106**
			Expenditure			
			Apportionment of Previous Year Surplus			
0	0	0	- Central Government	14,934	0	14,934
0	7,923	7,923	- Manchester City Council	14,635	5,940	20,575
0	1,029	1,029	- GMCA Police and Crime Commissioner	0	766	766
0	390	390	- GMCA Fire and Rescue	299	286	585
			Precepts and demands			
154,509	0	154,509	- Central Government	0	0	0
151,419	128,694	280,113	- Manchester City Council	321,402	140,567	461,969
0	16,606	16,606	- GMCA Police and Crime Commissioner	0	17,825	17,825
3,090	6,205	9,295	- GMCA Fire and Rescue	3,246	6,584	9,830
			Business rates			
1,982	0	1,982	- Transitional protection payment	6,341	0	6,341
			Charges to Collection Fund			
1,474	540	2,014	- Write offs of uncollectable amounts	3,275	1,571	4,846
1,506	(5,492)	(3,986)	- Increase / (Decrease) in Allowance for Impairment	7,187	4,292	11,479
10,867	0	10,867	- Contribution to Provision for Appeals	14,091	0	14,091
1,130	0	1,130	- Costs of collection	1,124	0	1,124
325,977	**155,895**	**481,872**	**Total Expenditure**	**386,534**	**177,831**	**564,365**
31,254	6,922	38,176	Movement on fund balance	(21,569)	(2,690)	(24,259)
11,608	10,905	22,513	Fund balance brought forward	42,862	17,827	60,689
42,862	**17,827**	**60,689**	**Fund Balance Carried Forward**	**21,293**	**15,137**	**36,430**

Notes to the Collection Fund Account

(a) Business Rates

The Council collects business rates for its area on behalf of itself and the Greater Manchester Combined Authority (Fire and Rescue). In 2016/17 business rates were also collected on behalf of central government. These rates are based on rateable values for properties set by the Valuation Office Agency which are multiplied by a uniform business rate set by central government. The multiplier for the year was set at 47.9p (49.7p for 2016/17). The total business rates rateable value at 31 March 2018 was £906,280,409 (£855,108,000 at 31 March 2017).

(b) Calculation of the Council Tax Base

For 2017/18 there were 225,322 residential properties in Manchester which were placed in one of eight valuation bands, depending on their capital value, by the Listing Officer of the government's Valuation Office. There are 192,029 equivalent number of dwellings after taking account of discounts, exemptions and disabled relief. These equate to 109,829 equivalent Band D properties, which are used for the calculation of the tax base.

The table below shows the total number of equivalent properties after discounts, exemptions and disabled relief and the number of chargeable Band D equivalents.

Valuation Band	Total Equivalent Number of Dwellings after Discounts, Exemptions and Disabled Relief	Chargeable Band D Equivalents
A	111,288	74,176
B	33,269	25,876
C	28,879	25,671
D	13,577	13,577
E	4,802	5,870
F	1,856	2,682
G	741	1,235
H	74	148
	194,486	149,235

The number of chargeable Band D equivalents for 2016/17 was 147,151.

(c) Share of Fund Balance

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

Business Rates	**Surplus 2016/17 £000s**	**Surplus 2017/18 £000s**
Central Government	21,431	6,497
Manchester City Council	21,002	14,583
GMCA Fire and Rescue	0	213
Total Surplus	42,433	21,293

Council Tax	**Surplus 2016/17 £000s**	**Surplus 2017/18 £000s**
Manchester City Council	15,165	12,718
GMCA Police and Crime Commissioner	1,941	1,722
GMCA Fire and Rescue	721	697
Total Surplus	17,827	15,137

Group Comprehensive Income and Expenditure Statement

This account summarises the resources that have been generated and consumed in providing services and managing the Group during the last year. It includes all day-to-day expenses and related income on an accruals basis.

Restated 2016/17 Gross Expenditure £000s	2016/17 Gross Income £000s	Restated 2016/17 Net Expenditure £000s		Note	2017/18 Gross Expenditure £000s	2017/18 Gross Income £000s	2017/18 Net Expenditure £000s
			Continuing operations				
230,005	65,971	164,034	Adult Social Care		250,187	70,634	179,553
558,514	387,800	170,714	Children's Services		583,006	422,129	160,877
403,859	310,422	93,437	Corporate Core		414,299	306,399	107,900
112,958	51,303	61,655	Growth and Neighbourhoods		132,602	61,285	71,317
49,279	15,951	33,328	Strategic Development		55,285	11,088	44,197
5,518	58,606	(53,088)	Corporate Items		6,820	8,855	(2,035)
4,684	0	4,684	Council Wide Costs		11,296	0	11,296
56,063	88,884	(32,821)	Housing Revenue Account		57,758	87,304	(29,546)
12,601	17,863	(5,262)	Destination Manchester Ltd		11,090	19,571	(8,481)
1,433,481	**996,800**	**436,681**	**Cost of services excluding acquired services**		**1,522,343**	**987,265**	**535,078**
			Other operating expenditure				
42,636	3,578	39,058	Loss on disposal of non-current assets		12,994	7,261	5,733
69,164	0	69,164	Levies not included in net cost of services		69,256	0	69,256
3,542	0	3,542	Payments to government housing capital receipts pool		2,553	0	2,553
115,342	**3,578**	**111,764**	**Total other operating expenditure**		**84,803**	**7,261**	**77,542**
173,658	156,665	16,993	Financing and investment income and expenditure	**5**	134,582	140,194	(5,612)
0	525,719	(525,719)	Taxation and non-specific grant income		0	597,413	(597,413)
1,722,481	**1,682,762**	**39,719**	**Deficit on provision of services**		**1,741,728**	**1,732,133**	**9,595**
263,216	299,549	(36,333)	Share of operating results of joint venture	**8**	287,470	330,647	(43,177)
372	0	372	Tax expenses of subsidiary		456	0	456
3,515	0	3,515	Tax expenses of joint venture	**8**	12,567	0	12,567
1,989,584	**1,982,311**	**7,273**	**Group (Surplus) / Deficit on provision of services**		**2,042,221**	**2,062,780**	**(20,559)**
			Items that will not be subsequently classified in (Surplus)/ Deficit on Provision of Services				
		(148,663)	(Surplus) on revaluation of non-current assets				(188,417)
		14,313	Impairment losses on non-current assets charged to the revaluation reserve				10,977
		19,844	Remeasurements of the net defined benefit liability				(89,658)
		142	Share of other comprehensive income and expenditure of subsidiaries				1,396
		(28,051)	Share of other comprehensive income and expenditure of joint ventures				(97,802)
			Items that will be subsequently classified in (Surplus)/ Deficit on Provision of Services				
		3,534	(Surplus) / Deficit on revaluation of available for sale financial assets				(6,410)
		(138,881)	**Total other comprehensive income and expenditure**				**(369,914)**
		(131,608)	**Total comprehensive income and expenditure**				**(390,473)**

The 2016/17 gross and net expenditure figures have been restated to remove internal recharges relating to the single entity following clarification of their treatment issued by CIPFA.

Group Movement In Reserves Statement

This statement shows the movement in the year on the Council's single entity usable and unusable reserves, as well as the Council's share of the group reserves.

	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Major Repairs Reserve £000s	Total Usable Reserves £000s	Total Unusable Reserves £000s	Council Share of Group Reserves £000s	Total Group Reserves £000s
Balance at 31 March 2016	**(232,074)**	**(86,010)**	**(37,949)**	**(25,682)**	**(1,909)**	**(383,624)**	**(1,392,610)**	**(823,233)**	**(2,599,467)**
Movement in reserves during 2016/17									
Total comprehensive income and expenditure	26,214	(26,576)	0	0	0	**(362)**	**(110,972)**	(20,274)	(131,608)
Total adjustments between accounting basis and funding basis under regulations	(49,176)	21,595	(1,186)	3,188	526	**(25,053)**	25,053	0	0
(Increase) / decrease in year	**(22,962)**	**(4,981)**	**(1,186)**	**3,188**	**526**	**(25,415)**	**(85,919)**	**(20,274)**	**(131,608)**
Balance at 31 March 2017	**(255,036)**	**(90,991)**	**(39,135)**	**(22,494)**	**(1,383)**	**(409,039)**	**(1,478,529)**	**(843,507)**	**(2,731,075)**
Movement in reserves during 2017/18									
Total comprehensive income and expenditure	(9,672)	(26,342)	0	0	0	**(36,014)**	**(273,508)**	(80,950)	(390,473)
Total adjustments between accounting basis and funding basis under regulations	(40,183)	17,394	(32,885)	3,965	1,383	**(50,326)**	50,326	0	0
(Increase) / decrease in year	**(49,855)**	**(8,948)**	**(32,885)**	**3,965**	**1,383**	**(86,340)**	**(223,182)**	**(80,950)**	**(390,473)**
Balance at 31 March 2018	**(304,891)**	**(99,940)**	**(72,020)**	**(18,528)**	**(0)**	**(495,379)**	**(1,701,711)**	**(924,457)**	**(3,121,548)**

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

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

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

Reconciliation of the Single Entity Comprehensive Income and Expenditure Statement Surplus to the Group Comprehensive Income and Expenditure Statement Deficit

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

2016/17 £000s		Note	2017/18 £000s
(362)	(Surplus) on the Authority's single entity Income and Expenditure Account for the year		(36,014)
1,020	Distribution from group entities included in the Authority's single entity surplus on the Income and Expenditure Account		822
(4,660)	Add (surplus) attributable to subsidiary	7	(7,723)
11,275	Add deficit attributable to joint venture including dividends paid (after corporation tax)		22,356
7,273	**Group income and expenditure account surplus/(deficit) for the year**		**(20,559)**

Group Balance Sheet

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

31 March 2017 £000s		Note	31 March 2018 £000s	
	Non-current assets			
2,224,027	Property, plant and equipment	10	2,467,144	
539,468	Heritage assets		539,254	
394,212	Investment properties		414,985	
346	Intangible non-current assets		284	
952,206	Long-term investment in joint venture	11	1,032,719	
3,269	Other long-term investments	11	7,973	
138,858	Long-term debtors	12	180,115	
4,252,386	**Total non-current assets**			**4,642,474**
	Current assets			
5,000	Short term investments		8,945	
606	Inventories		618	
169,750	Short-term debtors	12	161,033	
102,650	Cash and cash equivalents	13	135,306	
21,376	Short-term assets held for sale		10,414	
515	Intangible current assets		481	
299,897	**Total current assets**			**316,797**
4,552,283	**Total assets**			**4,959,271**
	Current liabilities			
(15,172)	Short-term borrowing		(51,948)	
(197,330)	Short-term creditors	14	(186,801)	
(15,368)	Short-term provisions		(38,320)	
(13,642)	Short-term deferred liabilities	15	(15,538)	
(241,512)	**Total current liabilities**			**(292,607)**
4,310,771	**Total assets less current liabilities**			**4,666,664**
	Long-term liabilities			
(2,140)	Long-term creditors		(1,096)	
(49,265)	Long-term provisions		(62,839)	
(524,786)	Long-term borrowing		(482,531)	
(141,112)	Long-term deferred liabilities	15	(151,789)	
(29,739)	Capital grants receipts in advance		(41,581)	
(832,654)	Pensions liability		(805,280)	
(1,579,696)	**Total long-term liabilities**			**(1,545,116)**
2,731,075	**Net assets**			**3,121,548**
	Financed by:			
409,039	Usable reserves			495,379
1,478,529	Unusable reserves			1,701,711
843,507	Group income and expenditure reserve			924,458
2,731,075	**Total reserves**	16		**3,121,548**

Group Cash flow statement

The cash flow statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2016/17 £000s		**Note**	**2017/18 £000s**
7,273	Net deficit/(surplus) on the provision of services		(20,559)
(131,533)	Adjustments to net deficit/(surplus) on the provision of services for non-cash movements	19	(158,539)
94,438	Adjustments for items included in the net deficit/(surplus) on the provision of services that are investing and financing activities	20	161,430
(29,822)	**Net cash flows from operating activities**		**(17,668)**
44,930	Investing activities	22	(26,959)
(15,891)	Financing activities	23	11,971
(783)	**Net (increase) in cash and cash equivalents**		**(32,656)**
101,867	Cash and cash equivalents at the beginning of the reporting period		102,650
102,650	**Cash and cash equivalents at the end of the reporting period**	13	**135,306**

Notes To The Group Accounts

Note 1. Group Accounting Policies

Introduction

As a modern local authority Manchester City Council often chooses to conduct activities through a variety of undertakings, either under ultimate control of or in partnership with other organisations. The standard financial statements consider the Council only as a single entity, accounting for its interests in other organisations only to the extent of its investment, and not current performance and balances. Thus a full picture of the Council's economic activities, financial position, service position, accountability for resources and exposure to risk is not presented in the Council's single entity financial statements.

As a result, group financial statements are produced to reflect the extent of Manchester City Council's involvement with its group undertakings in order to provide a clearer picture of the Council's activities as a group. The group accounts contain core financial statements similar to those included in the Council's single entity statements, consolidated with figures from organisations considered to be part of the group.

The Group Accounts are of equal status to the single entity accounts but to achieve a meaningful presentation to the reader of the accounts they are positioned after the single entity financial statements and notes.

The group statements include:

- Group Comprehensive Income and Expenditure Statement
- Group Movement in Reserves Statement
- Reconciliation of the Single Entity Surplus to the Group Surplus
- Group Balance Sheet
- Group Cash Flow Statement.

The group financial statements are presented in accordance with the IFRS based Code.

Notes to the Group Accounts are included where they are materially different to the single entity accounts.

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

Where group organisations use different accounting policies to the Council, their accounts have been restated to align their accounting policies with those of the Council where the effect of not doing so would be material to the reader's interpretation of the accounts.

Manchester Airport Holdings Limited (MAHL) accounts are prepared using deemed cost for land and buildings. Deemed cost is the cost or valuation of assets as at 1 April 2005. Consequently property, plant and equipment is included in MAHL's accounts at cost or deemed cost less accumulated depreciation. A valuation of MAHL's land and building assets has been undertaken in order to align the accounting policy with that of the Council. This valuation has been used for the Council's group accounts.

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

Manchester City Council Group

Inclusion in the Manchester City Council Group is dependent upon the extent of the Council's interest and control over the entity. An assessment of all of the Council's interests has been carried out to determine which of the following categories they fall under. Where an entity is considered to be immaterial, they are not included in the group accounts.

Subsidiaries – where the Council exercises control and gains benefits / exposure to risks arising from this control. Subsidiaries of the Council have been considered for materiality; Destination Manchester Limited (DML) is the only subsidiary consolidated into the Council's group accounts. The Council owns 100% of DML.

Associates – where the Council exercises a significant influence and has a participating interest. Associates of the Council have been considered for materiality; there are no associates consolidated into the Council's group accounts.

Joint Ventures - where the Council and another party exercise joint control with decisions relating to the organisation requiring unanimous consent of the parties sharing control. Those entities considered to be material are included in the group. Joint Ventures are accounted for on an equity basis, by including their net operating results in the group income and expenditure account. Investments in these entities are adjusted on the balance sheet for the Council's share of their results. The group contains one material joint venture which is Manchester Airports Holdings Limited (MAHL). The Council owns 35.5% of MAHL. MAHL owns Manchester, Stansted and East Midlands airports. Until 4 December 2017 it also owned Bournemouth Airport. This was sold to RCA, part of the Rigby Group.

Manchester Airports Holdings Limited audited accounts are available at their website

The Group Accounts have been prepared in accordance with the 2017/18 Code of Practice for Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounting policies used in preparing the Group Accounts are generally those used by Manchester City Council in their single entity financial statements. In order to align group entities accounting policies to those used by the Council and ensure consistency of accounting treatment across the group, the following policies have been adopted:

Consolidation of Subsidiary

The Council's subsidiary has been consolidated using the acquisition accounting basis. This is a full, line by line consolidation of the financial transactions and balances of the Council and its subsidiary. To avoid overstating the figures within the group financial statements, all transactions and balances between members of the group (the Council and its subsidiary) have been eliminated.

Consolidation of Joint Venture

The Council's joint venture has been consolidated using the equity method. An investment is brought into the group balance sheet and adjusted by the Council’s share in the joint venture's net asset movement. The Council’s share of the joint venture's operating results for the year is included within the group income and expenditure account.

Non-Current Assets

Non-current assets have been consolidated using the valuation basis specified by the Code, unless the entity has a distinct class of asset that the Council does not recognise. In this case the entity’s valuation basis was used.

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

Where group organisations use different accounting policies to the Council, their accounts have been restated to align their accounting policies with those of the Council where the effect of not doing so would be material to the reader's interpretation of the accounts.

International Financial Reporting Standards (IFRS)

The Council produces its financial statements in accordance with IFRS. Where UK GAAP is still being used by group entities, their financial statements are adjusted to reflect IFRS where any changes have a material effect on the presentation of the group financial statements.

Note 2. Expenditure and Funding Analysis

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

2016/17						2017/18				
As reported to Members £000	Restated Adjustments to arrive at net amount chargeable to the group general balances £000	Net expenditure chargeable to the group general balances £000	Adjustments between funding and accounting basis £000	Restated Net expenditure in the Comprehensive Income and Expenditure Statement £000		As reported to Members £000	Adjustments to arrive at net amount chargeable to the group general balances £000	Net expenditure chargeable to the group general balances £000	Adjustments between funding and accounting basis £000	Net expenditure in the Comprehensive Income and Expenditure Statement £000
	Note 3a						Note 3a			
167,264	(5,619)	161,645	2,389	164,034	Adult Social Care	176,672	(5,698)	170,974	8,579	179,553
108,290	17,621	125,911	44,803	170,714	Children's Services	113,838	7,703	121,541	39,336	160,877
77,000	66	77,066	16,371	93,437	Corporate Core	75,600	(2,790)	72,810	35,090	107,900
73,977	(21,116)	52,861	8,794	61,655	Growth and Neighbourhoods	91,042	(44,032)	47,010	24,307	71,317
7,034	18,422	25,456	7,872	33,328	Strategic Development	6,057	27,246	33,303	10,894	44,197
(54,556)	1,847	(52,709)	(379)	(53,088)	Corporate Items	8,171	(10,207)	(2,036)	0	(2,036)
0	0	0	4,684	4,684	Council Wide Costs	0	0	0	11,296	11,296
(4,981)	(6,245)	(11,226)	(21,595)	(32,821)	Housing Revenue Account	(8,949)	(3,203)	(12,152)	(17,394)	(29,546)
0	(5,262)	(5,262)	0	(5,262)	Destination Manchester Ltd	0	(8,481)	(8,481)	0	(8,481)
374,028	(286)	373,742	62,939	436,681	Net Cost of Services	462,431	(39,462)	422,969	112,108	535,077
(377,758)	(16,294)	(394,052)	(35,358)	(429,408)	Other Income and Expenditure	(467,461)	1,144	(466,317)	(89,319)	(555,636)
(3,730)	(16,580)	(20,310)	27,581	7,273	(Surplus) / Deficit on Provision of Services	(5,030)	(38,318)	(43,348)	22,789	(20,559)
Opening Group General Reserves		976,561			Opening Group General Reserves			996,871		
Surplus on Group General Reserves in year		20,310			Surplus on Group General Reserves in year			43,348		
Closing Group General Reserves at 31 March		996,871			Closing Group General Reserves at 31 March			1,040,219		

Note 3. Note to the Expenditure and Funding Analysis

(a) Adjustments to arrive at net amount chargeable to the group general balances 2016/17

Other Adjustments	Adjustments relating to other income and expenditure (i)	Adjustments relating to transfers to / from reserves (ii)	Restated Adjustments relating to internal recharges (iii)	Restated Total Adjustments
	£000	£000	£000	£000
Adult Social Care	(171)	(2,975)	(2,473)	(5,619)
Children's Services	4,569	14,701	(1,649)	17,621
Corporate Core	2,267	(4,341)	2,140	66
Growth and Neighbourhoods	(28,114)	6,307	691	(21,116)
Strategic Development	12,872	4,392	1,158	18,422
Corporate Items	152	1,562	133	1,847
Housing Revenue Account	(6,245)	0	0	(6,245)
Destination Manchester Ltd	(5,262)	0	0	(5,262)
Net Cost of Services	(19,932)	19,646	0	(286)
Other Income and Expenditure from the Expenditure and Funding Analysis	27,565	(43,859)	0	(16,294)
Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Deficit	7,633	(24,213)	0	(16,580)

The 2016/17 figures have been restated to remove internal recharges relating to the single entity following clarification of their treatment issued by CIPFA.

(a) Adjustments to arrive at net amount chargeable to the group general balances 2017/18

Other Adjustments	Adjustments relating to other income and expenditure (i)	Adjustments relating to transfers to / from reserves (ii)	Restated Adjustments relating to internal recharges (iii)	Total Adjustments
	£000	£000	£000	£000
Adult Social Care	(2,554)	(570)	(2,574)	(5,698)
Children's Services	4,518	5,763	(2,578)	7,703
Corporate Core	2,284	(8,077)	3,003	(2,790)
Growth and Neighbourhoods	(48,769)	5,493	(756)	(44,032)
Strategic Development	19,349	5,376	2,521	27,246
Corporate Items	(10,298)	(293)	384	(10,207)
Council Wide Costs	0	0	0	0
Housing Revenue Account	(3,203)	0	0	(3,203)
Destination Manchester Ltd	(8,481)	0	0	(8,481)
Net Cost of Services	(47,154)	7,692	0	(39,462)
Other Income and Expenditure from the Expenditure and Funding Analysis	62,609	(61,465)	0	1,144
Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	15,455	(53,773)	0	(38,318)

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

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

(iii) Internal recharges between services are included in the outturn report but are not shown within the CIES.

Note 4. Prior Period Restatement

Service Expenditure and Income

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

The 2016/17 gross and net expenditure figures have been restated to exclude internal recharges following clarification of their treatment by CIPFA. There have been no transfers of services between directorates in 2017/18 that would have required restatement of the 2016/17 figures.

The two tables below shows how the net expenditure and gross expenditure have been restated. There is no change to the gross income figures.

	As reported in the 2016/17 CIES £000	Adjustments between internal reporting classifications £000	As restated 2016/17 £000
Net Expenditure			
Directorate / Organisation Line			
Adults and Public Health	166,507	(2,473)	164,034
Children's Services	172,363	(1,649)	170,714
Corporate Core	91,297	2,140	93,437
Growth and Neighbourhoods	60,964	691	61,655
Strategic Development	32,170	1,158	33,328
Corporate Items	(53,221)	133	(53,088)
Council Wide Costs	4,684	0	4,684
Housing Revenue Account	(32,821)	0	(32,821)
Destination Manchester Ltd	(5,262)	0	(5,262)
Total Net Cost of Services	436,681	0	436,681

Gross Expenditure			
Directorate / Organisation Line			
Adults and Public Health	232,478	(2,473)	230,005
Children's Services	560,163	(1,649)	558,514
Corporate Core	401,719	2,140	403,859
Growth and Neighbourhoods	112,267	691	112,958
Strategic Development	48,121	1,158	49,279
Corporate Items	5,385	133	5,518
Council Wide Costs	4,684	0	4,684
Housing Revenue Account	56,063	0	56,063
Destination Manchester Ltd	12,601	0	12,601
Total Net Cost of Services Gross Expenditure	1,433,481	0	1,433,481

Note 5. Financing and Investment Income and Expenditure

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

	2016/17 £000s	2017/18 £000s	Note
Interest payable on debt	24,999	24,108	a
Interest element of finance leases (lessee)	39	21	
Interest payable on PFI unitary payments	10,481	11,634	
Net interest on the net defined benefit liability	27,753	21,623	b
Investment Interest income	(14,342)	(14,303)	c
Investment properties impairment	25,492	4,500	
Change in fair value of investment properties	(31,757)	(33,443)	
Dividends receivable	(6,928)	(1,072)	d
(Gain) on trading accounts (not applicable to a service)	(804)	(582)	
Rentals received on investment properties	(20,397)	(20,761)	
Expenses incurred on investment properties	2,457	2,663	
Total financing and investment income and expenditure	**16,993**	**(5,612)**	

a. Interest Payable

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

	2016/17 £000s	2017/18 £000s
Manchester City Council	24,024	23,286
Destination Manchester Limited	975	822
Total	**24,999**	**24,108**

b. Net interest on the net defined benefit liability

These figures represent the net interest on the net defined benefit liability of the group as follows:

	2016/17 £000s	2017/18 £000s
Manchester City Council	27,441	21,311
Destination Manchester Limited	312	312
Total	**27,753**	**21,623**

c. Investment Interest Income

	2016/17 £000s	2017/18 £000s
Manchester City Council	(14,305)	(14,293)
Destination Manchester Limited	(37)	(10)
Total	**(14,342)**	**(14,303)**

The above figures include consolidation adjustments where transactions between the Council and the subsidiary are eliminated for the purpose of preparing the group accounts.

d. Dividends Receivable

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

Note 6. Exclusion of Distributions from Group Entities Included in Manchester City Council's Single Entity Accounts

Related party transactions between the Council and Destination Manchester Limited have been removed from the group income and expenditure account on consolidation. In 2017/18 the amount removed was £821,000 (£1,020,000 in 2016/17).

Note 7. Surplus Attributable to Subsidiaries

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

	2016/17 £000s	2017/18 £000s
Destination Manchester Limited	(4,660)	(7,723)
Total (Surplus)	**(4,660)**	**(7,723)**

Note 8. Surplus Attributable to Joint Venture

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

	2016/17 £000s	2017/18 £000s
(Surplus) before tax	(36,333)	(43,177)
Tax expenses	3,515	12,567
(Surplus) after tax	**(32,818)**	**(30,610)**

Note 9. Expenditure and Income Analysis

The Group income and expenditure is analysed as follows:

	2016/17 £000	2017/18 £000
Expenditure		
Employee Benefit Expenses	471,707	518,427
Other Service Expenses	837,126	857,148
Capital Charges including Depreciation and impairment	152,598	155,065
Interest Payments	35,519	34,941
Pensions Interest Costs	110,190	91,344
Precepts and Levies	69,164	69,256
Payments to Housing Capital Receipts Pool	3,542	2,553
Loss on Disposal of Non-current Assets (general fund)	42,636	12,994
Share of operating results of joint venture	263,216	287,470
Corporation Tax	3,886	13,023
Total Expenditure	1,989,584	2,042,221
Income		
Fees, Charges and Other Service Income	(243,677)	(268,776)
Interest and Investment Income	(21,272)	(15,366)
Return on Pension Assets	(82,437)	(70,033)
Capital Charges related income	(106,999)	(154,137)
Income from Council Tax	(142,533)	(148,977)
Business Rates Income	(178,889)	(313,376)
Government Grants and Contributions	(903,378)	(754,207)
Share of operating results of joint venture	(299,549)	(330,647)
Gain on Disposal of Fixed Assets (HRA)	(3,578)	(7,261)
Total Income	(1,982,311)	(2,062,780)
Deficit/(Surplus) on the Provision of Services	7,273	(20,559)

Note 10. Property Plant and Equipment

Movements on tangible non-current assets in the group during 2017/18 were as follows:

	Property, Plant and Equipment							
	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s
Gross book value brought forward	508,251	1,200,495	102,410	535,139	29,982	32,486	127,490	2,536,253
Accumulated depreciation and impairment brought forward	(25,730)	(116,106)	(40,488)	(100,363)	(206)	0	(29,333)	(312,226)
Net book value carried forward as at 31 March 2017	**482,521**	**1,084,389**	**61,922**	**434,776**	**29,776**	**32,486**	**98,157**	**2,224,027**
Movement in 2017/18								
Additions	19,675	49,332	8,447	26,900	522	41,960	9,179	156,015
Revaluations recognised in revaluation reserve	71,797	110,692	151	0	0	0	5,881	188,521
Revaluations recognised in deficit on the provision of services	(353)	(7,832)	0	0	0	0	(8,341)	(16,526)
Derecognition - disposals	0	(21,006)	(10)	0	0	0	(954)	(21,970)
Transferred from held for sale	(7,838)	850	0	0	0	0	(5,452)	(12,440)
Other transfers	(416)	(2,299)	413	(788)	129	1,777	843	(341)
Newly recognised assets - leased assets / PFI assets	25,572	0	1,089	0	0	0	0	26,661
Depreciation	(15,880)	(26,095)	(8,430)	(17,977)	(1)	0	(337)	(68,720)
Impairments charged to the comprehensive income and expenditure statement	(1,325)	(466)	(113)	0	0	0	(34)	(1,938)
Impairments covered by the revaluation reserve	(10,455)	(425)	0	0	0	0	(100)	(10,980)
Reversal of prior year impairment	0	4,835	0	0	0	0	0	4,835
Net Book Value carried forward as at 31 March 2018	**563,298**	**1,191,975**	**63,469**	**442,911**	**30,426**	**76,223**	**98,842**	**2,467,144**
Gross book value carried forward as at 31 March 2018	590,722	1,283,191	111,654	561,251	31,279	76,223	108,789	2,763,109
Accumulated depreciation and impairment carried forward as at 31 March 2018	(27,424)	(91,216)	(48,185)	(118,340)	(853)	0	(9,947)	(295,965)
Net Book Value carried forward as at 31 March 2018	**563,298**	**1,191,975**	**63,469**	**442,911**	**30,426**	**76,223**	**98,842**	**2,467,144**

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

	Property, Plant and Equipment							
	Council Dwellings £000s	Restated Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Restated Infrastructure Assets £000s	Restated Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s
Gross book value brought forward	449,078	1,189,737	93,615	514,370	29,258	18,277	171,843	2,466,178
Accumulated depreciation and impairment brought forward	(31,023)	(106,421)	(34,900)	(92,253)	(172)	0	(74,713)	(339,482)
Net book value carried forward as at 31 March 2016	**418,055**	**1,083,316**	**58,715**	**422,117**	**29,086**	**18,277**	**97,130**	**2,126,696**
Movement in 2016/17								
Additions	18,118	14,881	9,791	21,514	713	17,863	4,332	87,212
Revaluations recognised in revaluation reserve	68,260	44,825	0	0	0	0	9,844	122,929
Revaluations recognised in deficit on the provision of services	(1,604)	(3,281)	0	0	0	0	(1,568)	(6,453)
Derecognition - disposals	0	(45,279)	0	0	0	0	(572)	(45,851)
Transferred from held for sale	(5,565)	71	0	0	(1)	0	(11,096)	(16,591)
Other transfers	(173)	1,829	1,353	(745)	12	(3,654)	1,225	(153)
Newly recognised assets - Leased assets / PFI assets	11,475	14,310	1,033	0	0	0	0	26,818
Depreciation	(14,199)	(22,813)	(8,931)	(8,110)	(34)	0	(218)	(54,305)
Impairments charged to the comprehensive income and expenditure statement	(188)	(3,107)	(36)	0	0	0	(888)	(4,219)
Impairments covered by the revaluation reserve	(11,658)	(2,503)	(3)	0	0	0	(32)	(14,196)
Reversal of prior year impairment	0	2,140	0	0	0	0	0	2,140
Net book value carried forward as at 31 March 2017	**482,521**	**1,084,389**	**61,922**	**434,776**	**29,776**	**32,486**	**98,157**	**2,224,027**
Gross book value carried forward as at 31 March 2017	508,251	1,200,495	102,410	535,139	29,982	32,486	127,490	2,536,253
Accumulated depreciation and impairment carried forward as at 31 March 2017	(25,730)	(116,106)	(40,488)	(100,363)	(206)	0	(29,333)	(312,226)
Net book value carried forward as at 31 March 2017	**482,521**	**1,084,389**	**61,922**	**434,776**	**29,776**	**32,486**	**98,157**	**2,224,027**

Note 11. Long-term Investments

	31 March 2017 £000s	31 March 2018 £000s
Investments in organisations included in the group statements		
Manchester Airports Holdings Ltd	946,016	1,020,824
Investments in subsidiaries not included in the group statements		
Manchester Mortgage Corporation Plc Share Capital	149	155
Investments in associates not included in the group statements		
National Car Parks (Manchester) Ltd Share Capital	934	1,693
Eastlands Development Company Limited	1,300	1,300
Mayfield Developments	0	4,000
Matrix Homes Ltd	3,807	4,747
	952,206	**1,032,719**
Other long-term investments	3,269	7,973
Total other long-term investments	**3,269**	**7,973**
Total Long-Term Investments	**955,475**	**1,040,692**

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

Note 12. Debtors

As the balance sheet date represents the position at the end of the financial year, there are monies owed to the Group at that date which are yet to be received in cash. The following analysis shows the amounts owed to the Group which had not been received at 31 March 2018. Amounts owed to the Council by Destination Manchester Ltd have been removed as they are classed as intra-company transactions.

The Council also makes provision for outstanding monies which it is anticipated will not be recovered. These amounts are then deducted from the total value of debtors shown in the accounts.

	31 March 2017 £000s	31 March 2018 £000s
Short-term debtors - Manchester City Council		
Manchester City Council debtors and payments in advance	169,658	161,396
Adjustments for intra-company transactions	(2,637)	(3,791)
	167,021	**157,605**
Short-term debtors - Destination Manchester Limited		
Trade debtors	1,521	2,031
Corporation tax	372	456
Other debtors	836	941
Total	**169,750**	**161,033**

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

These are amounts that are owed to the Group which are being repaid over various periods longer than one year. Long-term debt which has become due in less than twelve months has been reclassified as short-term debt. Long-term debt owed to the Council by Destination Manchester Ltd has been removed from the group accounts as it is classed as an intra-company transaction.

	31 March 2017 £000s	31 March 2018 £000s
Long-term debtors		
Mortgages		
Housing Revenue Account	3	0
General Fund	18	0
Manchester Airports Holdings Limited	83,168	83,168
Ex GMC debt	95	71
PFI prepayments	21,880	23,273
Private Sector Housing Loans	11,389	11,672
Equity Mortgages	3,019	2,789
Eon Reality	1,100	0
Greater Manchester Loans Fund	5,369	6,062
Matrix Homes	7,236	7,777
Biffa Municipal	3,212	3,343
Other	2,369	2,336
FQ Developments	0	34,461
Peel Media Development	0	5,163
Total	**138,858**	**180,115**

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

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

Bank Overdraft and Cash and Cash equivalents	31 March 2017 £000s	31 March 2018 £000s
Cash at bank and in hand	23,947	6,368
Call accounts	37,660	13,353
Investments less than 3 months	41,043	115,584
Total	**102,650**	**135,305**

Note 14 Short-Term Creditors

As the Group's Balance Sheet represents the financial position at the end of the financial year, these are monies owed by the Group at that date which have yet to be paid. There are also amounts which the Council has received before the end of the financial year which relates to services which have not yet been provided. This analysis shows the amounts owed which had not yet been paid and the amounts received in advance as at 31 March 2018. Amounts owed by the Council to Destination Manchester Ltd have been removed as they are classed as intra-company transactions.

	31 March 2017 £000s	31 March 2018 £000s
Manchester City Council	189,156	178,964
Adjustments for intra-company transactions (trade creditors)	(129)	(320)
	189,027	**178,644**
Destination Manchester Limited		
Trade Creditors	599	429
Accruals and deferred income	6,670	6,867
Corporation tax	372	456
Other taxes and social security costs	662	405
Total	**197,330**	**186,801**

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

Note 15. Deferred Liabilities

	31 March 2017 £000s	Repaid in year £000s	Additions in year £000s	31 March 2018 £000s	Short Term 31 March 2018 £000s	Long Term 31 March 2018 £000s
Ex GMC debt	11,951	(2,175)	0	9,776	2,278	7,498
Finance leases	476	(462)	0	14	14	0
Private Finance Initiatives	137,601	(11,048)	25,572	152,125	12,760	139,365
Service Concession	3,589	(439)	1,089	4,239	486	3,753
Deferred taxation (Destination Manchester Ltd)	1,137	0	36	1,173	0	1,173
	154,754	**(14,124)**	**26,697**	**167,327**	**15,538**	**151,789**

Note 16. Group Reserves

	31 March 2017 £000s	31 March 2018 £000s
Usable Reserves		
Manchester City Council *	409,039	495,379
Unusable Reserves		
Manchester City Council *	1,478,529	1,701,711
Group Income and Expenditure Reserve		
Manchester Airports Holdings Ltd - usable	646,943	632,113
Manchester Airports Holdings Ltd - unusable	186,719	278,096
Destination Manchester Ltd - usable	3,901	8,457
Destination Manchester Ltd - unusable	5,944	5,792
Total Group Income and Expenditure Reserve	**843,507**	**924,458**
Total	**2,731,075**	**3,121,548**

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

Note 17. Related Party Transactions

As at 31 March 2018 the amount of loans outstanding owed by Manchester Airports Holdings Limited to Manchester City Council was £83.2m (£83.2m at 31 March 2017).

Destination Manchester Limited had outstanding loans to the Council of £17.2m at 31 March 2018 (£17.9m at 31 March 2017).

The director of Destination Manchester Limited during 2017/18 was Carol Culley City Treasurer

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

Note 18. Cash Flow Statement - Adjustments to net deficit / (surplus) on the provision of services for non-cash movements

	2016/17 £000s	2017/18 £000s
Depreciation of non-current assets	(52,020)	(67,335)
Impairment of non-current assets	(51,172)	(24,564)
Amortisation of intangible non-current assets	(138)	(128)
Pension fund adjustments	(28,986)	(62,284)
Movement in market value of investment property	31,757	33,443
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	5,944	88
(Increase) in impairment provision for bad debts	(5,812)	(7,421)
Contributions to provisions	(5,449)	(6,703)
Carrying amount of property, plant and equipment, investment properties and intangible assets sold	(63,709)	(63,500)
Amount by which council tax income and business rates adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulation	21,229	(8,865)
Other non-cash movements	15,055	2,452
Increase / (decrease) in inventories	(447)	12
Increase / (decrease) in debtors (less capital)	12,896	57,801
Increase / (decrease)in interest debtors	(659)	6,209
(Increase) in creditors (less capital)	(10,252)	(17,697)
(Increase) / decrease in interest creditors	230	(47)
Total	**(131,533)**	**(158,539)**

Note 19. Cash Flow Statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

	2016/17 £000s	2017/18 £000s
Proceeds from the disposal of property, plant and equipment, investment properties and intangible assets	58,221	113,457
Capital Grants credited to deficit on the provision of services	46,886	69,963
Other adjustments for items included in the net deficit on the provision of service that are investing or financing activities	(10,669)	(21,990)
Total	**94,438**	**161,430**

Note 20. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2016/17 £000s	2017/18 £000s
Interest received	(13,636)	(8,117)
Interest paid	34,590	34,946
Dividends received	(44,091)	(52,966)
Taxation	(372)	(456)

Note 21. Cash Flow Statement - Investing Activities

	2016/17 £000s	2017/18 £000s
Purchase of plant, property and equipment, investment property and intangible assets	156,040	221,616
Proceeds of plant, property and equipment, investment property and intangible assets	(58,221)	(113,457)
Capital grants received	(40,978)	(122,877)
Other receipts from investing activities	(11,911)	(12,241)
Total	**44,930**	**(26,959)**

Note 22. Cash Flow Statement - Financing Activities

	2016/17 £000s	2017/18 £000s
Repayments of long and short term borrowing	27,664	18,020
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	15,054	11,486
Cash receipts of long and short-term borrowing	(39,472)	(12,251)
Net (receipts) relating to preceptors element of council tax	(494)	9,871
Net (receipts) relating to national non domestic rates for government and GMCA fire element proportions	(18,643)	(15,155)
Total	**(15,891)**	**11,971**

GLOSSARY OF FINANCIAL TERMS

Actuarial Gains and Losses

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

Agency Services

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

Amortisation

A charge to the comprehensive income and expenditure statement spread over a number of years.

Assets

Items of worth that are measurable in terms of value. Current assets are ones that may change in value on a day-to-day basis (e.g. debtors). Non current assets are assets that yield benefit to the Council for a period of more than one year (e.g. land).

Balances

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

Capital Expenditure

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

Capital Receipts

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

Collection Fund

The fund maintained by the Council into which are paid the amounts of Council Tax and Business Rates that it collects, and out of which are to be paid precepts issued by precepting authorities, its own demands and shares of business rates to the Greater Manchester Combined Authority (fire and rescue element).

Community Assets

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

Contingent Assets

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

Contingent Liabilities

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

Core Cities

Core Cities are a unique and united local authority voice to promote the role of cities in driving economic growth, representing the councils of England, Wales and Scotland's largest city economies outside London - Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield.

These cities drive local and underpin national economies. Working in partnership, they aim to enable each City to enhance their economic performance and make them better places to live, work, visit and do business.

Creditors

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

Current Service Cost

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

Curtailments

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

Debtors

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

Defined Benefit Scheme

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

Defined Contribution Scheme

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

Depreciated Replacement Cost

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

Depreciation

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

Exceptional Items

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

Expenditure

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

Fair Value

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

Fees and Charges

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

Finance Lease

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

General Fund

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

Impairment

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

Income

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

Infrastructure Assets

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

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities that arise from the passage of time.

International Financial Reporting Standards (IFRS)

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

Inventory

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

Investment Properties

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

Liabilities

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

Long-term Contracts

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

Minimum Revenue Provision (MRP)

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

National Non-Domestic Rate (NNDR)

All non-domestic properties have been valued and the Government determines a national rate poundage each year, which is payable to all local authorities. The Council collects the national non-domestic rate and passes 1% to the Greater Manchester Combined Authority (fire and rescue element).

Notional accounting adjustments

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

Observable Inputs

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

Operating Lease

A lease other than a finance lease.

Outturn

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

Past Service Cost

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

Precept

The amount levied by various joint authorities, which is collected by the Council on their behalf.

Provisions

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

Public Works Loan Board (PWLB)

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

Residual Value

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

Reserves

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

Revenue Contributions

The method of financing capital expenditure directly from revenue.

Revenue Expenditure

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Settlement

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

Unobservable Inputs

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

MANCHESTER
CITY COUNCIL

Annual Governance Statement 2017/18

1. Introduction

1 1 This statement provides an overview of how the Council's governance arrangements operate, including how they are reviewed annually to ensure they remain effective A summary of significant governance challenges which the Council faces is also given, alongside an explanation of what actions have been taken to bring about required improvements, and what work is still to be done. This provides transparency, and gives assurance that the Council is committed to continuously improve the way in which it functions. More detail on particular topics can be accessed by clicking on the hyperlinks which are highlighted and underlined throughout the document.

1.2 The Council operates in a complex and constantly evolving financial, policy and legislative environment. The role, responsibilities and funding models of local government continue to be in a period of rapid transition. The city is now in the delivery and monitoring stage of its ambitious "Our Manchester" strategy, with staff, residents and stakeholders across the city engaged in working towards the realisation of the vision set out in the strategy In 2017/18 the Council was in the second year of its four year financial settlement from government to 2019/20, and this document summarises how its budget and business plans were kept under continuous review to ensure it could respond to new and emerging challenges and opportunities during this period. The Council's five-year Capital Strategy also forms a critical part of strategic and financial planning, with delivery having commenced in 2017/18 Significant developments at city region level included continued preparation for integration of health and social care services, with commissioners and providers having worked towards service commencement in April 2018.

1.3 The changes taking place present both opportunities and challenges. Therefore the Council must continue to engage in a broad programme of innovation and reform work so that it can maintain services for residents which are efficient, effective and value for money using available resources. This document explains the governance mechanisms in place to ensure appropriate oversight of this work.

1 4 Whilst this document focuses on governance, the Council's Integrated Annual Report provides an overview of the context in which it operates, how public money has been spent, and what achievements this led to.

2. Scope of Responsibility

2.1 Manchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

2 2 In discharging these responsibilities, the Council must put in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes arrangements for the management of risk. The Council first adopted a Code of Corporate Governance in June 2008. This Code is included in the Council's

Constitution (part 6 section G). It sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people Some of these processes are required by law, while others are a matter for the Council to choose.

2 3 The Code of Corporate Governance and the Council's Constitution are reviewed annually to ensure they remain consistent with the principles of the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) joint framework for delivering good governance in local government CIPFA issued an update to the Framework in 2016, which has informed the preparation of the Annual Governance Statement (AGS) from 2016/17 onwards

2 4 This AGS explains how the Council has complied with the Code of Corporate Governance. The AGS also meets the requirements of the Accounts and Audit (England) Regulations 2015 regulation 6(1) which requires all relevant bodies to prepare an Annual Governance Statement (AGS).

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives as set out in the Our Manchester Strategy, and to consider whether those objectives have led to the delivery of appropriate, cost effective services. These objectives are underpinned by the four Our Manchester principles;

- Better lives – it's about people
- Listening – we listen, learn and respond
- Recognising strengths of individuals and communities – we start from strengths
- Working together – we build relationships and create conversations

3 2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level It cannot eliminate all risk of failure to achieve the Council's aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control identifies and prioritises risks; evaluates the likelihood of those risks being realised and the impact should they be realised, and aims to manage them efficiently, effectively and economically

4. The Governance Framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. The Council operates to a Code of Corporate Governance, which forms part of the Constitution. The Code was updated in 2016 to ensure it reflected the Council's current governance arrangements, and complied with CIFPA's "delivering good governance in Local Government Framework (2016 Edition)". The recently updated Code was reviewed in 2017 and found to be fit for purpose. The table below includes examples of how the Council has adhered to its governance commitments set out in the Code and includes hyperlinks to sources of further information which include more detail about how the Council has implemented its commitments.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Behaving with Integrity	✓ The Council's values are ***People, Pride, Place***. These values underpin everything the Council does, including how it works with partners, how it makes decisions and how it serves local communities. ✓ The Council's **Our Manchester** approach has a set of core principles: o Better lives – it's about people o Listening – we listen, learn and respond o Recognising strengths of individuals and communities – we start from strengths o Working together – we build relationships and create conversations ✓ "Listening in Action" events, attended by The Leader and the Chief Executive, give staff the opportunity to engage with senior leaders. At the events, staff can ask questions and understand more about the future direction of the Council, the Our Manchester Strategy, and what the 'behaviours' are that are expected of all staff.	The Council's Values Our Manchester – The Manchester Strategy

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
	✓ The Council has a zero tolerance approach towards fraud and corruption and this commitment is set out in the Council's Anti-fraud and Irregularity Strategy.	Counter Fraud Strategy
	✓ The Whistleblowing Policy, which was updated and reviewed by Standards Committee in November 2017, provides protection for individuals who raise any serious concerns they have about suspected illegal or illegitimate practices at the Council and explains how these will be investigated.	Whistle Blowing Policy
	✓ The Council ensures that, as part of their induction, new members of staff clearly understand the values of the organisation, and the standards of behaviour which are expected. As part of the Our People strategy, improved induction and 'About You' processes have been introduced. These ensure all staff will understand the part they will play in delivering the vision for the city set out in Our Manchester.	Our People
	✓ A Register of Members' Interests, in which Members' disclosable pecuniary interests, personal interests and prejudicial interests (as defined in the Member Code of Conduct) are registered. This includes gifts and hospitality received by elected Members.	Members' Register of Interests
	✓ The updated Member procedures for Gifts and Hospitality, Use of Resources and the Member Officer Relations Protocol were reviewed by Standards Committee in March 2018.	Annual review of Use of Resources Guidance for Members, the Gifts and Hospitality Guidance for Members and the Member / Officer Relations Protocol

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
Demonstrating Strong Commitment to Ethical Values	✓ The Standards Committee champion high standards of ethical governance from elected members and the Council as a whole. A summary of its work is included in its Annual Report to Council. In the next financial year this Annual Report will be taken to an earlier Committee meeting than the draft AGS, so that its contents can more effectively inform the process of producing the AGS.	Standards Committee
	✓ The Council has a Code of Conduct for elected and co-opted Members, (Constitution Part 6, section A), as required by the Localism Act 2011. Allegations that the Code has been breached are heard by the Standards Sub Committee. A summary of the outcome of investigations is included in the Standards Committee Annual Report. The Code of Conduct was reviewed by Standards Committee in March 2017.	Local Code of Conduct for Members Standards Committee Annual Report
	✓ The Members' Update on Ethical Governance was updated and reviewed by Standards Committee in March 2018.	Members' Update on Ethical Governance
	✓ An Employee Code of Conduct (Constitution Part 6, Section E) which makes it clear what standards are expected from staff across the organisation in the performance of their duties.	Employee Code of Conduct
	✓ The Council insists its commitment to its values and integrity is shared by external suppliers delivering services on its behalf, as detailed in its Ethical Procurement Policy.	Ethical Procurement Policy
	✓ The Council has a Partnership Governance Framework which sets out protocols for partnership working, and the high standards of conduct which are expected from partner organisations. The Framework is under review to confirm whether it remains fit for purpose and an update will be issued if deemed necessary.	Partnership Governance Framework

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

B. Ensuring openness and comprehensive stakeholder engagement The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
Ensuring Openness	✓ The Council's website is set out in a clear and easily accessible way, using infographics and plain language. The information which residents use most, such as Council Tax, and Waste and Recycling can be accessed quickly and easily from the main page.	manchester.gov.uk website
	✓ The Council's commitment to Openness is set out in its Constitution (Article 12.3 (e)) and is evidenced by its decisions, along with the reasons for them being made publicly accessible.	Council Constitution (article 12.3(e))
	✓ All Council and Committee meetings are held in public (other than in limited circumstances where consideration of confidential or exempt information means that the public are excluded), with agenda and reports being produced in paper form and on the Council's website. Live streamed webcasts of Council, Executive and Scrutiny committee meetings are available online, as well as in an archive which can be accessed on-demand.	Council Meeting Agendas and Reports Online Videos of Council Meetings
	✓ The Council publishes a Register of Key Decisions to notify the public of the most significant decisions it is due to take. Resources and Governance Scrutiny Committee received a report at its meeting on 5 January 2017 on this process, and in this meeting recommended that officers explain clearly for each decision in the Register what the decision is about in order to make the Register of Key Decisions more accessible and transparent. Subsequently the format of the register was reviewed to discourage the use of 'generic entries' for types of decision and to have each decision included in full. The published register was also revised to make clear what decisions had been added to or removed from the register, since the	Register of Key Decisions Key Decisions Report

B. Ensuring openness and comprehensive stakeholder engagement		
The Council's Commitment to Good Governance	**The Council's Commitment to Good Governance**	**The Council's Commitment to Good Governance**
	previous edition was published. ✓ The Council has an "Open Data" website to meet its commitment to publishing as much non-personal data as possible. This means partners and the public can freely make use of it, supporting transparency and accountability. ✓ The Council launched an online residents' survey in February 2017, which replaces the previous telephone survey. This helps it to design services around residents' views and concerns about their local area and their public services. ✓ The Council informs, consults and involves residents in significant decisions including service and budget changes. Their views are submitted to those making decisions for consideration. Consultations and surveys this year have included a survey on sports and activity, a survey for care leavers, and a consultation on licencing policy in Ancoats and New Islington.	Open Data Our Manchester Residents Survey Consultations and Surveys
Engaging Comprehensively with Institutional Stakeholders	✓ The Our Manchester Forum supports development of effective relationships across leaders of the city's key private, public and voluntary sector organisations. The Forum benefits the city by driving forward the priorities set out in the Our Manchester Strategy. ✓ The Council publishes its Partnership Governance Framework which standardises the approach to managing partnerships to strengthen accountability, manage risk, and to ensure that a consistent approach is taken to working with partners. ✓ The Council also maintains a list of major partnerships in a Register of Significant Partnerships. This contains an assessment of the strength of the governance arrangements of each partnership, enabling any required improvements to be identified and addressed.	Our Manchester Forum Partnership Governance Framework Register of Significant Partnerships

B. Ensuring openness and comprehensive stakeholder engagement The Council's Commitment to Good Governance	The Council's Commitment to Good Governance	The Council's Commitment to Good Governance
	✓ The Council supports different ways for residents to present their individual and community's concerns to elected members, for example via Ward Co-ordination.	
Engaging with Individual Citizens and Service Users Effectively	✓ As part of its Our Manchester approach the Council is focusing on 'strengths based' conversations with residents and communities. This means. o Recognising that it's about people and better lives o We listen, learn and respond o Recognising strengths of individuals and communities – we start from strengths o Working together, we build relationships and create conversations This approach has been used to inform the development of policy and strategy, for example the Family Poverty Strategy. ✓ The Council has developed a Digital Communications Strategy which outlines the digital tools and approach that can help it to communicate according to its stakeholders' communication preferences. It will provide opportunities to develop new conversations with a broader audience. ✓ This approach was taken for the Budget Conversation to inform the 2017/20 Budget. This resulted in significant engagement about what people value and why, as well as what they could do to support those things. ✓ Following the Budget Conversation, using a "You said… we did" approach, the Council has clearly set out online how funding is being allocated to support the priorities which are important to residents and other stakeholders. This includes a progress update for 2017/18.	The Family Poverty Strategy 2017/22 Digital Communication Strategy Budget Process 2017-2020 Update and Next Steps Our Budget – based on what you said - 2017/18 update

B. Ensuring openness and comprehensive stakeholder engagement The Council's Commitment to Good Governance	The Council's Commitment to Good Governance	The Council's Commitment to Good Governance
	✓ Scrutiny Committees proactively invite local and national interested parties to contribute to their discussions.	Scrutiny Committee news bulletins
	✓ To promote transparency and wider engagement with Council decisions, residents can use Social Media, such as Facebook, Twitter, LinkedIn and Instagram, as well as YouTube and Vimeo, to get updates from and interact with the Council.	Social Media Updates
	✓ There is a Social Media Code of Practice for staff in place to ensure a consistent approach, security of information, and avoid reputational damage. Social Media Guidance has also been provided for Members, which was updated and reviewed by Standards Committee in March 2018.	Social Media Guidance for Members
	✓ As part of its consideration of the needs of the current and future service users in the city, the Council produces an annual Joint Strategic Needs Assessment (JSNA). This provides a baseline assessment of need across the city as a whole, and is a key piece of evidence underpinning the development of the Joint Health and Wellbeing Strategy.	Joint Strategic Needs Assessment
	✓ The Integrated Annual Report provides a concise and clear summary of the Council's activity over the previous year, so that residents can see where money has been spent and what this has achieved.	Integrated Annual Report
	✓ The Age-Friendly Manchester Older People's Board includes and represents older people, addressing issues affecting the quality of life for older residents and their communities across Manchester. The Board members provide a vital voice for older people in the city.	Older People's Forum and Board
	✓ The Council is committed in its support of the Manchester Youth Council, which acts to ensure young people have a strong voice enabling them to influence	Manchester Youth Council

	decision makers in the city and shape future services. ✓ The Council produces public reports which provide information on complaints performance, and which identify where service improvements may be required. Strategic Directors share the complaints performance reports with their respective Executive Members. At Q4 2017/18, 87% of first stage corporate complaints (where the complaint is handled by the service that has been complained about) were responded to in timescale, compared to 81% at the same point last year. The number of complaints at stage one was 1,949, compared to 2,243 last year. At Q4 43.5% Ombudsman complaints have been upheld. At the same point last year 10% had been upheld, which was one of the highest levels of performance in recent years.	Corporate Complaints Process and Reporting Annual Complaints Performance Report

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
Defining Outcomes	✓ An extensive consultation in 2015 led to a new 10 year strategy for the city – the Our Manchester Strategy – which includes a new approach to working across the whole organisation and with residents, partners and other key stakeholders. The overall vision is of Manchester as a. o Thriving and Sustainable City o Highly Skilled City o Progressive and Equitable City o Liveable and Low Carbon City o Connected City	Our Manchester Strategy
	✓ The Council uses its budget and business planning process to ensure that progress towards the strategic vision for the city is made in the most effective and efficient way.	Business Plans and Budgets
	✓ The Council sets a Medium-Term Financial Strategy which sets out the financial assumptions and provides a set of goals for financial decision making for the planning period ahead.	Medium-Term Financial Strategy
	✓ A Performance Management Framework enables the Council and its Committees to access timely and accurate information about service delivery, supporting intervention to address any barriers to good performance.	Performance Management Framework
	✓ The city's role in delivering Our Manchester will provide a key element of support for the linked objectives of the Greater Manchester Combined Authority (GMCA), as set out in the new Strategy launched in October 2017, "The Greater Manchester Strategy – Our People, Our Place".	Our People, Our Place

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
	✓ The Council has processes in place to identify and manage risks to the achievement of its objectives, as set out in the Risk Management Strategy 2018-20. The Corporate Risk Register is a part of this framework and is used to inform decision making, provide assurance over actions being taken to manage key risks, and to inform risk management planning and mitigation activities.	Annual Corporate Risk Management Report and Corporate Risk Register
	✓ The Council has developed a School Governance Strategy to support and secure effective governance of schools in the city.	The School Governance Strategy
Sustainable Economic, Social and Environmental Benefits	✓ The themes of sustainability, equity, and low carbon emissions are at the heart of the vision statement in the Our Manchester Strategy. In reports where the Council is recommending a decision, the impact that the decision will have on these broad objectives in the strategy will be set out.	
	✓ The Council sets out the factors it has taken into consideration when making decisions in reports which are available on its website. It also maintains a public Register of Key Decisions.	Executive Reports Register of Key Decisions
	✓ Our Manchester demands an integrated approach to the deployment of revenue and capital spend against a clear set of priorities. The Council has developed a longer term five-year Capital Strategy, which has formed a critical part of strategic service and financial planning from 2017/18.	Capital Programme
	✓ As part of the business planning process the Council sets out how it will work towards its agreed Equality Objectives. When required, Equality Impact Assessments are carried out to assess the impact of proposals which may have an effect on different individuals and communities across the city.	Equality Objectives

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Sustainable Economic, Social and Environmental Benefits	✓ The Council strives to ensure fair access to services and monitors the extent to which this is occurring through its biennial 'Communities of Interest' publication. Future publications will be called 'Communities of Identity'.	Communities of Interest
	✓ The Our Manchester Strategy includes the commitment that *'Manchester will play its full part in limiting the impacts of climate change and by 2025 will be on a path to being a zero carbon city by 2050'.*	
	✓ Along with other partners, the Council works with the Manchester Climate Change Agency (MCCA) to develop initiatives which will contribute towards the goal of Manchester becoming a zero carbon city.	Manchester Climate Change Agency
	✓ After collating views from across the city on climate change and the strategy for becoming a zero carbon city, the MCCA launched its Manchester Climate Change Strategy 2017-50 in December 2016.	Manchester Climate Change Strategy 2017-2050
	✓ The Council is working alongside academic partners to consider how economic growth can be supported in a way which creates opportunities for all parts of the local population, and where the benefits of growth are fairly distributed.	Inclusive Growth
	✓ An updated Family Poverty Strategy for Manchester has been in place since September 2017, supporting the aim of becoming a more progressive and equitable city.	Manchester Family Poverty Strategy 2017-2020
	✓ The Council is part of a Strategic Education Partnership, working with schools and local businesses to promote economic growth, reduce dependency, and help people gain the skills needed to access rewarding jobs in the city.	Strategic Education Partnership Board

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

D. Determining the interventions necessary to optimise the achievement of the intended outcomes		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	✓ The Council's Digital Communication Strategy, updated in October 2016, sets out its approach to engaging with stakeholders, to ensure their involvement in determining how services and interventions should be delivered. ✓ The Council has a Planning Protocol within its Constitution (Part 6, Section B), to ensure fair planning decisions are based on sound evidence. This was reviewed by Standards Committee in November 2017.	Digital Communication Strategy Planning Protocol
Optimising Achievement of Intended Outcomes	✓ The Council integrates and balances service priorities, affordability and other resource constraints, supporting it to take into account the full cost of operations over the medium and longer term. This includes both revenue and capital spend budgets. ✓ The context and documents which support the Council's overall strategy are set out in its Efficiency Plan, published on the Council's website as required by Government for a four year financial settlement. ✓ The Council considers Social Value at pre-tender and tender stage to ensure that appropriate desirable outcomes can be offered by suppliers in their tender submissions. An example of this can be seen in the major six year restoration project – Our Town Hall.	Medium Term Financial Strategy Capital Programme Efficiency Plan Social Value Our Town Hall – Social Value

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
Developing the Organisation's Capacity	✓ The Council's Our People Strategy articulates what its future workforce will need to be like in order to achieve the vision set out in Our Manchester. As part of this, workforce plans are developed which ensure staff have the necessary skills and behaviours to deliver this vision for the city. These behaviours are; • We work together and trust each other • We're proud and passionate about Manchester • We take time to listen and understand • We 'own it' and we're not afraid to try new things	Our People
	✓ The Council continually seeks better outcomes from its use of resources by comparing information about functions, expenditure and performance with those of similar organisations and assesses why levels of economy, efficiency and effectiveness are different elsewhere. It acts upon the findings of this intelligence as part of its budget and business planning to ensure continual effectiveness of service delivery.	Business Plans and Budgets
Developing the Capability of the Organisation's Leadership and Other Individuals	✓ The Council Leader and Chief Executive have clearly defined roles and maintain a shared understanding of roles and objectives. The Chief Executive leads on implementing strategy and managing service delivery and other outputs set by members. The Chief Executive and Leader provide a check and balance for each other's authority.	
	✓ The Council maintains an annually updated Scheme of Delegation setting out which decisions and powers have been delegated to various Committees and Officers.	Constitution (Part 3, Section F)
	✓ To enable Elected Members and Senior Officers to have a shared understanding of their respective roles the Council has produced a Protocol governing Member and	Constitution (Part 6, Section F)

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
	Officer relations.	
	✓ New Members receive an Induction and training throughout the year. The form and content of the Induction is reviewed annually with Members. Regular meetings to discuss the development needs of Councillors take place with the Deputy Leaders.	New Member Induction Programme
	✓ Development opportunities are available for all members throughout the year including courses delivered by the North West Employers Organisation, Online e-learning and in-house briefing sessions.	Member Development
	✓ An Annual Members' Assurance Statement is compiled to identify governance challenges relating to the roles of elected members.	
	✓ As part of the Our People strategy, improved induction and appraisal processes ("About You") have been introduced. These ensure all staff will understand the part they will play in delivering the vision for the city in Our Manchester. A new "Manchester Managers' Handbook" and induction approach are also being developed.	Our People
	✓ The Council listens to the views of its staff via the "BHeard" survey, and uses learning from this to make improvements in the way that it operates and communicates. This feedback played a key part in the development of the Our People Strategy.	Our People
	✓ There are a number of tools in place to ensure staff are briefed effectively, for example via staff engagement events, About You sessions, and regular "Team Talk" briefing emails updating staff on major developments and procedure changes. The Council also continues to run "Listening in Action" events which seek to engage staff on a regular basis and involves a Questions and Answers session with the Leader and Chief Executive, as well as active participation from Executive Members.	

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	✓ The Council delivers a comprehensive programme of leadership and management development which all new managers are enrolled on. The programmes are targeted at different Grade banding and cover a spectrum of areas essential to managers in the organisation. ✓ The Council is committed to promoting the physical and mental health and wellbeing of the workforce as a core component of the People Strategy through both specific interventions and opportunities and as a central part of the role of all managers. There is a dedicated intranet page with a wide range of support and guidance for staff and their managers covering a wide range of health and wellbeing topics and a 24/7 Employee Assistance Programme (phone line) providing a range of support was launched in May 2017. ✓ The Council has an open and welcoming approach to external and peer review and inspection and actively considers constructive feedback.	

F. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Managing Risk	✓ The Council operates a risk management framework that aids decision making in pursuit of the organisation's strategic objectives, protects the Council's reputation and other assets and is compliant with statutory and regulatory obligations.	Risk Management Strategy 2018-20
	✓ The Corporate Risk Register is part of this framework and is an articulation of the key risks impacting the Council. It is used to inform decision making, provide assurance over actions being taken to manage key risks and to inform directorate level risk management planning and mitigation activities. Named risk managers are identified in the Register for its key strategic risks.	Corporate Risk Register
	✓ Almost 3,000 staff have received formal training since 2014 and risk management is well embedded in business planning, project management and other corporate processes.	
	✓ Risk training options are currently being reviewed and refreshed alongside the Our People and Our Manchester strategies and as part of the commissioning of a new on-line learning portal for staff. This process will be completed during 2018.	
	✓ Risk management is an integral component of the budget and business planning process, linking risk to the achievement, monitoring and resourcing of objectives at directorate level.	Business Plans and Budgets
Managing Performance	✓ The Council puts in place Key Performance Indicators (KPIs) to monitor service delivery whether services are produced internally or through external providers. Reports compiling KPIs are submitted to directorate management teams to support transparency and resource allocation to address challenges.	Performance Management Framework

F. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	✓ As part of the business planning process Directorate objectives are reviewed, leading to a review of the relevant performance indicators to monitor progress towards them. ✓ The Council ensures that external companies who deliver services have an understanding of expected contract performance, and monitoring takes place throughout the contract period. ✓ Each year the Council produces the State of the City report which details the performance against key measures established to understand how the city is meeting its vision and priorities	Business Plans and Budgets State of the City
Effective Overview and Scrutiny	✓ The Council has six scrutiny committees which hold decision makers to account and play a key role in ensuring that public services are delivered in the way residents want. The agenda, reports and minutes are publicly available on the Council's website.	Scrutiny Committees
Robust Internal Control	✓ The Council has robust internal control processes in place, which support the achievement of its objectives while managing risks. ✓ The Council's approach is set out in detail in both the latest Annual Corporate Risk Management report, and its Internal Audit Plan. ✓ The Council's Audit Committee, which includes two Independent Co-opted Members, provides a mechanism for effective assurance regarding risk management and the internal control environment.	Internal Audit Plan 2017/18 Annual Corporate Risk Management Report Audit Committee

F. Managing risks and performance through robust internal control and strong public financial management The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
	✓ The Council maintains clear policies and arrangements in respect of counter fraud and anti-corruption. These are the Anti-Fraud and Anti-Corruption Policy; Whistleblowing Policy; Anti Money Laundering Policy and the Anti Bribery Policy. ✓ An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Council's internal auditor in the "Head of Audit and Risk Management Annual Opinion 2017/18" section of this Annual Governance Statement.	Annual Governance Statement
Managing Data	✓ The Council is committed to safeguarding the personal data it holds and sharing this data only in circumstances required or permitted by law. Personal data is processed in accordance with the Data Protection Act 1998, and in particular its eight data protection principles. Work is underway to prepare for the General Data Protection Regulations (GDPR) coming into force on 25 May 2018, this is explained in detail in Section 6. ✓ The Council regularly reviews policies relating to records management, data quality, data protection and information security and provides data protection training. These policies are easily accessible by all staff via the intranet. ✓ All staff must undertake protecting information e-learning training, and this forms part of the induction process for new staff. ✓ To remind staff of their responsibility to always take due care to protect information, the Council uses internal communication campaigns, posters and email reminders signposting to information protection principles and guidance. ✓ Information Governance is overseen by the Corporate Information Assurance and	

F. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	Risk Group (CIARG) chaired by the City Solicitor who is the Senior Information Risk Officer for the Council (SIRO).	
	✓ The Council is committed to sharing appropriate data safely with other agencies; where this improves effective and efficient service delivery, supports its objectives and the vision for the city and is compatible with the rights of individuals. Clear guidance is available on the intranet as to when this is appropriate, and how it may be done securely.	
	✓ The Council complies with the Local Government Transparency Code 2015 by publishing accurate data within appropriate time frames in the areas mandated by the Code in the Council's Open Data Catalogue together with additional data of value to stakeholders and the public.	Local Government Transparency Code Open Data
	✓ The Council allocates resources to review and monitor the quality of the data which it produces, and which it uses to produce performance reporting to inform decision making.	
	✓ The Council makes information available to the public via the information access regimes provided for by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Individuals may also access their own personal data by exercising the right of subject access under the Data Protection Act 1998.	Freedom of Information
Strong Public Financial Management	✓ The Council's approach to Financial Management ensures that public money is safeguarded at all times ensuring value for money. Its approach supports both long term achievement of objectives and shorter term financial and operational performance.	Medium-Term Financial Strategy

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

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
Implementing Good Practice in Transparency	✓ The Council follows the Local Government Transparency Code 2015, which includes requirements and recommendations for local authorities to publish certain types of data. ✓ The Council's website is set out in a clear and easily accessible way, using infographics and plain language. Information on expenditure, performance and decision making is sited together in one place and can be accessed quickly and easily from the homepage.	Local Government Transparency Code manchester.gov.uk website
Implementing Good Practices in Reporting	✓ The information in the Annual Report is drawn from sources including the more detailed State of the City publication, which charts the city's progress towards its vision and priorities. ✓ The Council explains how it reviews its governance arrangements, and how it has complied with CIPFA's "Delivering Good Governance in Local Government (2016)" principles by producing this Annual Governance Statement (AGS). This includes an action plan (section 7) identifying what governance challenges it will need to address in the next financial year. A concise summary of the findings of the AGS is included in an easily digestible format within the Annual Report.	State of the City Annual Governance Statement
Assurance and Effective Accountability	✓ The Council welcomes peer challenge, internal and external review and audit, and inspections from regulatory bodies and gives thorough consideration to arising recommendations. An example of positive improvement having taken place following recommendations is the outcome of the recent Ofsted re-inspection of Manchester's services for children in need of help and protection, children looked	Ofsted Re-inspection of Children's Services

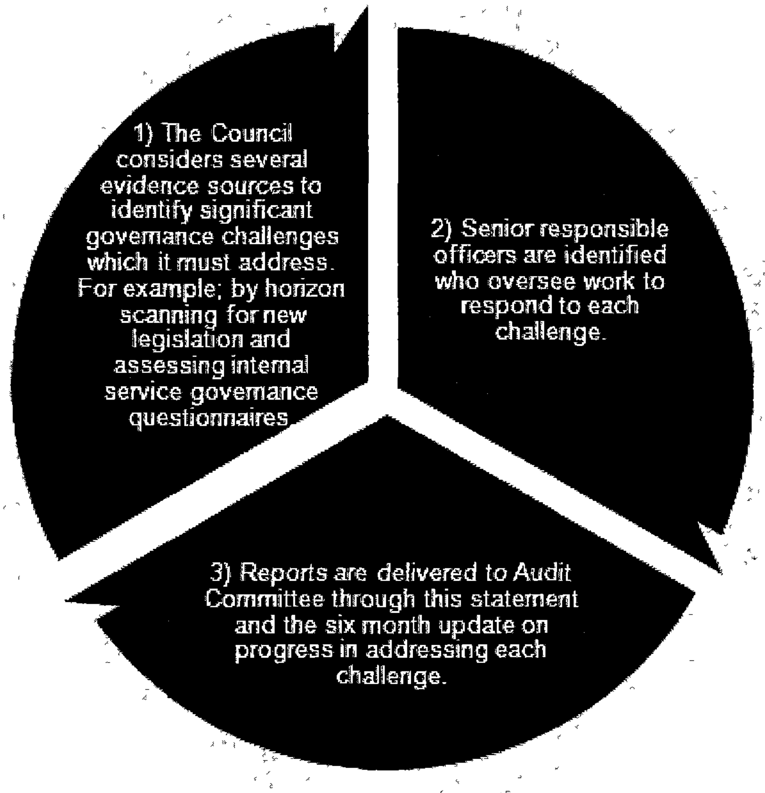
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
	after and care leavers. ✓ The Council monitors the implementation of internal and external audit recommendations. Assurance reports are presented to Audit Committee and Grant Thornton bi-annually summarising the Council's performance in implementing recommendations effectively and within agreed timescales. As at January 2018, no External Audit recommendations were outstanding. ✓ This Annual Governance Statement contains a section "Annual Review of the System of Internal Audit 2017/18" which sets out how the Council has gained assurance regarding the effectiveness of its Internal Audit function. ✓ Public Sector Internal Audit Standards (PSIAS) set out the standards for internal audit and have been adopted by the Council. This process includes the development of an Emergent Audit Plan designed to invite comment from management and the Audit Committee.	Outstanding Audit Recommendations Internal Audit Plan 2018/19

5. Annual review of effectiveness of the governance framework

5 1 The Council has a legal responsibility to conduct an annual review of the effectiveness of its governance framework, including the systems of internal control After conducting this review the Council has assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance. This section explains what arrangements were reviewed, and how this assurance was achieved

5 2 As well as providing overall assurance about the Council's governance arrangements, the review mechanisms detailed in this section are used to identify governance challenges. This process takes place in a cycle, to ensure continuous improvement, as illustrated below. The next section details progress made in addressing these challenges.

The governance improvement cycle



Leadership of governance and internal control

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

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

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

The Executive Proposes the budget and policy framework to Council and makes decisions on resources and priorities relating to the budget and policy framework	**Audit Committee** Approves the Council's Annual Accounts, oversees External Audit activity and oversees the effectiveness of the Council's governance, risk management and internal control arrangements.
Resources and Governance Scrutiny Committee Considers the implications of financial decisions and changes to corporate, partnership and city region governance arrangements	**Standards Committee** Promotes high standards of ethical conduct, advising on the revision of the Codes of Corporate Governance and Conduct for Members

Head of Audit and Risk Management Annual Opinion 2017/18

5 5 Overall governance, financial management arrangements and core systems and processes within the Council remain generally sound with no significant issues identified. As in previous years the context in which the Council operates remains a fundamental challenge to objectives and delivery however there has been some stabilisation in critical service areas including ICT which has reduced exposure to risk. Active management and review continues to be required to assess and address savings requirements which remains a critical challenge to the organisation and impacts on the Council's ambitions and priorities.

5.6 Council objectives and priorities are set through a defined process. They are aligned with the strategic aims set out in the Our Manchester Strategy and are underpinned by a clear programed of staff engagement and communications. Processes link business objectives, budget and workforce planning and are governed by timely and appropriate layers of officer and Member challenge and scrutiny These arrangements remain robust The Council remains well placed to respond to risks however the scale and pace of change continues to be an inherent risk to the control environment and needs to be effectively managed

5.7 There are significant developments across the Council including ongoing work in key areas including health and social care integration, highways investment and improvement, strategic development and regeneration and the significant programme of refurbishment for the Town Hall Complex Much of this requires collaboration with partners in order to meet the ambitious objectives for the City.

5.8 There is clear drive and leadership in place in most areas to enable goals to be met however there is a need to ensure capacity and continuity to fully support activity. Work has been undertaken in strengthening governance and control over delivery of significant programmes and projects while ensuring business as usual is delivered. Management recognise key risks and issues which, could impact on delivery and improvement plans are in place in a number of areas

5.9 In the year Internal Audit issued eight "limited" assurance opinions which is less than last year, however four were in Adults Services Limited and No assurance opinions are issued where there are significant concerns about the system of internal control or an absence of controls which could put the process or system objectives at risk and urgent improvement is needed. Recommendations made as a result are designated as critical or major to reflect the level of risk. These have resulted in agreed action plans which are being monitored by management and the implementation of which is reported to Audit Committee on a regular basis. Where audit work identified areas for improvement recommendations were made to address the risk and management action plans agreed or advice and guidance was provided to enable managers to make changes to processes or policies.

5.10 Overall the Head of Internal Audit can provide **moderate** assurance that the Council's governance, risk and control framework is generally sound and operated reasonably consistently. The key governance, risk and internal control issues of which the Head of Audit was made aware during the year which impacts on the overall opinion were.

Adult Services

5.11 There have been four limited assurance opinions in relation to Adult Services in the year in respect of:

- Transition to Adulthood· Whilst there has been regular and timely engagement with management of complex cases and those in crisis, action is needed to confirm the vision and strategy for delivery of transition responsibilities and to develop and then to share a transition offer and plan for delivery
- Homecare Services Contract Governance: Improvements required to the level of scrutiny of and payments to providers and monitoring of quality of care. Management recognised the framework does not meet requirements and there is a plan to replace it.
- Client Financial Services Appointee Support - Cash Delivery: Appointee

Support Officers roles needed to be developed and detailed guidance, safety arrangements and cash receipting needed to be enhanced

- Disability Supported Accommodation Services – Quality Assurance Framework Levels of compliance with audits needed to be improved and audit tool further developed to provide management with the best evidence of compliance with the Care Act 2015.

Highways Maintenance

5 10 Challenges in developing highways governance, management and performance are well understood with transformation activity well underway and investment plans being delivered. Leadership has been strengthened in the year with the appointment of an Operations Director and the recent decision to further align highways with place-based services under the Deputy Chief Executive Growth and Neighbourhoods There have been a number of significant changes in this area to enable stabilisation to be achieved but more work is required to finalise the staffing structure and develop robust, consistent governance and financial management arrangements across the Service

Contract Management and Monitoring

5.11 A number of audits and investigations during 2017/18 confirmed the need to develop procurement and contract management arrangements across the Council. Whilst there are areas of positive and best practice this has been inconsistent as reflected in audit findings and reports.

5 12 The need for improvement is well understood and a plan of development work has been produced by the Head of Integrated Commissioning that sets out a roadmap for development Actions have also been taken to strengthen procurement decision making including the implementation of new approval processes across highways and Capital Programmes and strengthened governance and oversight of both revenue and capital procurement. This remains an area of focus for the City Treasurer and SMT for 2018/19

ICT and Information Governance

5 13 ICT governance and performance has been an area of ongoing development in 2017/18 but there remains a need to implement resilient solutions across a number of core ICT systems and for disaster recovery. A clear plan is in place and delivery of improvement is underway but until implemented this remains a key risk to the Council.

5.14 Implementation of arrangements to ensure compliance with the General Data Protection Regulations is also a challenge A programme of activity is underway but significant activity is required by the end of May 2018 to ensure the Council can demonstrate actions taken to achieve compliance with GDPR and further develop effective information management and governance arrangements across all areas and services.

Annual Review of the System of Internal Audit 2017/18

5.15 The internal review of the effectiveness of the system of internal audit using self-assessment against PSIAS for 2017/18 and follow up from the External Quality Assessment (EQA) action plan have not identified any additional issues which impact on the effectiveness of the Service However there is a need to continue to progress work toward the service improvement and development actions already identified to enhance efficiency and effectiveness This is scheduled for completion by the end of July 2018.

5.16 The Head of Internal Audit and Risk Management is considering the service structure alongside those of audit services at Bolton and the GMCA, to maximise the benefits that may be derived from collaborative working. It is proposed that any resulting changes to structure, roles and responsibilities will be implemented in 2018/19

External Auditor's Review of the Effectiveness of Governance Arrangements

5 17 The Council's external auditor, Grant Thornton, produces an Annual Audit Letter which summarises the key areas highlighted by the work they have carried out. The Annual Audit Letter 2016/17 was reported to Audit Committee in November 2017. The main conclusions of the Audit Letter regarding the key assessment areas were:

Value for Money:

"We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017, except for the following matter:

The publication of an inspection report by Ofsted dated September 2014 concluded that the overall arrangements for ensuring the effectiveness of Children's Services at the Council and the Local Safeguarding Children Board in the Manchester City Council were judged to be "inadequate" We recognise that the Council has secured progress in a number of areas as reported in its Improvement Plan presented monthly to the Children's Services Improvement Board

The ongoing action during 2016/17 in relation to the Ofsted Improvement Plan is evidence of weaknesses in proper arrangements for planning, organising and developing the workforce effectively to deliver strategic priorities during the year For the period 2016/17 the Ofsted rating of "inadequate" remained in place which gave rise to a qualified VFM conclusion. We therefore qualified our value for money conclusion in our audit opinion on 18 September 2017

Since reporting our value for money conclusion, Ofsted has notified the Council that a re-inspection of the service will take place from 10 October 2017 lasting for approximately four weeks. The findings from the re-inspection will inform our value for money conclusion work for 2017/18."

Financial statements opinion

"We gave an unqualified opinion on the Council's financial statements on 18 September 2017 "

5 18 The Council monitors the implementation of external audit recommendations. Assurance reports are regularly presented to Audit Committee and Grant Thornton summarising the Council's performance in implementing recommendations effectively and within agreed timescales. However, progress is also monitored through other relevant Committees and Scrutiny functions. The latest Outstanding Audit Recommendations Report was taken to Audit Committee in January 2018. There were no outstanding External Audit recommendations. In relation to the Value for Money conclusion an update following the Ofsted re-inspection which has now taken place is given in section six

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

5 19 As part of its work on governance and financial management across public services, CIPFA issued its Statement on the role of the Chief Financial Officer in Local Government (the Statement) in 2016. The Council has undertaken a review of the role and responsibilities of its Chief Financial Officer (CFO) against the five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

5.20 The 2017/18 review concluded that the CFO met the responsibilities of the Senior Finance Officer in full and was ideally placed to develop and implement strategic objectives within Manchester City Council, given her role as the City Council's Section 151 Officer and City Council Treasurer She reports directly to the Chief Executive and is a member of the Council's Senior Management Team. The CFO influences all material business decisions and oversees corporate governance arrangements, the audit and risk management framework and the annual budget strategy and planning processes The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government

Assessment of the robustness of corporate governance across services

5 21 As part of the process of identifying any areas where governance needs to be strengthened across the organisation, services complete an annual online questionnaire indicating whether they comply with each of the criteria in the Code of Corporate Governance The questionnaire has been updated to reflect the revised Code of Corporate Governance, with a key focus being assessment of the embedding of the Our Manchester approach and behaviours. Analysis of the responses shows compliance with the Code is generally robust Areas of particular strength identified in the questionnaire responses include;

- Services have processes of setting objectives and planning to deliver them
- Officers are aware of and know how to engage with and support the Scrutiny Committees.
- Services welcome peer challenge, internal and external review and audit, and inspections from regulatory bodies and give thorough consideration to arising recommendations They put in place arrangements for the implementation of

actions agreed to be taken as a result and there is clear oversight from elected members on the conclusions and resultant actions.

5.22 Using a strengths based approach, services highlight areas of strength and good practice in their questionnaire responses. These are then shared, so that good practice can be adopted across the organisation.

5 23 The analysis has also identified areas to be strengthened, which informs the governance challenges which the Council will address in 2018/19 (Section 7) Examples include;

- Further work needs to be done to ensure that the 'Our Manchester' Strategy priorities are understood and embedded in the work of all services, and that the new approach to working is understood and being used consistently and effectively
- Continued improvement of governance and communication of workforce policy and associated guidance, so that it is clear, easily accessible, and being consistently followed across services.

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

5 24 The Council has a standardised approach to managing its partnerships as detailed in the Partnership Governance Framework. This supports officers and stakeholders in ensuring that good governance is understood and embedded from the outset, and throughout the lifetime of all partnerships. The governance arrangements of the Council's partnerships, which are on the Register of Significant Partnerships, are self-assessed annually to provide assurance that effective arrangements are in place, and to highlight any governance challenges which need to be addressed

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

Self-Assessment
An Officer assesses a range of assurance criteria, for example Finance, and Audit and Risk Management arrangements for each Partnership A recommended assurance rating is provided

↓

Independent Review
An independent panel of Officers review assurance ratings proposed for all the Partnerships, to assess whether sufficient evidence has been given to support the assurance level recommended.

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Strategic Management Oversight
Senior Officers oversee the proposed ratings to ensure they accurately reflect their knowledge of the partnership

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Audit Committee
The Committee provide scrutiny and challenge of the Register

5.26 The Council works to continuously improve both governance in partnerships, and the assessment process. Every six months Audit Committee scrutinises the progress which has been made to implement improvements amongst those partnerships that the process has identified have governance challenges to meet Audit Committee will request Executive Member and Senior Officer attendance where it has specific areas it wishes to address The assessment process is also reviewed annually. In 2017/18 further work was carried out to improve the quality of the partnership self-assessments, and a revised partnership definition was introduced to ensure a distinction between partnerships and contractual arrangements.

External inspection agencies

5.27 The Office for Standards in Education, Children's Services and Skills (Ofsted) inspects and regulates services which care for children and young people and those providing education and skills for learners. It publishes all school inspection reports on its website, in addition to the inspection reports for the services for children and families which the Council provides The latest inspection took place in October 2017, and this is explained in detail in section six.

5.28 The Care Quality Commission (CQC) is the regulatory body responsible for the quality of health, mental health and adult social care services in England and carry out reviews of local arrangements The CQC advises Councils that, although not a statutory requirement, it is good practice to produce "local accounts". Local accounts must demonstrate how the Council has safeguarded and maintained personal dignity, put people first and achieved value for money, judged against the health and social care outcomes for their area. The Council's Local Accounts are reviewed by Health Scrutiny Committee.

5 29 Grant Thornton are the Council's External Auditors. They carry out auditing of the Council's activities in accordance with the National Audit Office (NAO) Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014. Their key responsibilities are to.

- Give an opinion on the Council's financial statements
- Assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion)

6 Progress in addressing the Council's governance challenges

This section provides an update on progress made addressing the Council's governance challenges which were identified in last year's AGS (2016/17). Progress is reviewed every six months, with an update previously being provided to Audit Committee in November 2017. Topics are grouped together relative to particular areas of governance.

Governance Area: Delivering Our Manchester

Action 1) Delivering "Our Manchester"; embedding the new Manchester Strategy, implementation of an asset based approach along with related Council wide transformation work and behaviour change. A key element of this will be delivering the Council's new people strategy; "Our People".

The Our Manchester Approach is nearing the end of its first year Delivery Plan. A programme plan for 2018/19 is now in development continuing to focus on embedding Our Manchester in a collaborative and asset-based way with public and Voluntary and Community Sector partners across the city.

Oversight of the overall delivery of Our Manchester across the City is now being provided by the partnership Our Manchester Investment Board.

A citywide partnership group also continues to lead on the overall strategy for the *Place Based approaches* now the priorities at a local level have been established. They are continuing to focus on how we can use the strengths that exist within neighbourhoods to reduce demand for services, alongside developing better quality and continuous resident engagement that aligns directly to the principles of Our Manchester.

Through a joint partnership group between the Council, Manchester Health and Social Care Commissioning (MHCC) and the Manchester Local Care Organisation (MLCO) the *Health and Social Care Our Manchester* now has a number of key themes through which pieces of work will be delivered over the next one to two years. The MLCO will deliver all out of hospital, community based, health, primary and social care services on an integrated basis. The themes for the *Health and Social Care Our Manchester* partnership include how we can connect services for people in a place, opportunities in commissioning priorities and new assessments, and also how we support the workforce to be able to work together and adopt the Our Manchester behaviours.

The Our Manchester Voluntary and Community Sector (VCS) fund and the Our Manchester Investment Fund are now jointly managed within a dedicated programme team. The OM VCS fund has completed the due diligence phase and officially began on 1st April. The Investment Fund funds innovative ideas that align to the principles of Our Manchester and supports communities and residents by understanding what matters to them.

The *Monitoring and Evaluation* framework for Our Manchester comprises different elements, in order to appropriately reflect the range and variety of things that are taking place;

- a high level monitoring dashboard enabling regular oversight of key metrics;
- a robust approach to capturing qualitative evidence, such as via the OM Residents Survey
- more detailed metrics and structured evaluations for specific initiatives undertaken as part of the OM approach.

A group has been established to take this forward, developing the work programme to understand how the OM approach is contributing to achieving outcomes.

Our People

The 2017/18 delivery plan for the People Strategy has focused on getting the "basics" in place to support improved employee engagement underpinned by high quality and consistent people management. This has progressed in tandem with work to develop the overarching Our Manchester behaviours into a formal behaviour framework as the basis from which to drive organisational change. Underpinning this focus has been work to deliver a number of initiatives which have significantly improved employee engagement. This has included the launch of the new 'About You' approach to appraisals and one-to-ones, the continued roll-out of core leadership and management training programmes (with circa. 40% of all managers having now participated in the programme), a range of 'Our People' engagement sessions across the City, attended by over 250 employees, and a strengthened approach to development with apprenticeships at its heart which has seen 200 apprentice starts in-year to date including six former Looked After Children. This work has supported a significant increase in employee engagement measured through this year's 'BHeard' Survey which saw a 7% increase in responses (to 49%) and an overall engagement score of 611, an increase of 16 points, with the Council now recognised as a 'One to Watch' organisation.

The above activity has been underpinned by work to articulate and embed the Our Manchester behaviours, including through the development and launch of a new behaviour framework and the interactive and immersive 'Our Manchester Experience' which has seen participation by over 700 staff to date.

There has also been a strong focus on improving core people management support and practices with the roll-out of an enhanced workforce intelligence dashboard, transition to a new agency resourcing model and focused work to reduce agency spend, the launch of an Employee Assistance programme, providing 24/7 telephone and on-line support to all staff, a range of enhancements to the *mi people* Self Service system in direct response to staff feedback and the roll out of Universal ICT Access to circa. 1,000 staff This work has proved successful in continuing to support a reduction in absence levels of 0.4% when compared to 2016/17 and 7% when compared to 2015/16, and driving a decrease in year-on-year comparative agency spend by circa. 20%.

People strategy delivery priorities have been identified for each of the Our Manchester principles as follows, to ensure the workforce is fully aligned to City strategy and community experience;

- **Better lives:** Continual improvement of the MCC workplace for our staff; connecting employees to the life of the City
- **Listen, Learn & Respond:** Staff engagement; "you said - we did", HROD service improvement and practice improvement of our policy framework
- ***Starting from Strengths:*** Strengths-based approach to skills, workforce development and the way we manage our people
- **Relationships & Conversations:** workforce equalities; partnership working; management and Trade Union relationships underpinned by strong collective leadership

Underpinning each principle is enabling work to develop·

- the Our Manchester behaviours by embedding the behaviour framework; leadership development and the Our Manchester Experience
- workforce capacity through effective management of the staffing establishment, workforce attendance and performance.

There is continued commitment to the Listening in Action events that give staff the opportunity to engage with senior leaders, Members and colleagues from across the organisation. At the event, staff get an understanding of Our Manchester, and the role that they will play in helping us to achieve the ambition for the city More than 1,600 staff have already taken part and the next round of events will be taking place over the next six months.

A clear delivery plan is in place for 2018/19 with a continued focus on the basics but new strands of work targeted at improving the organisation's workforce development and talent management approaches and driving more flexible and modern ways of working through the Our Ways of Working Programme underpinned by a new Health and Wellbeing Strategy band continued focus on workforce equality. In addition, there is a significant emphasis on creating a more strategic city-wide framework to supporting asset-based working being led, in the first instance, within health and social care.

Governance Area: Responding to external inspection recommendations

Action 2) Continued improvement of Children's Services and preparation for Ofsted re-inspection.

The Childrens Services re-inspection report was published on 21 December 2017 with an overall judgement of *"Requires Improvement to Be Good"*. The sub-judgements were:

Children who need help and protection:	*Requires improvement*
Children looked after and achieving permanence:	*Requires improvement*
Adoption performance:	*Good*
Experiences and progress of care leavers:	*Requires improvement*
Leadership, management and governance:	*Good*

Subsequent to the publication of the report the Statutory Notice to Improve issued by the Department for Education was lifted and the Council's Children's Services were formally removed from being in Intervention.

The Children and Young People Scrutiny Committee has received detailed reports on the outcomes from the inspection and the next steps for continued improvement in January 2018;

- Re-inspection of services for children in need of help and protection, children looked after and care leavers
- Post Ofsted Improvement Plan

This includes details of the Delivering Excellence and Getting to Good Plan - governed through a transitional Getting to Good Board - which provides the continued leadership to delivering both the continued partnership vision for improving services, and the new Ofsted recommendations from the re-inspection itself.

The finding of 'Good' for leadership, management and governance presents a strong and effective foundation for the Service to continue to improve towards delivering even better performance and outcomes for children and young people. Scrutiny will be provided by Children and Young People Scrutiny Committee.

Governance Area: Health and Social Care Integration

Action 3) Supporting the integration of health and social care by ensuring effective governance of integrated teams, the creation of a single commissioning function, and undertaking procurement of the Local Care Organisation (LCO)

MLCO – Procurement and Integrated Neighbourhood Teams

The MLCO will deliver all out of hospital, community based, health, primary and social care services on an integrated basis, and this came into effect on 1 April 2018. Ahead of the go-live date, in order to see that the MLCO was established in a way that lead to the delivery of existing services under their existing contractual arrangements, a Partnering Agreement was agreed to formalise this approach. The Governance Working Group which has representation from all MLCO partners and Manchester Health and Care Commissioning (MHCC) developed the Partnering Agreement and the associated schedules which include the scope of the MLCO, delegated authorities and reserved matters. A final version was signed by all parties through the relevant Board processes in March 2018.

There will be circa 990 FTE Council employees from across Adult Social Care and Business Delivery who will transition to the MLCO during 2018/19 to deliver these integrated services, with other services being included at a later date. Social Work, Primary Assessment and Re-ablement services will be the first services to come together with Health as part of twelve Integrated Neighbourhood Teams working across the City. A report to Personnel Committee sets out in full the implications for workforce, engagement and organisational development.

More generally, the development of the MLCO is being governed by the MLCO Executive, and the MLCO Programme Board.

Single Commissioning Function

As noted in last year's Audit Committee update, the single commissioning function has been established (Manchester Health and Social Care Commissioning - MHCC). The Executive Director, Strategic Commissioning in MHCC is responsible for commissioning the MLCO, and has also taken on Director of Adult Social Services (DASS) responsibilities.

Governance Challenges

A challenge continues to exist around the organisational form the MLCO is likely to take, given barriers related to the treatment of VAT costs across Local Authorities and the NHS. This challenge has been discussed at length locally and nationally (Department of Health, HM Revenue and Customs, NHS England), and there is still an ongoing judicial review in relation to the national Accountable Care Organisation contract. Existing challenges are being worked through. Commissioners and providers continue to utilise the existing governance forums that have been established to support the delivery of the Locality Plan to manage this issue, and colleagues at a GM level (Greater Manchester Health and Social Care Partnership) are also involved given the challenge affects other localities in the region too, as they develop their LCOs.

Governance Area: Information systems and governance

Action 4) Improving the resilience and security of ICT systems, and the Council's arrangements for disaster recovery

Disaster Recovery (DR)

The Data Centre Programme is expected to be completed by the end of 2018 and will deliver a resilient and robust solution with DR and Failover capabilities, providing protection of critical ICT infrastructure and business applications. The Programme comprises the following three tranches.

- Core infrastructure refresh

- Network redesign and implementation
- Data centre facility migration to be complete by November 2018

These projects will deliver two key outputs, firstly the creation of a robust data centre solution and secondly exit from the current data centre facility. The outcome from this work will be provide the Council with a resilient Disaster Recovery and Failover capability. The new facility will be run from two discrete but interconnected locations which will ensure ICT services and business applications recoverability in the event of one location being compromised.

Following procurement exercises contract awards have been made to the successful suppliers for the following; Core Infrastructure Refresh to HCI, Compute and Storage to Esteem; Data Centre Provision and Migration Services to UKfast. The programme is currently in the detailed design phase ahead of the programme delivery phase of the three tranches.

Cyber Security

The Council remains in a strong position in respect of Cyber Security due to its rigorous approach in upgrading its defences and further testing works that have taken place including internal and external 'ethical hacking' tests. Defences have been strengthened through a proactive system of applying software security patching that 'fix' identified system security vulnerabilities and through improved anti-virus and malware protection. Ongoing investment is in place to ensure the estate remains as secure as possible.

The Council has implemented best practice cyber defences between the Councils internal systems and the risks that exist on the Internet. These include Intrusion Detection and Protection Systems and Security, Incident and Event Monitoring Systems which are solutions that detect, alert and prevent cyber-attacks against the internal Council systems. ICT are in the process of further fine tuning of the monitoring and alerting service to include - continuous vulnerability scanning, proactive analysis and remediation advice provided by a remote Security Operations Centre (SOC) and access to a dedicated Cyber Ops portal to manage and track incidents raised on the Council's behalf and to review weekly Threat Detect reports.

ICT's internal staffing network security structure has been enhanced to define specific security roles to an ICT manager and a new resource to support that role. These roles are to be further supported by awarding a Security Services Support Contract, ICT have selected a Security Services partner and conducted clarification interviews. Procurement colleagues are now in the process of working through a formal contract award.

One of the biggest risks to the Council are end-users clicking or downloading malicious content. ICT's current work includes strengthening the user training provision across the Council through the commissioning of a crowdfunded 12-module suite of online cyber security training videos, procured in collaboration with nine other local authorities. The training will be delivered through a new e-learning portal that will deliver user training, policy management acceptance and compliance and the ability to test our own users with 'phishing' emails. This will be accessible to all Council ICT users across all platforms by the second quarter of this year. The training suite will be coupled with a management system which will allow tracking and reporting on levels of uptake and can force users to undertake training, policy reading and acceptance before being allowed to logon if required.

This will support the arrangements for EU General Data Protection Regulation (GDPR) which is being led by Legal Services (see Action 5 below).

Action 5) Information governance; improving data quality, preparing for the introduction of EU General Data Protection Regulation including a progress update on compiling a draft Implementation Plan, and improving the speed of response to Freedom of Information and Subject Access Requests.

All organisations which handle personal data (including the Council) will have to comply with the EU General Data Protection Regulation (GDPR) by 25 May 2018 notwithstanding the Brexit vote.

Work is ongoing to progress GDPR implementation. An interdisciplinary cross-departmental project team reporting to the Corporate Information Assurance Risk Group (CIARG) and to the City Solicitor as Senior Information Risk Owner (SIRO) for the Council has been set up to enable the Council to meet its obligations under the GDPR. The project team comprises eight work streams covering the following areas – Policy and Governance, Data Subject Rights, Communications, Training, Information Collection and Sharing, ICT, Incident Breach Management and Records Management.

The workstreams draw on a number of officers from across the Council who have specialist data protection knowledge or other subject specialism. Membership of each workstream has been established following discussion with the Council's Directorate SIROs (DSIROs), the members of CIARG and validated by each workstream. Additional members are co-opted for specific items as needed. The sub teams have generally met monthly and workstream leads also meet monthly as a leadership group to discuss progress and key issues. GDPR discussions have taken place at the Council's Strategic Management Team (SMT), to brief SMT and to ensure directorate engagement with the project. A report was taken to the Council's Resources and Governance Scrutiny Committee regarding GDPR for information in December 2017.

The project is supported by a full time Project Manager who attends all workstream meetings and CIARG meetings. Greater Manchester colleagues meet to discuss common themes and officers from the Council attend these meetings.

A project plan and risk register has been created to track activities, monitor risk and to agree actions to ensure delivery of each component of the project. Work is being undertaken to assess more fully what personal information Council departments hold through a facilitated information audit to refresh and update the Information Asset Register and identify areas where further action is required. Departmental Deputy DSIROs have been appointed to support delivery of the GDPR programme within departments. A Communications Strategy is in place and online training in respect of GDPR has been rolled out. Procedures for Data Breach Reporting are being refreshed and Policies and Guidance are being updated.

There is a requirement under GDPR for the Council to appoint a Data Protection Officer (DPO) and this post has been filled. Work is also being undertaken to deliver an improved tool for logging requests for personal data and data breaches.

Work to improve speed of response to Freedom of Information (FOI) and Subject Access Requests (SARs) is continuing to be led by DSIROs and Heads of Service. Performance Reports continue to be considered at each CIARG meeting. The target for responding to requests within the statutory deadline has (in line with Information Commissioner's Office (ICO) expectations) been raised to 90%. In the year to date (April to 31 March 2018) the Council received 2,109 FOI requests. Of the requests responded to within this period 86% were responded to on time The Council received 1,108 SARs (the figures in respect of which have recently excluded disclosure requests). Of the requests responded to within this period, 92% of requests were responded to on time.

The GDPR introduces a higher limit of a potential €20m fine from the ICO including in relation to a data breach, with a maximum fine of €10m for breach of other GDPR provisions, including relating to strengthened rights of individuals, which given publicity in relation to these changes is likely to result in an increase of such requests. Other changes include the introduction of a 72 hour period in which the Council must report a data breach to the ICO, and shortening time limits for responding to SARs (generally) to within a month. Work is underway to ensure the Council has systems in place to deal with the changes.

Failure to respond to FOI requests within timescales can lead to the Council being subject to enforcement action, including formal monitoring by the ICO Office.

Governance Area: Finance

Action 6) Changes to the local government finance system, and delivery of continued significant savings

The most significant change in Local Government finance in recent years has been in respect of the business rates funding regime. From 2013/14 the Local Government Resource Review (LGRR) introduced the partial re-localisation of business rates which brought a lot more volatility to the funding system. As previously outlined Manchester has been involved in a number of schemes to maximise the resource available in the region including the creation of a Business Rates Pool across Greater Manchester (GM) and Cheshire, the Business Rates Growth Retention Scheme 2015 and a 100% retention pilot from April 2017.

The original intention was for all Local Authorities to move to 100% retention by 2020. However, the Queen's Speech in 2017 excluded the Local Government Finance Bill which would enable the necessary statutory changes to go before Parliament. An announcement as part of the 6 February 2018 Finance Settlement from the Secretary of State for Housing, Communities and Local Government, confirmed that from 2020/21 there will be a national move to 75% business rates retention. The existing pilots will continue in 2018/19 but there is no confirmation of what will happen in 2019/20 other then that they intend to open a further bidding round for pilots.

It has been agreed in Greater Manchester that any benefit from the 100% pilot be shared, with a minimum of 50% of any benefit being retained by Districts and the balance to be retained by GMCA. This will be subject to annual review as part of the budget setting process.

Whilst business rates retention is generally welcomed, there remains uncertainty regarding the stability of funding through this mechanism. The Council are engaging in conversations with Government and in February 2018 gave evidence to a Ministry of Housing, Communities and Local Government (MHCLG) Select Committee on 100% Business Rates Retention. The main points made were:

- The ability to retain 100% of business rates growth above the baseline would help longer term budget planning.
- With greater reliance on business rates income, there are very real concerns that the planned reset of business rates in 2020 may bring further pressure on Local Authorities, as the continuation of such funding has been taken in to account when setting the Council's budget.

- The Council would like to see the Safety Net, which protects an Authority from losses above a certain percentage, funded from Business Rates income generated by the Central List (i.e. business rates income received against properties which are held on a central Government rating list) rather than from a combination of top slice and levy payments as happens at present.
- There have been a number of concerns raised by businesses and Local Authorities relating to the operation of the new check, challenge and appeal system, these include the complexity of the application process for businesses and the paucity of information available to Local Authorities from the Valuation Office Agency (VOA).
- The Council believes it is vital that the Government assesses the sustainability of local government and that the Fair Funding Review of resource needs is the best opportunity to make such an assessment.
- The design of "transition" funding is crucial, as well as the amount and timing of the transition funding allowed.
- The delay of both the Fair Funding Review to 2020/21 (originally intended for 2019/20) and the uncertainty surrounding the 100% Business Rates Retention roll out has restricted longer term financial and strategic planning.

On 24 April the committee reported its conclusions which were largely supportive of the issues raised by Manchester and other witnesses, the most significant being a recognition that the overall quantum of funding available to local government needs to increase to reflect changing demographic trends and ensure sufficient funding for demand-led services and councils' overall financial sustainability.

Government have recognised that to meet the challenges of the future an updated and more responsive distribution methodology is required for the allocation of resources to Local Government. The current system is over ten years old and the data used has not been updated since 2013. They have published the first of several formal consultations on a review of relative needs and resources and aim to implement the findings of the review in 2020-21. The review will examine the cost of delivering services across the country, and will consider which factors should be taken into account when considering a local authority's relative resources.
The Council is working closely with the MHCLG, Local Government Association and other Local Authorities (particularly Core Cities) to ensure the circumstances of Metropolitan cities are represented in the review. Detailed responses will be submitted for all relevant consultations and representations made where possible. Officers attended a Fair Funding Review consultation workshops in March 2018 hosted by government and Local Government Association officers.

Delivery of continued significant savings

In 2017/18 an overspend of c£2.7m is reported, which reflects pressures being experienced nationally, particularly in Children's Social Care which makes up £10m of the overspend. There are Delivery Plans in place to address the position and action being taken to ensure the delivery of the Medium Term Financial Plan (MTFP) is not undermined. All Directorates are continuing to work towards greater efficiencies and accelerating savings where possible in order to support the overall financial position of the Council.

2018/19 is the second year of the three year MTFP approved in Márch 2017. Whilst the overall strategic direction and ambition set out in the Our Manchester Strategy and from consultation with residents has not changed, a number of the underpinning assumptions have. The resources were refreshed in the context of the City's growing business and residential base and being part of the 100% business rates growth retention pilot, the recent Finance Settlement and the Adult Social Care grant which was announced after the three year strategy was set. Alongside this there was a need to invest more into the Council's front line services, particularly for adults and children's social care, for services to the homeless and to help mitigate some of the impacts of welfare reform.

As part of the 2018/19 budget preparation there was a full review of resources available. This resulted in a net increase in the 2018/19 resources available of c£27m when compared to the rebased budget as approved as part of the 2017/20 strategy. This provided for some investment in priority areas, particularly adults and children's social care, homelessness and mitigating some of the impact of welfare reform. The spending requests included a proposed increase to Directorate budgets of £21m in 2018/19 with the balance of £6m supporting corporate costs such as pay award, meeting contractual commitments and replenishing general reserves.

In order to help support these investment priorities and deliver a balanced budget Directorates have also had to put forward Budget Delivery Plans to reduce resource commitments in a number of areas. The proposals were set out in full in the Directorate Budget and Business Planning reports for consideration by the six scrutiny committees. The Executive agreed its final budget recommendations on 7 February taking into account the feedback on the proposals. These recommendations were considered by the Resources and Governance Scrutiny Committee at its special budget meeting on Monday 19 February, the Council then made its final decisions and set the budget on 2 March.

After taking account of the proposals the total existing saving targets and additional Delivery Plan proposals total £25.482m in 2018/19 and a further £9.022m in 2019/20.

	2018/19 Existing MTFP	Proposed Delivery Plan	Total	2019 / 20 Current MTFP	Proposed Delivery Plan	Total	2 Year Total Savings
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Adults	4,814	3,705	8,519	4,000	(3,982)	18	8,537
Children's	220	10,463	10,683	180	2,089	2,269	12,951
Corporate Core	2,945	478	3,423	2,160	65	2,225	5,648
Growth &Neighbourhoods	1,250	1,607	2,857	4,510	0	4,510	7,367
Strategic Development	0	0	0	0	0	0	0
Total Savings identified	**9,229**	**16,253**	**25,482**	**10,850**	**(1,829)**	**9,022**	**34,503**

Officers have satisfied themselves with the robustness of the planned service changes and their broad deliverability. SMT will be considering the progress against the 2018-20 savings at each meeting and updates will be provided monthly to Executive Members.

There remains a resource gap in 2019/20 of c£9m. From Summer 2018 work will begin on the Council's longer-term financial position beyond the current MTFP.

Governance Area: Programme and Project Governance and Delivery

Action 7) Ensure robust governance and delivery of the new five-year Capital Programme Strategy, including major infrastructure projects across Highways and Strategic Development

The Capital Strategy was revised as part of establishing the Capital Programme approved by Executive at its meeting on 17 February 2017. It recognised the need for a longer term programme which would continue the investment to define Manchester as an attractive place to live and further improve the quality of life for its residents, to increase their overall social and economic prospects and enable them to fully participate in the life of the City. Important to the delivery of these aspirations will be:

- to support, promote and drive the role and continuing growth of the city as a major regional, national and international economic driver; as the main focus for employment growth through a strengthening and diversification of its economic base and through the efficient use of land,

- to support investment in transport infrastructure the City Centre which will lay the foundations for continuing success by 'future proofing' the city's transport infrastructure including; the Second City Crossing, The Northern Hub, Cross City, Bus Corridor and the redevelopment of Victoria Station,
- to drive forward the Council's Residential Growth Strategy and associated policy frameworks such as Housing Affordability and the Residential Quality Guidance, all of which seek to provide the city with an expanded, diverse, high quality housing offer that is attractive to and helps retain economically active residents in the city, ensuring that the growth is in sustainable locations supported by local services, good public transport infrastructure, and core lifestyle assets such as parks, other green and blue infrastructure, and leisure facilities. This will include maximising the opportunities through Manchester Place, Manchester Life and the Housing Investment Fund and to be able to react flexibly to deliver an attractive housing offer for the City;
- to deliver a Schools Capital Programme that will support new and expanded high quality primary and secondary school facilities for a growing population,
- to support businesses and residents to create thriving district centres with appropriate retail, amenities and public service offer; and
- to continue to promote investment to secure an internationally competitive cultural and sporting offer and sustaining core lifestyle assets such as parks, leisure facilities and libraries within the City.

The Strategic Capital Board has been established to ensure that all capital projects have strategic fit for the Council, provide value for money, and to assess the risks to delivery. The Board will receive appropriate reporting to enable governance, support and challenge, to both new projects as they are proposed and also to continuously review the existing capital programme.

Highways

The have been a number of recent changes across Highways and to the Senior Management Structure, including the establishment and appointment to the new post of Strategic Director, Highways, Transport and Engineering in April 2017 and the appointment of a permanent Director of Highways (Operations) who joined the Council on 23 October 2017.

A new Highways Executive Board, chaired by the Chief Executive has been established to provide strategic direction, oversight and ultimate decision making in relation to existing and future schemes and programmes of work. The Chief Executive has also established a coordination group which receives a monthly highlight report from Highways focusing on priorities and key activity over the period.

In addition to the above, over the last 12 months Highways have submitted two progress reports to Audit Committee and a further report to both Neighbourhoods and Economy Scrutiny Committee. The Highways Team continue to work alongside internal audit to pro-actively identify areas for improvement, and are currently in the process of developing a forward plan.

In alignment with the £100m Investment Improvement Plan and Roadmap which sets the vision to improve the condition of the highways across the City a detailed delivery plan for year one has been developed, and work is underway to develop plans for years two and three. Progress will be monitored and reported appropriately.

Service development and improvement is ongoing and in line with the time frames initially reported this is expected to take up to 24 months and covers all aspects of the operating model, including· model, structure, process, governance, technology and culture to re-shape and re-position Highways. Part of this transformation includes work within the service to establish, simplify and publish new governance arrangements.

Strategic Development

The Strategic Development function of the Council takes the lead in the development and implementation of proposals that will deliver major residential, commercial and cultural initiatives. Governance of these initiatives is provided by way of Portfolio Boards, with a designated Senior Responsible Owner (SRO) and which comprise of officers from relevant service departments, including Legal and Financial support and external stakeholders when relevant. When initiatives involve the direct delivery of significant infrastructure and capital investment, proposals must be fully justified in accordance with the Capital Strategy; are commissioned through the Capital Programmes or Highways Team; and are ultimately overseen by the Strategic Capital Board.

Action 9) Develop, design and deliver the Our Town Hall refurbishment project to time, cost and quality standards.

Manchester Town Hall, which opened on 13 September 1877, is an internationally significant landmark and Manchester's greatest cultural and civic asset, which makes a significant contribution not only to the heritage but also to the identity of the City. The Town Hall, whilst structurally sound, is now seriously showing its age with many elements reaching the end of their natural lifespan. It has been agreed that significant refurbishment is required to rectify the identified defects and to protect the building for the benefit of future generations of Mancunians.

At its meeting in November 2016 Executive approved a report recommending the full refurbishment and upgrade to modern standards and partial restoration of the Town Hall. A further report considered by Executive on 8 March 2017 provided progress on the procurement of the design team and the assembling of the project team to maintain the momentum of the project to keep to the agreed work programme and timelines.

Governance and Risk Management

The design team and Council client team jointly make up the Our Town Hall project team. It has been essential for the Council to put in place a strong client team to both work and engage with the design team and contractors and to deliver bespoke workstreams as part of the overall project. This has required identifying specialist resources to focus on areas including finance, legal, HR, procurement, communications, engagement, IT, heritage, conservation and work and skills. A Project Director has been recruited to both manage the client team as well as being responsible for leading and delivering all aspects of the decant and refurbishment programme, including design and construction, procurement, supplier management, communications and cultural change. Changes to senior management arrangements include the Director of Trading Services taking responsibility as Senior Responsible Owner for the Our Town Hall Project and to enable him to fulfil this role delegated authority was assigned to appoint consultants, such as the design team, to support the Our Town Hall Project.

A Strategic Risk Register is monitored by the Strategic Board. The Risk Register identifies potential impact of, and mitigation strategies for, the identified risks. The top three risks in terms of likelihood and impact (and mitigating actions) from the Register are.

- Inability to achieve decant to quality, time or budget constraints (weekly meetings are set up with key stakeholders to track progress and ensure early action to mitigate issues as they arise. Issues are reported to Strategic Board). The decant includes the removal from the building of heritage assets, and the fit out and occupation of the new premises for the Coroner at Royal Exchange. These activities have progressed well, and full decant will be completed in the second half of 2018.
- Unforeseen structural problems in the building cause delay (progress intrusive surveys well in advance of appointment of the Management Contractor).
- Insufficient capacity in the market to deliver against the specialist needs of the project (Early soft market testing and engagement with supply chain).

A detailed governance plan was signed off by Strategic Board on 16 October 2017 for Royal Institute of British Architects (RIBA) Stage 2 (Concept Design). This will be reviewed at the end of RIBA 2 (May 2018), and if necessary, updated for the subsequent design and construction stages.

The governance plan sets out a framework of advisory panels that advises the Project Board (and ultimately the Strategic Board) and the terms of reference and membership of the panels. The governance plan also details the approvals cycle that will be followed to achieve Council sign off of the ongoing design at the end of each RIBA design stage.

The governance plan will ensure that the project proceeds within the cost, time and quality parameters, which will be signed off at each stage end. This will deliver progressive cost and outcome certainty as design solutions are developed. Regular reports will be produced on performance, risk and finances.

Procurement and Recruitment of the Project Team

The core consultant team mobilised into the collaborative project office at the end of July. More recent further additions to the project team include a buildability consultant, fire engineer, acoustician and security strategy consultant. To date, 150 staff have been inducted into the project office (Council and consultant staff) working side by side in the Town Hall building.

The project is approaching completion of RIBA Stage 2 (Concept Design), and intense stakeholder engagement is continuing, with a view towards completion of RIBA Stage 2 in May 2018.

Formal commencement of the management contractor has commenced. The Competitive Dialogue process will enable engagement with the bidders in successive rounds of discussions, tailored and focussed as necessary, to develop suitable solutions to the complex technical, social value and financial mechanisms required on a project of the scale and complexity of Our Town Hall. It is anticipated that the management contractor will be appointed during the first half of 2018/19 financial year.

Moving out of the Town Hall

The decant of the majority of staff has been completed. The decant of Members concluded at the end of January. The decant includes portable heritage items as well as other portable items and plans are in place to remove them before the management contractor takes responsibility for the building. The project team will remain located in the Town Hall following the closure of the building to the public until construction work commences in late 2019.

Communications and Engagement

The 140th anniversary of the opening of the Town Hall was on 13 September 2017 and this is being used to mark the next phase of the Our Town Hall project, celebrate the building's remarkable heritage and raise awareness of its closure from 15 January 2018 while work to safeguard, repair and restore it is undertaken.

An engagement strategy and plan, intrinsically aligned to the communications strategy is being developed. It is recognised that engagement activities for the project will be varied and will need to develop over time, but immediate actions identified include.

- Acting as the "Front Door" to the Town Hall;
- Management of enquiries about the programme;
- Management of volunteer opportunities for the project;
- Development of a Friends of the Town Hall scheme,
- Establishing links with the Education sector, to develop an historical, civic pride, and potential employment and apprenticeship opportunities; and
- To educate on the history of the building, the political importance, the artistry and the future legacy for Manchester's young people.

Progress Reporting

Publicly available detailed progress reports are regularly provided to Resources and Governance Scrutiny Committee. Currently progress reports have been requested at alternate meetings and provide members with overall progress of the project as well as detailed information concerning the decant, communications activity, social value being achieved, design activity and the procurement of the management contractor. The Ethical Procurement Sub Group of the Resources and Governance Scrutiny Committee has identified the Our Town Hall Project as one of the projects it wishes to focus on in looking at maximising social value, and regular reports are submitted to this sub group. It is proposed that a report will be submitted to Executive at the conclusion of the management contractor procurement.

The project is overseen by a Strategic Board which is chaired by the Deputy Leader and which includes the Leader, Lead Member for

Finance and Human Resources, Chief Executive, City Treasurer and City Solicitor. This is the main decision making structure which also receives regular progress reports.

Governance Area: Contract Performance Improvement

Action 8) Waste collection and street cleansing contract performance improvement.

At the end of December 2017, the 'Service Improvement Plan' was concluded. The contractor has demonstrated that street cleansing is now meeting the contract standards and have improved their consistency in the delivery of this outcome. The 'Service Improvement Plan' particularly focussed on the following performance targets from the KPIs in the contract.

- Completion Rates, which is the percentage of streets that the contractor has cleansed on the scheduled day of cleanse.
- Street Cleanliness Grades (NI195) which demonstrate how well the street has been cleansed when attended on an A-D basis.
- The number of reports by the public of dirty streets and the response of the contractor to these reports (CRM).
- Achievement of the Service Level Agreement (SLA) rates set within the contract.
- The percentage rate at which residents report a job has not been satisfactorily dealt with (OJND - 'Original Job Not Done').

Performance by the contractor against the key metrics has seen incremental improvements since the plan was implemented in February 2017. This has included achieving 99% of street cleanliness inspections being a Grade B or above, 100% response rates to Street Cleansing jobs, 99%+ fly tipping SLA achievement and an OJND rate of 2% (6% in house baseline). This performance has so far been maintained during the most challenging period of the year, the leaf removal programme was much more effective this year - due to improved management and coordination of the contractor's resources and enhanced partnership working. Weed removal programme in 2017/18 did not meet the expected standards due to the failure of a sub contract and improvements to this service are required in 2018/19.

Performance continues to be managed through the robust contract governance arrangements in place.

The Waste and Recycling element of the service has delivered against the key strategic aims of increasing recycling and reducing costs. Last years' service change is expected to increase Manchester's recycling rate to 40% in 2017/18 - residents with their own bins (4 bin households) now recycling in excess of 50%. Other property types are typically recycling around 10%. In the apartment sector the Council has a saving target of £0.5m of the current £7.2m costs to be achieved from collection and disposal arrangements over the next three years. In order to achieve the target savings the amount of residual tonnage collected from apartments needs to be reduced through a combination of communication activity, reduced operational costs and reduction of residual capacity. A robust delivery plan has been developed to ensure that the wide range of stakeholders and residents who will be affected are effectively engaged in the process; communicated with, given the necessary equipment and information to change their behaviour and that robust governance and data collection programme is in place

Governance Area: Improving the effectiveness and efficiency of Reporting

Action 10) Development of integrated Sources of Assurance reporting, including embedding an effective risk management approach.

Review of the Council's existing Performance Management Framework

An in-depth review of the Council's Performance Management Framework (PMF) carried out in 2016 identified areas to be addressed to ensure it supported effective monitoring of progress towards the Our Manchester strategy. These areas included

- Streamlined reporting with more consistent consideration given to the organisational level performance should be reported to
- A single consistent view of organisational challenges, with a clear message on success and challenges reported through directorates to SMT and to Executive Members
- Supporting people to access information for themselves, obtaining greater value and intelligence from the Council's data assets
- Better and more timely information to support current and future decision making.

The outcomes of this review were reported to Audit Committee in January 2017 and further development has taken place throughout the year to address these areas.
The scope of the development work has been focussed on the assurance to be gained from performance reporting through the PMF (i.e. finance, activity, workforce, risk and compliance) and the associated governance arrangements. It should be noted that there

exists a wider framework of assurance and associated governance which will cover the operation of the Council including work with partners.

The Integrated Monitoring Report

The Integrated Monitoring Report (IMR) is now in place, and has been designed as part of the strategy to address the areas identified above. By compiling workforce, performance and budget monitoring it leads to a single view of success and challenges based on multiple information sources. As a monthly (rather than quarterly) report it also provides earlier warning on performance where indicators are heading in an undesirable direction. The report is produced by consolidating the most significant details of finance, performance and workforce reporting to directorates into a single report to senior management, ensuring the report is produced concisely and reducing the volume of reports needing to be considered, facilitating more in depth consideration of the issues detailed within.

The IMR includes a Summary Dashboard which includes key financial, workforce and performance information on a single page. It displays savings risk assessments and forecast variance from directorate budgets with a brief explanation of the current position. It includes key workforce metrics such as staff attendance, the staff "BHeard" survey score, agency spend, workforce size and budget, it also displays the number of complaints received and how this is changing over time. It includes performance indicators relating to the Council's priorities in supporting the delivery of the Our Manchester Strategy 'Getting the Basics Right', 'Driving Reform' and 'Shaping Future Inclusive Growth'.

The development of the IMR has supported leaders in the organisation to respond rapidly to dips in performance or budget pressures. The information enables the Council to decide on, and implement corrective action with a clearer view of the position of the authority and recognising the likely impacts on both the achievement of its priorities and its financial position. This new method at the heart of the Council's management systems is having an impact on governance of service delivery.

Over the past six months further work has taken place to improve the presentation of the report and bring together the key progress and challenges for each directorate reported alongside current priorities. The report has been shortlisted for the Good Governance Award as part of the CIPFA Public Finance Innovation Awards 2018. Further development is planned to bring in risk and audit information and show more explicitly how directorate performance links to the vision for the City.

Risk Management

The management of risk continues to be a core management competency with managers and Heads of Service responsible for the recording, reporting and management of risk in their areas of responsibility. To further strengthen arrangements and improve consistency in the application of the approach across the Council, an updated risk management strategy has been developed. This reemphasises the need for service and directorate level risk reporting and the timetable for onward reporting to Strategic Management Team. A programme for confirming directorate compliance with risk management processes has been agreed as a priority for the Internal Audit Plan in 2018/19.

A revised business continuity strategy has also been developed and has driven actions to further strengthen continuity arrangements. This has increased the focus on the corporate plans required to respond to a major incident and in particular the loss of Council buildings or ICT. A full refresh of service business continuity and establishment of updated plans to cope with such losses are underway and are forecast for completion by Spring 2018.

Governance Area: Schools

Action 11) Maintaining a strategic leadership role for the Council in the context of changing national policy in relation to schools, including changes to the school funding formula, and the reducing role of local authorities. Via partnership working, support schools to deliver a good or better level of education and learning.

The Council has undertaken a wide range of activities, and maintained and developed relationships in support of this action:

- Continued strategic engagement with the school system through the Strategic Education Partnership Board
- Continued partnership with Manchester Schools' Alliance (of which the Council is a member), with all major headteacher groups now incorporated into the Alliance which continues to report to the Strategic Education Partnership Board on its programme to support developing practice across all types of school
- Continued representation at all termly strategic headteacher groups to provide information, discussion of priorities and collaborate on ways forward
- Continued coordination and facilitation of networks of key leaders from all schools to ensure flow of information and strategic intention from national government, local government, regional work and across the school system
- Continued engagement with the school system through the Schools' Forum

- Embed and further develop the role of Manchester School Improvement partnership to ensure that all teaching Schools and National Leaders of Education based in the City are effectively deployed to support school improvement.
- Work with school leaders to ensure that there is better coordination and understanding about the role of school representatives on different strategic boards and steering groups
- Implementation of school governor strategy including recruitment of LA governors and termly briefings for Chairs of Governing Boards
- Sustained quality assurance relationship with the vast majority of schools in the city, including academies and free schools, to provide the Council with a knowledge of schools and to provide the basis of relationships through which the role of schools has continued to develop
- Increase engagement of schools as systems leaders for the Early years services
- Considerable direct activity with schools in support of meeting the need for additional places, including local schools and multi academy trusts agreeing to expand and develop free school proposals in response to Council requests
- Work with the Department for Education's (DfE) Regional Schools Commissioner, other parts of the DfE and OFSTED to place the Council at the heart of discussions about performance, capacity and growth in academy and free schools in the city

Governance Area: Communication of Policy and Procedure

Action 12) Services need to ensure they have clearly communicated and embedded the Constitution of the Council, and all relevant policies and regulations which staff must comply with.

The induction process update is in progress and is expected to be completed in the first quarter of 2018/19 for the inductions of both new staff and managers. The updated process will ensure that during induction officers are introduced to key policies and procedures including HR, Health, Safety and Welfare (HSW). The process will also include outlining the key priorities of the Council and the behaviours required of officers, related policy and how this supports the Our Manchester Strategy.

The intranet had been updated to improve the users' experience with relation to navigation and searching for information. The sites which contained information for the Shared Service Centre and HR/OD have been combined to remove duplication and ensure new officers find accessing key documents (which are current and compliant) easier and will complement the e-learning provided to support their transition into their role. Universal Access has provided the opportunity for a number of employees to access the intranet who may not have done so previously, as a result it is essential that the content is accessible to everyone with access. Work will continue on harmonising the format and content of these pages during 2018/19 to make sure that the information contained is relevant, up to date and accessible to all officers.

The Raising the Bar Programme continues to assist the development of managers up to Grade 9 ensuring that they have the knowledge, skills and behaviours to deliver Manchester's ambitious targets. 251 delegates had enrolled on the course by March 2018. For managers Grade 10 and above the Our Manchester Leadership Programme has supported 110 delegates who have completed or are booked onto the course as of March 2018. Each of these programmes cover key issues which include people, policy, health, safety, welfare management and mental health awareness. They both explore the behaviours required of Manchester managers and how this links with successful delivery of the Our Manchester Strategy. Work is in progress to include additional modules in 2018/19 on financial management and commissioning and the role of the modern Public Service Manager.

The role of the Policy Team within HR/OD has increased the focus on the governance and the communication of workforce policy and associated guidance. The team lead and deliver a programme of policy and guidance review over the year which incorporates any recommendations from Audit and Legal colleagues. Quarterly horizon scanning is undertaken to ensure policies are compliant with current regulations and legislation and that a proactive approach to future changes or developments in specific areas can be taken.

Policies under review and development will be tested with a cross section of staff, managers, Union representatives and employee led groups before being formally agreed and placed on the intranet. Various methods of communication are utilised to ensure all employees are aware of existing, and updated or new policy documents. This includes: messages accessed via universal access, hard copies of documents distributed where access is limited, messages via Communications and HROD staff in various newsletters, broadcasts, and steering groups or employee led groups.

This work will continue to be delivered in collaboration with the Communications Teams to ensure strong messages around compliance and accountability are received by all employees.

7. Action Plan: Governance Challenges for 2018/19 Onwards

The review of governance arrangements has identified eleven main areas where the Council will need to focus its efforts during 2018/19, to address changing circumstances and challenges identified. These are set out in the action plan below. Completion or substantial progress against these objectives is due by the end of the financial year, in March 2019.

Action	What action is to be addressed	Who is responsible for delivery SMT Leads	Directors or Heads of Service
1	Ensuing the Our Manchester behaviours become embedded and reflected in all aspects of service delivery, ensuring that staff develop the skills and behaviours articulated in the 'Our People' Strategy, including effective implementation of workforce plans. Adopting a strengths based approach to engaging with residents, and ensuring the Our Manchester approach is used strongly and consistently across all aspects of the Council's communications.	Deputy Chief Executive (Growth and Neighbourhoods), City Solicitor	Director of HROD, Director of Strategic Communications.
2	Supporting the integration of health and social care by ensuring effective governance of integrated teams, including operation of the MHCC commissioning function, and implementation of the Local Care Organisation (LCO).	Director of Adult Social Services	-
3	Adults Services governance oversight operational compliance, quality assurance and the transition from Childrens to Adults Services provision.	Director of Adult Social Services	-
4	Improving the resilience of ICT systems, and the Council's arrangements for disaster recovery.	Chief Information Officer (until September 2018), Deputy Chief Executive (People, Policy and Reform)	Director of ICT
5	Improving information management, and preparing for the introduction of the EU General Data Protection Regulation.	City Solicitor	Head of Internal Audit and Risk Management

Action	What action is to be addressed	Who is responsible for delivery	
		SMT Leads	Directors or Heads of Service
6	Changes to the local government finance system, and delivery of continued significant savings	Chief Executive, City Treasurer	Deputy City Treasurer
7	Ensure robust governance and delivery of the five year Capital Programme Strategy, including major infrastructure projects across Highways and Strategic Development, and Capital Programmes	City Treasurer, Deputy Chief Executive (Growth and Neighbourhoods), Director of Strategic Development	Director of Highways, Transport and Engineering
8	Develop, design and deliver the Our Town Hall refurbishment project to time, cost and quality standards.	Deputy Chief Executive (Growth and Neighbourhoods)	Director of Trading Services
9	Strengthening the Council's approach to commissioning, procurement and contract management.	City Treasurer	Head of Strategic Commissioning
10	Maintaining a strategic leadership role for the Council in the context of changing national policy in relation to schools, including changes to the school funding formula, and the reducing role of local authorities. Via partnership working, support schools to deliver a good or better level of education and learning, including improvement of secondary school exam results.	Strategic Director (Children's Services)	Director of Education
11	Continued improvement of governance and communication of workforce policy and associated guidance, including embedding new ways of working. This includes ensuring strong messages around compliance and accountability, and a planned programme of work to identify and tackle areas of non-compliance.	Deputy Chief Executive (People, Policy and Reform)	Director of HROD

Conclusion

The governance arrangements as described above have been applied throughout the year, and up to the date of the approval of the Annual Accounts, providing an effective framework for identifying governance issues and taking mitigating action. Over the coming year the Council will continue the operation of its governance framework and take steps to carry out the actions for improvement identified in the review of effectiveness to further strengthen its governance arrangements.

Signed: ....
Leader of the Council

Signed: ....
Chief Executive

Independent auditor's report to the members of Manchester City Council

Report on the Audit of the Financial Statements

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Manchester City Council (the 'Authority') and its subsidiary and joint venture (the 'group') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Income and Expenditure Account, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and all notes to the financial statements, including the accounting policies to the core financial statements and the group accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2018 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

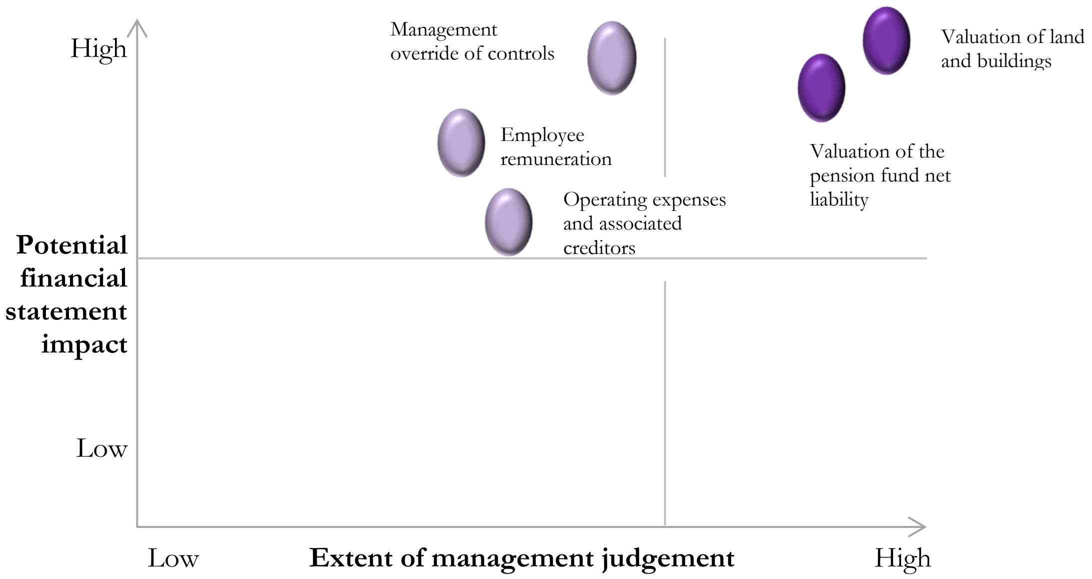
- the City Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the City Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £34.8 million which represents 1.7% of the group's total gross expenditure on provision of services;
- Key audit matters were identified as
    - Valuation of land and buildings
    - Valuation of the pension fund net liability
- We performed a full scope audit of the Authority and analytical procedures on the non-significant components within the group.
- We issued group instructions to KPMG LLP in respect of their full scope audit of Manchester Airports Holdings Limited.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Authority and Group	**How the matter was addressed in the audit – Authority and Group**
Risk 1 - Valuation of land and buildings The Authority revalues its land and buildings on a rolling five year basis to ensure that carrying value is not materially different from current value. This represents a significant estimate by management due to the high value involved in the core financial statements and the group accounts. We therefore identified the valuation of land and buildings, including impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our work included, but was not restricted to: • Updating our understanding of the processes put in place by management to ensure that revaluation measurements are correct; • Evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • Evaluating the competence, capabilities and objectivity of the valuation experts (the valuers); • Challenging the information and assumptions used by the valuers to assess completeness and consistency with our understanding; • Testing revaluations made during the year to see if they had been input correctly into the Authority's asset register and reflected correctly in the financial statements; • Evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and • Evaluating the Authority’s assessment of any relevant indicators of impairment. The Authority’s accounting policy on valuation of land and buildings is shown in note 6.2.1 to the core financial statements and note 1 to the group accounts and related disclosures are included in note 23 to the core financial statements and note 10 to the group accounts.

Key Audit Matter – Authority and Group	How the matter was addressed in the audit – Authority and Group
	Key observations We obtained sufficient audit assurance to conclude that: • the basis of the valuation was appropriate and the assumptions and processes used by management in determining the estimate were reasonable; and • the valuation of land and buildings disclosed in the financial statements is reasonable.
Risk 2 - Valuation of the pension fund net liability The Authority's pension fund net liability as reflected in its balance sheet represents a significant estimate in the core financial statements and group accounts. We therefore identified the valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Gaining an understanding of the processes and controls put in place by management to ensure that the Authority's pension fund liability is not materially misstated and evaluating the design of the associated controls; • Evaluated the instructions issued by management to the actuary and the scope of the actuary's work; • Evaluating the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation. We also gained an understanding of the basis on which the valuation was carried out; • Carrying out procedures to confirm the reasonableness of the actuarial assumptions made, including reference to the conclusions of our auditor's expert (an actuary); and • Confirming the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. The Authority's accounting policy on the valuation of the net pension liability is shown in note 6.2.22 to the core financial statements and related disclosures are included in note 46 to the core financial statements. **Key observations** We obtained sufficient audit assurance to conclude that:

Key Audit Matter – Authority and Group	How the matter was addressed in the audit – Authority and Group
	• the basis of the valuation was appropriate and the assumptions and processes used by the actuary in determining the estimate were reasonable; • the valuation of the Authority's pension fund net liability disclosed in the financial statements is reasonable.

Our application of materiality

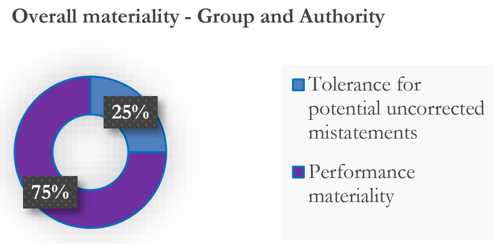
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Group	Authority
Financial statements as a whole	£34.8 million which is 1.7% of the group's gross expenditure on provision of services. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the group has expended its revenue and other funding. Materiality for the current year is at the same percentage level of gross expenditure on provision of services as we determined for the year ended 31 March 2017 as we did not identify any significant changes in the group or the environment in which it operates.	£29.9 million which is 1.7% of the Authority's gross expenditure on provision of services. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Authority has expended its revenue and other funding. Materiality for the current year is at the same percentage level of gross expenditure on provision of services as we determined for the year ended 31 March 2017 as we did not identify any significant changes in the Authority or the environment in which it operates.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality		Disclosure of senior officers' remuneration (based on final reported values, over £20,000, due to public interest in these disclosures). Related party transaction disclosures (over £100,000 and also the significance to the other party) due to

		the public interest in these disclosures.
Communication of misstatements to the Audit Committee	£1.7 million and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£ 1.5 million and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit
Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Gaining an understanding of significant changes to the Group structure;
- Evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. A full scope or analytical approach was taken for each component based on their relative materiality to the group and our assessment of audit risk;
- Full scope audit procedures on the Authority, which represents 85.5% of the group's income, 84.7% of its total expenditure and 70% of its total assets;
- Issuing group instructions to the auditors of Manchester Airports Holdings Limited in respect of their audit of Manchester Airports Holdings Limited for the year ended 31 March 2018, using the results of their full scope audit procedures. Manchester Airports Holdings Limited represents 24.9% of the group's net income and expenditure and 29.1% of its total assets;
- Performing analytical procedures on non-significant components included in the group financial statements: Destination Manchester Limited; and
- Gaining an understanding of and evaluating the Authority's internal controls environment including its financial and IT systems and controls.

Other information
The City Treasurer is responsible for the other information. The other information comprises the information included in the Annual Statement of Accounts set out on pages 3 to 243 other than the group and Authority financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Our opinion on other matter required by the Code of Audit Practice is unmodified

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Annual Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the City Treasurer and Those Charged with Governance for the financial statements

As explained more fully in The Statement of Responsibilities for the Annual Statement of Accounts set out on page 49, 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. The City Treasurer is responsible for the preparation of the Annual Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the City Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the City Treasurer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by group or the Authority.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Audit Commission on 26 July 2012. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the Authority and we remain independent of the group and the Authority in conducting our audit.

The following services, in addition to the audit, were provided by the firm to the Authority after 1 April 2017 that have not been disclosed separately in the Annual Statement of Accounts:

- Pooling of Housing Capital Receipts return certification for 2016/17
- Teachers' Pensions return certification for 2016/17

Our audit opinion is consistent with the additional report to the Audit Committee.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March

2018. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Mark Heap

Mark Heap
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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31 July 2018