



## **Audit Committee**

Date: Tuesday, 28 July 2020

Time: 10.00 am

Venue: Virtual meeting - [https://manchester.publicitv/core/portal/webcast\\_interactive/485320](https://manchester.publicitv/core/portal/webcast_interactive/485320)

Everyone is welcome to attend this committee meeting.

This is a second **supplementary agenda** containing additional information about the business of the meeting that was not available when the agenda was published.

**The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.**

Under the provisions of these regulations the location where a meeting is held can include reference to more than one place including electronic, digital or virtual locations such as Internet locations, web addresses or conference call telephone numbers.

To attend this meeting it can be watched live as a webcast. The recording of the webcast will also be available for viewing after the meeting has ended.

## **Membership of the Audit Committee**

---

**Councillors** - Ahmed Ali (Chair), Clay, Lanchbury, Russell, Stanton and Watson

**Independent Co-opted Members** – Dr S Downs and Dr D Barker

## Agenda

---

7. **Annual Accounts 2019/20 - Group Accounts** 5 - 26  
The report of the Deputy Chief Executive and City Treasurer is enclosed.

## Information about the Committee

---

The Committee is responsible for approving the Council's statement of accounts; considering the Audit Commission's Annual Audit and Inspection Letter and monitoring the Council's response to individual issues of concern identified in it. The Committee also considers the Council's annual review of the effectiveness of its systems of internal control and assurance over the Council's corporate governance and risk management arrangements, and engages with the external auditor and external inspection agencies to ensure that there are effective relationships between external and internal audit.

The Council is concerned to ensure that its meetings are as open as possible and confidential business is kept to the strict minimum. When confidential items are involved these are considered at the end of the meeting at which point members of the public are asked to leave.

The Council welcomes the filming, recording, public broadcast and use of social media to report on the Committee's meetings by members of the public.

Agenda, reports and minutes of all Council Committees can be found on the Council's website [www.manchester.gov.uk](http://www.manchester.gov.uk).

Smoking is not allowed in Council buildings.

Joanne Roney OBE  
Chief Executive  
Level 3, Town Hall Extension,  
Albert Square,  
Manchester, M60 2LA

## Further Information

---

For help, advice and information about this meeting please contact the Committee Officer:

Andrew Woods  
Tel: 0161 234 3011  
Email: [andrew.woods@manchester.gov.uk](mailto:andrew.woods@manchester.gov.uk)

This agenda was issued on **Monday, 27 July 2020** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street Elevation), Manchester M60 2LA.

This page is intentionally left blank

**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 2018/19 Gross Expenditure £000s	Restated 2018/19 Gross Income £000s	Restated 2018/19 Net Expenditure £000s		Note	2019/20 Gross Expenditure £000s	2019/20 Gross Income £000s	2019/20 Net Expenditure £000s
			<b>Continuing operations</b>				
245,499	(55,222)	190,277	Adult Social Care		272,674	(60,059)	212,615
31,673	(20,338)	11,335	Homelessness		36,318	(24,491)	11,827
558,948	(401,684)	157,264	Children's Services		567,681	(386,914)	180,767
351,065	(275,571)	75,494	Corporate Core		332,904	(248,094)	84,810
163,413	(48,502)	114,911	Neighbourhoods and Highways		173,851	(52,433)	121,418
95,773	(41,944)	53,829	Growth and Development		86,058	(42,468)	43,590
6,170	(4,278)	1,892	Corporate Items		5,492	(11,152)	(5,660)
17,937	0	17,937	Council Wide Costs		18,344	0	18,344
75,715	(86,221)	(10,506)	Housing Revenue Account		64,537	(85,088)	(20,551)
9,608	(17,866)	(8,258)	Destination Manchester Ltd		21,097	(18,718)	2,379
<b>1,555,801</b>	<b>(951,626)</b>	<b>604,175</b>	<b>Cost of services excluding acquired services</b>		<b>1,578,956</b>	<b>(929,417)</b>	<b>649,539</b>
			<b>Other operating expenditure</b>				
12,946	(7,215)	5,731	Loss on disposal of non-current assets		52,586	(7,129)	45,457
69,097	0	69,097	Levies		68,687	0	68,687
2,567	0	2,567	Payments to government housing capital receipts pool		2,553	0	2,553
<b>84,610</b>	<b>(7,215)</b>	<b>77,395</b>	<b>Total other operating expenditure</b>		<b>123,826</b>	<b>(7,129)</b>	<b>116,697</b>
182,070	(151,685)	30,385	Financing and investment income and expenditure	<b>6</b>	167,171	(175,334)	(8,163)
0	(636,301)	(636,301)	Taxation and non-specific grant income		0	(668,541)	(668,541)
<b>1,822,481</b>	<b>(1,746,827)</b>	<b>75,654</b>	<b>Deficit on provision of services</b>		<b>1,869,953</b>	<b>(1,780,421)</b>	<b>89,532</b>
278,985	(331,996)	(53,011)	Share of operating results of joint venture	<b>9</b>	309,586	(331,464)	(21,878)
448	0	448	Tax expenses of subsidiary		98	0	98
14,981	0	14,981	Tax expenses of joint venture	<b>9</b>	21,229	0	21,229
<b>2,116,895</b>	<b>(2,078,823)</b>	<b>38,072</b>	<b>Group Deficit on provision of services</b>		<b>2,200,866</b>	<b>(2,111,885)</b>	<b>88,981</b>
			<b>Items that will not be subsequently classified in Deficit on Provision of Services</b>				
		(102,518)	(Surplus) on revaluation of non-current assets				(74,560)
		6,682	Impairment losses on non-current assets charged to the revaluation reserve				12,357
		85,487	Remeasurements of the net defined benefit liability				(319,249)
		469	Share of other comprehensive income and expenditure of subsidiaries				0
		(66,797)	Share of other comprehensive income and expenditure of joint ventures				108,607
		(2,738)	<b>Items that will be subsequently classified in Deficit on Provision of Services</b>				
			(Surplus) / Deficit from investments in equity instruments designated at fair value through other comprehensive income				980
		<b>(79,415)</b>	<b>Total other comprehensive income and expenditure</b>				<b>(271,866)</b>
		<b>(41,343)</b>	<b>Total comprehensive income and expenditure</b>				<b>(182,885)</b>

Manchester City Council Annual Statement of Accounts 2019/20

**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	Restated Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Restated Total Usable Reserves	Restated Total Unusable Reserves	Restated Council Share of Group Reserves	Restated Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 31 March 2018</b>	<b>(306,512)</b>	<b>(99,939)</b>	<b>(72,021)</b>	<b>(18,528)</b>	<b>(0)</b>	<b>(497,000)</b>	<b>(1,657,808)</b>	<b>(892,653)</b>	<b>(3,047,461)</b>
<b>Movement in reserves during 2018/19</b>									
Total comprehensive income and expenditure	26,798	(6,008)	0	0	0	20,790	(9,195)	(52,938)	(41,343)
Total adjustments between accounting basis and funding basis under regulations	(74,070)	1,495	(9,839)	(38,988)	(2,913)	(124,316)	124,317	0	1
<b>(Increase) / decrease in year</b>	<b>(47,272)</b>	<b>(4,513)</b>	<b>(9,839)</b>	<b>(38,988)</b>	<b>(2,913)</b>	<b>(103,526)</b>	<b>115,122</b>	<b>(52,938)</b>	<b>(41,342)</b>
<b>Balance at 31 March 2019</b>	<b>(353,784)</b>	<b>(104,452)</b>	<b>(81,860)</b>	<b>(57,516)</b>	<b>(2,913)</b>	<b>(600,523)</b>	<b>(1,542,686)</b>	<b>(945,591)</b>	<b>(3,088,802)</b>
<b>Movement in reserves during 2019/20</b>									
Total comprehensive income and expenditure	31,127	(15,483)	0	0	0	15,644	(380,471)	181,941	(182,885)
Total adjustments between accounting basis and funding basis under regulations	(59,138)	10,489	(14,989)	(46,538)	485	(109,691)	109,691	0	0
<b>(Increase) / decrease in year</b>	<b>(28,011)</b>	<b>(4,994)</b>	<b>(14,989)</b>	<b>(46,538)</b>	<b>485</b>	<b>(94,047)</b>	<b>(270,780)</b>	<b>181,941</b>	<b>(182,885)</b>
<b>Balance at 31 March 2020</b>	<b>(381,795)</b>	<b>(109,445)</b>	<b>(96,849)</b>	<b>(104,055)</b>	<b>(2,427)</b>	<b>(694,571)</b>	<b>(1,813,469)</b>	<b>(763,649)</b>	<b>(3,271,689)</b>

\*A breakdown of the Council's usable and unusable reserves can be found in the Council's accounts Notes 12, 42 and 43.

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.

## Group Balance Sheet

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

Restated 31 March 2019 £000s		Note	31 March 2020 £000s
	<b>Non-current assets</b>		
2,504,744	Property, plant and equipment	11	2,558,703
538,272	Heritage assets		542,367
422,814	Investment properties		475,227
352	Intangible non-current assets		324
1,064,434	Long-term investment in joint venture / subsidiaries and associates	12	887,440
13,035	Other long-term investments	12	12,536
283,245	Long-term debtors	13	293,824
<b>4,826,896</b>	<b>Total non-current assets</b>		<b>4,770,421</b>
	<b>Current assets</b>		
9,017	Short term investments		20,098
571	Inventories		592
272,788	Short-term debtors	13	172,096
111,793	Cash and cash equivalents	14	141,825
11,773	Short-term assets held for sale		9,474
344	Intangible current assets		0
<b>406,286</b>	<b>Total current assets</b>		<b>344,085</b>
<b>5,233,182</b>	<b>Total assets</b>		<b>5,114,506</b>
	<b>Current liabilities</b>		
(126,283)	Short-term borrowing		(32,904)
(177,406)	Short-term creditors	15	(224,865)
(32,430)	Short-term provisions		(31,570)
(15,137)	Short-term deferred liabilities	16	(11,453)
<b>(351,256)</b>	<b>Total current liabilities</b>		<b>(300,792)</b>
<b>4,881,926</b>	<b>Total assets less current liabilities</b>		<b>4,813,714</b>
	<b>Long-term liabilities</b>		
(1,359)	Long-term creditors		(1,243)
(63,098)	Long-term provisions		(73,159)
(607,232)	Long-term borrowing		(585,397)
(149,536)	Long-term deferred liabilities	16	(156,589)
(19,290)	Capital grants receipts in advance		(9,743)
(952,607)	Pensions liability		(715,894)
<b>(1,793,122)</b>	<b>Total long-term liabilities</b>		<b>(1,542,025)</b>
<b>3,088,804</b>	<b>Net assets</b>		<b>3,271,689</b>
	<b>Financed by:</b>		
(600,525)	Usable reserves		(694,571)
(1,542,688)	Unusable reserves		(1,813,469)
(945,591)	Group income and expenditure reserve		(763,649)
<b>(3,088,804)</b>	<b>Total reserves</b>	17	<b>(3,271,689)</b>

**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.

<b>Restated 2018/19 £000s</b>		<b>Note</b>	<b>2019/20 £000s</b>
38,072	Net deficit on the provision of services		88,981
(259,894)	Adjustments to net deficit on the provision of services for non-cash movements	19	(259,187)
124,570	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	20	74,719
<b>(97,253)</b>	<b>Net cash flows from operating activities</b>		<b>(95,487)</b>
294,318	Investing activities	22	87,929
(173,553)	Financing activities	23	(22,474)
<b>23,513</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>		<b>(30,032)</b>
135,306	Cash and cash equivalents at the beginning of the reporting period		111,793
<b>111,793</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	14	<b>141,825</b>



**Note 1. Reconciliation of the Single Entity Comprehensive Income and Expenditure Statement Deficit to the Group Comprehensive Income and Expenditure Statement Deficit**

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

<b>Restated</b>			
<b>2018/19</b>		<b>Note</b>	<b>2019/20</b>
<b>£000s</b>			<b>£000s</b>
20,790	Deficit on the Authority's single entity Income and Expenditure Account for the year		15,644
811	Distribution from group entities included in the Authority's single entity deficit on the Income and Expenditure Account		775
(7,518)	Add (surplus) / deficit attributable to subsidiary	8	2,461
23,989	Add deficit attributable to joint venture including dividends paid (after corporation tax)		70,101
<b>38,072</b>	<b>Group income and expenditure account deficit for the year</b>		<b>88,981</b>

## Note 2. 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
- 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.

Manchester Airports Holdings Limited audited accounts are available at their website

The Group Accounts have been prepared in accordance with the 2019/20 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.

Manchester City Council Annual Statement of Accounts 2019/20

**Note 3. 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 those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how the expenditure is allocated between Directorates. Income and expenditure accounted for under generally accepted accounting practice is presented more fully in the Comprehensive Income and Expenditure Statement.

2018/19					2019/20					
Restated As reported to Members £000	Restated Adjustments to arrive at net amount chargeable to the group general balances £000	Restated Net expenditure chargeable to the group general balances £000	Restated 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 4a						Note 4a			
183,586	(1,348)	182,238	8,039	190,277	Adult Social Care	205,222	(1,091)	204,131	8,484	212,615
10,711	(611)	10,100	1,235	11,335	Homelessness	14,235	(3,828)	10,407	1,420	11,827
119,877	5,773	125,650	31,614	157,264	Children's Services	122,491	19,696	142,187	38,580	180,767
66,206	(8,235)	57,971	17,523	75,494	Corporate Core	66,814	3,186	70,000	14,810	84,810
75,794	(8,288)	67,506	47,405	114,911	Neighbourhoods and Highways	97,256	(21,556)	75,700	45,718	121,418
4,776	20,394	25,170	28,659	53,828	Growth and Development	5,454	14,964	20,418	23,172	43,590
13,030	(10,067)	2,963	(1,071)	1,892	Corporate Items	5,294	(10,958)	(5,664)	4	(5,660)
0	0	0	17,937	17,937	Council Wide Costs	0	0	0	18,344	18,344
(4,512)	(4,498)	(9,010)	(1,496)	(10,506)	Housing Revenue Account	(4,993)	(5,068)	(10,061)	(10,490)	(20,551)
0	(8,258)	(8,258)	0	(8,258)	Destination Manchester Ltd	0	2,379	2,379	0	2,379
469,468	(15,138)	454,330	149,845	604,175	Net Cost of Services	511,773	(2,276)	509,497	140,042	649,539
(473,718)	(15,115)	(488,833)	(77,270)	(566,103)	Other Income and Expenditure	(516,074)	46,911	(469,163)	(91,395)	(560,558)
(4,250)	(30,253)	(34,503)	72,575	38,072	Deficit on Provision of Services	(4,301)	44,635	40,334	48,647	88,981
Opening Group General Reserves		1,040,219			Opening Group General Reserves			1,074,722		
Surplus on Group General Reserves in year		34,503			(Deficit) on Group General Reserves in year			(40,334)		
Closing Group General Reserves at 31 March		1,074,722			Closing Group General Reserves at 31 March			1,034,388		

**Note 4. Note to the Expenditure and Funding Analysis**

(a) Adjustments to arrive at net amount chargeable to the group general balances 2018/19				
Other Adjustments	Adjustments relating to other income and expenditure (i)	Restated 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	0	148	(1,496)	(1,348)
Homelessness	277	(515)	(373)	(611)
Children's Services	2,035	4,716	(978)	5,773
Corporate Core	2,214	(13,714)	3,265	(8,235)
Neighbourhoods and Highways	(13,405)	6,509	(1,392)	(8,288)
Growth and Development	13,918	5,678	798	20,394
Corporate Items	(9,855)	(388)	176	(10,067)
Council Wide Costs	0	0	0	0
Housing Revenue Account	(4,498)	0	0	(4,498)
Destination Manchester Ltd	(8,258)	0	0	(8,258)
Net Cost of Services	(17,572)	2,434	0	(15,138)
Other Income and Expenditure from the Expenditure and Funding Analysis	36,417	(51,531)	0	(15,114)
Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	18,845	(49,097)	0	(30,252)

The 2018/19 figures have been restated as a result of restatements in the single entity.

(a) Adjustments to arrive at net amount chargeable to the group general balances 2019/20				
Other Adjustments	Adjustments relating to other income and expenditure (i)	Adjustments relating to transfers to / from reserves (ii)	Adjustments relating to internal recharges (iii)	Total Adjustments
	£000	£000	£000	£000
Adult Social Care	(315)	1,805	(2,581)	(1,091)
Homelessness	0	183	(4,011)	(3,828)
Children's Services	2,022	17,629	45	19,696
Corporate Core	(3,734)	98	6,822	3,186
Neighbourhoods and Highways	(24,766)	7,002	(3,792)	(21,556)
Growth and Development	13,753	927	284	14,964
Corporate Items	(10,191)	(998)	231	(10,958)
Council Wide Costs	0	0	0	0
Housing Revenue Account	(5,068)	0	0	(5,068)
Destination Manchester Ltd	2,379	0	0	2,379
Net Cost of Services	(25,920)	26,646	(3,002)	(2,276)
Other Income and Expenditure from the Expenditure and Funding Analysis	99,257	(55,348)	3,002	46,911
Difference between General Fund and HRA Deficit and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	73,337	(28,702)	0	44,635

(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 5. 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 2018/19 gross income and expenditure figures have been restated to reflect transfers of services between directorates in 2019/20.

The tables below shows how the net expenditure, gross expenditure and gross income have been restated.

	As reported in the 2018/19 CIES £000	Adjustments between internal reporting classifications in the single entity £000	As restated 2018/19 £000
<b>Net Expenditure</b>			
<b>Directorate / Organisation Line</b>			
Adult Social Care	193,339	(3,062)	190,277
Homelessness	11,058	277	11,335
Children's Services	157,264	0	157,264
Corporate Core	91,617	(16,123)	75,494
Neighbourhoods and Highways	102,849	12,062	114,911
Growth and Development	54,099	(270)	53,829
Corporate Items	1,877	15	1,892
Council Wide Costs	17,937	0	17,937
Housing Revenue Account	(22,354)	11,848	(10,506)
Destination Manchester Ltd	(8,258)	0	(8,258)
<b>Total Net Cost of Services</b>	<b>599,428</b>	<b>4,747</b>	<b>604,175</b>
Financing and Investment Income and Expenditure	22,729	7,656	30,385
<b>Total</b>	<b>622,157</b>	<b>12,403</b>	<b>634,560</b>

<b>Gross Expenditure</b>			
<b>Directorate / Organisation Line</b>			
Adult Social Care	248,592	(3,093)	245,499
Homelessness	31,396	277	31,673
Children's Services	558,948	0	558,948
Corporate Core	339,617	11,448	351,065
Neighbourhoods and Highways	178,891	(15,478)	163,413
Growth and Development	96,043	(270)	95,773
Corporate Items	6,155	15	6,170
Council Wide Costs	17,937	0	17,937
Housing Revenue Account	63,867	11,848	75,715
Destination Manchester Ltd	9,608	0	9,608
<b>Total Net Cost of Services Gross Expenditure</b>	<b>1,551,054</b>	<b>4,747</b>	<b>1,555,801</b>
Financing and Investment Income and Expenditure	174,414	7,656	182,070
<b>Total</b>	<b>1,725,468</b>	<b>12,403</b>	<b>1,737,871</b>

<b>Gross Income</b>			
<b>Directorate / Organisation Line</b>			
Adult Social Care	(55,253)	31	(55,222)
Homelessness	(20,338)	0	(20,338)
Children's Services	(401,684)	0	(401,684)
Corporate Core	(248,000)	(27,571)	(275,571)
Neighbourhoods and Highways	(76,042)	27,540	(48,502)
Growth and Development	(41,944)	0	(41,944)
Corporate Items	(4,278)	0	(4,278)
Council Wide Costs	(41,944)	0	(41,944)
Housing Revenue Account	(86,221)	0	(86,221)
Destination Manchester Ltd	(17,866)	0	(17,866)
<b>Total Net Cost of Services Gross Income</b>	<b>(993,570)</b>	<b>0</b>	<b>(993,570)</b>
<b>Financing and Investment Income and Expenditure</b>	<b>(151,685)</b>	<b>0</b>	<b>(151,685)</b>
<b>Total</b>	<b>(1,145,255)</b>	<b>0</b>	<b>(1,145,255)</b>

More details of the amendments above can be found in the single entity accounts.

In addition to the amendments to the single entity that affect the group there has been one further amendment that affects the group only. This relates to a reassessment of the valuation of the airports land and buildings at 31 March 2019.

As a result of this amendment the value of the Council's investment in the airport and its share of group reserves have increased by £33.486m at 31 March 2019 (£31.405m at 31 March 2018).

This is also reflected in the share of group reserves column in the MIRS and in the related balance sheet notes.



**Note 6. Financing and Investment Income and Expenditure**

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

	<b>2018/19 £000s</b>	<b>2019/20 £000s</b>	Note
Interest payable on debt	21,294	23,217	a
Interest element of finance leases (lessee)	3	0	
Interest payable on PFI unitary payments	11,775	12,317	
Net interest on the net defined benefit liability	21,756	23,436	b
Investment Interest income	(22,966)	(26,311)	c
Change in fair value of investment properties	12,715	(25,194)	
Dividends receivable	(2,197)	(310)	d
Provision for impairment of bad debts	7,656	4,672	
(Gain) on trading accounts (not applicable to a service)	(40)	(8)	
Rentals received on investment properties	(22,766)	(22,840)	
Expenses incurred on investment properties	3,155	2,858	
<b>Total financing and investment income and expenditure</b>	<b>30,385</b>	<b>(8,163)</b>	

**a. Interest Payable**

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

	<b>2018/19 £000s</b>	<b>2019/20 £000s</b>
Manchester City Council	20,484	22,442
Destination Manchester Limited	810	775
<b>Total</b>	<b>21,294</b>	<b>23,217</b>

**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:

	<b>2018/19 £000s</b>	<b>2019/20 £000s</b>
Manchester City Council	21,444	23,436
Destination Manchester Limited	312	0
<b>Total</b>	<b>21,756</b>	<b>23,436</b>

**c. Investment Interest Income**

	<b>2018/19 £000s</b>	<b>2019/20 £000s</b>
Manchester City Council	(22,946)	(26,294)
Destination Manchester Limited	(20)	(17)
<b>Total</b>	<b>(22,966)</b>	<b>(26,311)</b>

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 7. 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 2019/20 the amount removed was £775,000 (£811,000 in 2018/19).

**Note 8. 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.

	<b>2018/19 £000s</b>	<b>2019/20 £000s</b>
Destination Manchester Limited	(7,518)	2,461
<b>Total (Surplus) / Deficit</b>	<b>(7,518)</b>	<b>2,461</b>

**Note 9. Surplus Attributable to Joint Venture**

This figure represents the total surplus attributable to Manchester Airports Holdings Limited:

	<b>2018/19 £000s</b>	<b>2019/20 £000s</b>
(Surplus) before tax	(53,011)	(21,878)
Tax expenses	14,981	21,229
<b>(Surplus) after tax</b>	<b>(38,030)</b>	<b>(649)</b>

**Note 10. Expenditure and Income Analysis**

The Group income and expenditure is analysed as follows:

	2018/19 £000	2019/20 £000
<b>Expenditure</b>		
Employee Benefit Expenses	534,734	553,151
Other Service Expenses	862,828	871,091
Capital Charges including Depreciation and impairment	212,577	172,822
Interest Payments	32,263	52,402
Pensions Interest Costs	95,469	96,006
Precepts and Levies	69,097	68,687
Payments to Housing Capital Receipts Pool	2,567	2,553
Loss on Disposal of Non-current Assets (general fund)	12,946	52,586
Share of operating results of joint venture	278,985	310,241
Corporation Tax	15,429	21,327
<b>Total Expenditure</b>	<b>2,116,895</b>	<b>2,200,866</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(191,163)	(204,827)
Interest and Investment Income	(87,162)	(96,597)
Return on Pension Assets	(74,025)	(72,570)
Capital Charges related income	(160,387)	(170,552)
Income from Council Tax	(152,846)	(161,477)
Business Rates Income	(329,815)	(330,268)
Government Grants and Contributions	(744,214)	(737,001)
Share of operating results of joint venture	(331,996)	(331,464)
Gain on Disposal of Fixed Assets (HRA)	(7,215)	(7,129)
<b>Total Income</b>	<b>(2,078,823)</b>	<b>(2,111,885)</b>
<b>Deficit on the Provision of Services</b>	<b>38,072</b>	<b>88,981</b>

Manchester City Council Annual Statement of Accounts 2019/20

Note 11. Property Plant and Equipment

Movements on tangible non-current assets in the group during 2019/20 were as follows:

	Property, Plant and Equipment							Total £000s
	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	
Gross book value brought forward	576,037	1,251,415	115,571	618,424	32,249	81,602	142,871	2,818,169
Accumulated depreciation and impairment brought forward	(25,653)	(83,134)	(56,306)	(137,836)	(853)	0	(9,643)	(313,425)
<b>Net Book Value carried forward as at 31 March 2019</b>	<b>550,384</b>	<b>1,168,281</b>	<b>59,265</b>	<b>480,588</b>	<b>31,396</b>	<b>81,602</b>	<b>133,228</b>	<b>2,504,744</b>
<b>Movement in 2019/20</b>								
Additions	18,428	12,217	10,311	51,978	1,511	56,682	4,412	155,539
Revaluations recognised in revaluation reserve	26,894	44,187	231	0	0	0	(1,152)	70,160
Revaluations recognised in deficit on the provision of services	(5,031)	(6,810)	0	0	0	0	(1,230)	(13,071)
Derecognition - disposals	0	(50,219)	(105)	0	0	0	0	(50,324)
Transferred from held for sale	(7,461)	0	0	0	0	0	(4,880)	(12,341)
Other transfers	(2,885)	(2,458)	(239)	5,925	53	(24,028)	5,161	(18,471)
Newly recognised assets - leased assets / PFI assets	16,447	0	2,069	0	0	0	0	18,516
Depreciation	(17,822)	(29,293)	(9,866)	(20,959)	0	0	(673)	(78,613)
Impairments covered by the revaluation reserve	0	(828)	(29)	0	0	0	0	(857)
Reversal of prior year impairment	(10,793)	(5,786)	0	0	0	0	0	(16,579)
<b>Net Book Value carried forward as at 31 March 2020</b>	<b>568,161</b>	<b>1,129,291</b>	<b>61,637</b>	<b>517,532</b>	<b>32,960</b>	<b>114,256</b>	<b>134,866</b>	<b>2,558,703</b>
Gross book value carried forward as at 31 March 2020	568,262	1,214,607	126,025	676,326	33,814	114,256	138,909	2,872,199
Accumulated depreciation and impairment carried forward as at 31 March 2020	(101)	(85,316)	(64,388)	(158,794)	(854)	0	(4,043)	(313,496)
<b>Net Book Value carried forward as at 31 March 2020</b>	<b>568,161</b>	<b>1,129,291</b>	<b>61,637</b>	<b>517,532</b>	<b>32,960</b>	<b>114,256</b>	<b>134,866</b>	<b>2,558,703</b>

Movements on tangible non-current assets in the group during 2018/19 were as follows:

	Property, Plant and Equipment							Restated Total £000s
	Restated 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	
Gross book value brought forward	548,441	1,264,128	111,654	561,251	31,279	76,223	108,789	2,701,765
Accumulated depreciation and impairment brought forward	(27,424)	(91,216)	(48,185)	(118,340)	(853)	0	(9,947)	(295,965)
<b>Net book value carried forward as at 31 March 2018</b>	<b>521,017</b>	<b>1,172,912</b>	<b>63,469</b>	<b>442,911</b>	<b>30,426</b>	<b>76,223</b>	<b>98,842</b>	<b>2,405,800</b>
<b>Movement in 2018/19</b>								
Additions	16,237	34,649	6,607	39,982	689	46,167	9,580	153,911
Revaluations recognised in revaluation reserve	47,930	45,953	55	0	0	0	9,321	103,259
Revaluations recognised in deficit on the provision of services	(13,260)	(11,969)	0	0	0	0	(14,544)	(39,773)
Derecognition - disposals	0	(18,879)	(222)	0	0	0	0	(19,101)
Transferred from held for sale	(7,079)	(24)	0	0	0	0	(9,193)	(16,296)
Other transfers	(917)	(28,698)	186	17,192	281	(40,788)	40,213	(12,531)
Newly recognised assets - Leased assets / PFI assets	12,403	0	504	0	0	0	0	12,907
Depreciation	(16,708)	(28,104)	(9,449)	(19,497)	0	0	(571)	(74,329)
Impairments charged to the (surplus) / deficit on the provision of services	(3,728)	(1,431)	(1,885)	0	0	0	(420)	(7,464)
Impairments covered by the revaluation reserve	(5,511)	(1,171)	0	0	0	0	0	(6,682)
Reversal of prior year impairment	0	5,043	0	0	0	0	0	5,043
<b>Net Book Value carried forward as at 31 March 2019</b>	<b>550,384</b>	<b>1,168,281</b>	<b>59,265</b>	<b>480,588</b>	<b>31,396</b>	<b>81,602</b>	<b>133,228</b>	<b>2,504,744</b>
Gross book value carried forward as at 31 March 2019	576,037	1,251,415	115,571	618,424	32,249	81,602	142,871	2,818,169
Accumulated depreciation and impairment carried forward as at 31 March 2019	(25,653)	(83,134)	(56,306)	(137,836)	(853)	0	(9,643)	(313,425)
<b>Net Book Value carried forward as at 31 March 2019</b>	<b>550,384</b>	<b>1,168,281</b>	<b>59,265</b>	<b>480,588</b>	<b>31,396</b>	<b>81,602</b>	<b>133,228</b>	<b>2,504,744</b>

**Note 12. Long-term Investments**

	<b>31 March 2019 £000s</b>	<b>31 March 2020 £000s</b>
<b>Investments in organisations included in the group statements</b>		
Manchester Airports Holdings Ltd	1,050,892	874,913
<b>Investments in subsidiaries not included in the group statements</b>		
Manchester Mortgage Corporation Plc Share Capital	149	146
<b>Investments in associates not included in the group statements</b>		
National Car Parks (Manchester) Ltd Share Capital	1,693	2,147
Eastlands Development Company Limited	1,185	1,155
Mayfield Developments	4,000	4,000
Matrix Homes Ltd	6,515	5,079
	<b>1,064,434</b>	<b>887,440</b>
Other long-term investments	13,035	12,536
<b>Total other long-term investments</b>	<b>13,035</b>	<b>12,536</b>
<b>Total Long-Term Investments</b>	<b>1,077,469</b>	<b>899,976</b>

Further details can be found in the Council's accounts Note 34.

**Note 13. 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 2019. 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.

	<b>31 March 2019 £000s</b>	<b>31 March 2020 £000s</b>
<b>Short-term debtors - Manchester City Council</b>		
Manchester City Council debtors and payments in advance	272,477	170,855
Adjustments for intra-company transactions	(3,021)	(2,244)
	<b>269,456</b>	<b>168,611</b>
<b>Short-term debtors - Destination Manchester Limited</b>		
Trade debtors	1,647	2,595
Corporation tax	448	98
Other debtors	1,237	792
<b>Total</b>	<b>272,788</b>	<b>172,096</b>

Further details can be found in the Council's accounts Note 35.

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.

	<b>31 March 2019 £000s</b>	<b>31 March 2020 £000s</b>
<b>Long-term debtors</b>		
Manchester Airports Holdings Limited	207,418	218,713
Ex GMC debt	47	24
PFI prepayments	24,494	23,156
Private Sector Housing Loans	10,856	10,842
Equity Mortgages	3,436	2,952
Matrix Homes	8,338	8,889
Biffa Municipal	3,569	4,379
Other	3,040	2,986
Manchester Quays Riverside	4,300	4,288
Manchester College	17,747	17,596
<b>Total</b>	<b>283,245</b>	<b>293,825</b>

Further details can be found in the Council's accounts Note 35.

**Note 14. Analysis of Bank Overdraft and Cash and Cash Equivalents**

	<b>31 March 2019 £000s</b>	<b>31 March 2020 £000s</b>
<b>Bank Overdraft and Cash and Cash equivalents</b>		
Cash at bank and in hand	40,249	33,526
Call accounts	10,241	8,269
Investments less than 3 months	61,303	100,030
<b>Total</b>	<b>111,793</b>	<b>141,825</b>

**Note 15 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 2020. Amounts owed by the Council to Destination Manchester Ltd have been removed as they are classed as intra-company transactions.

	<b>31 March 2019 £000s</b>	<b>31 March 2020 £000s</b>
<b>Manchester City Council</b>	169,805	216,596
Adjustments for intra-company transactions (trade creditors)	(315)	(334)
	<b>169,490</b>	<b>216,262</b>
<b>Destination Manchester Limited</b>		
Trade Creditors	580	1,411
Accruals and deferred income	6,494	6,970
Corporation tax	448	0
Other taxes and social security costs	394	222
<b>Total</b>	<b>177,406</b>	<b>224,865</b>

Further details can be found in the Council's accounts Note 37.

**Note 16. Deferred Liabilities**

	<b>31 March 2019 £000s</b>	<b>Repaid in year £000s</b>	<b>Additions in year £000s</b>	<b>31 March 2020 £000s</b>	<b>Short Term 31 March 2020 £000s</b>	<b>Long Term 31 March 2020 £000s</b>
Ex GMC debt	7,516	(2,370)	0	5,146	2,503	2,643
Private Finance Initiatives	151,767	(12,217)	16,447	155,997	8,205	147,792
Service Concession	4,131	(714)	2,089	5,506	745	4,761
Deferred taxation (Destination Manchester Ltd)	1,259	0	133	1,392	0	1,392
	<b>164,673</b>	<b>(15,301)</b>	<b>18,669</b>	<b>168,041</b>	<b>11,453</b>	<b>156,589</b>

**Note 17. Group Reserves**

	<b>31 March 2019 £000s</b>	<b>31 March 2020 £000s</b>
<b>Usable Reserves</b>		
Manchester City Council *	600,525	694,571
<b>Unusable Reserves</b>		
Manchester City Council *	1,542,688	1,813,469
<b>Group Income and Expenditure Reserve</b>		
Manchester Airports Holdings Ltd - usable	526,893	459,850
Manchester Airports Holdings Ltd - unusable	425,454	300,838
Destination Manchester Ltd - usable	2,764	3,214
Destination Manchester Ltd - unusable	(9,521)	(253)
<b>Total Group Income and Expenditure Reserve</b>	<b>945,591</b>	<b>763,649</b>
<b>Total</b>	<b>3,088,803</b>	<b>3,271,689</b>

\* Further detail can be found in the Council's accounts Notes 42 and 43.

**Note 18. Related Party Transactions**

As at 31 March 2020 the amount of loans outstanding owed by Manchester Airports Holdings Limited to Manchester City Council was £218.713m (£207.418m at 31 March 2019).

Destination Manchester Limited had outstanding loans to the Council of £16.407m at 31 March 2020 (£16.407m at 31 March 2019).

The director of Destination Manchester Limited during 2019/20 was Carol Culley, Deputy Chief Executive and 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 19. Cash Flow Statement - Adjustments to net deficit on the provision of services for non-cash movements**

	<b>Restated 2018/19 £000s</b>	<b>2019/20 £000s</b>
Depreciation of non-current assets	(73,011)	(77,109)
Impairment of non-current assets	(47,236)	(13,930)
Amortisation of intangible non-current assets	(130)	(85)
Pension fund adjustments	(61,840)	(82,536)
Movement in market value of investment property	(12,715)	25,195
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	(3,260)	(4,386)
(Increase) in impairment provision for bad debts	(7,657)	(4,672)
Contributions to provisions	(2,988)	(2,347)
Carrying amount of property, plant and equipment, investment properties and intangible assets sold	(34,269)	(65,195)
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	(5,636)	(5,904)
Other non-cash movements	19,585	(11,032)
Increase / (decrease) in inventories	(59)	27
Increase / (decrease) in debtors (less capital)	(38,358)	19,764
Increase / (decrease) in interest debtors	(3,657)	13,768
(Increase) in creditors (less capital)	11,332	(50,821)
(Increase) / decrease in interest creditors	5	76
<b>Total</b>	<b>(259,894)</b>	<b>(259,187)</b>

**Note 20. Cash Flow Statement - Adjustments for items included in the net deficit on the provision of services that are investing and financing activities**

	<b>2018/19 £000s</b>	<b>2019/20 £000s</b>
Proceeds from the disposal of property, plant and equipment, investment properties and intangible assets	50,179	38,433
Capital Grants credited to deficit on the provision of services	98,107	106,044
Other adjustments for items included in the net deficit on the provision of service that are investing or financing activities	(23,716)	(69,758)
<b>Total</b>	<b>124,570</b>	<b>74,719</b>



**Note 21. Cash Flow Statement - Operating Activities**

The cash flows for operating activities include the following items:

	<b>2018/19</b> <b>£000s</b>	<b>2019/20</b> <b>£000s</b>
Interest received	(26,629)	(15,690)
Interest paid	33,642	(31,692)
Dividends received	(62,019)	(70,752)
Taxation	(519)	(413)

**Note 22. Cash Flow Statement - Investing Activities**

	<b>2018/19</b> <b>£000s</b>	<b>2019/20</b> <b>£000s</b>
Purchase of plant, property and equipment, investment property and intangible assets	399,933	227,738
Purchase of short term and long term investments	4,000	1,870
Proceeds of plant, property and equipment, investment property and intangible assets	(50,179)	(38,433)
Capital grants received	(46,807)	(82,206)
Other receipts from investing activities	(12,629)	(21,040)
<b>Total</b>	<b>294,318</b>	<b>87,929</b>

**Note 23. Cash Flow Statement - Financing Activities**

	<b>2018/19</b> <b>£000s</b>	<b>2019/20</b> <b>£000s</b>
Repayments of long and short term borrowing	76,266	33,827
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	15,647	12,931
Cash receipts of long and short-term borrowing	(272,774)	(69,215)
Net (receipts) relating to preceptors element of council tax	830	161
Net (receipts) relating to national non domestic rates for government and GMCA fire element proportions	6,478	(178)
<b>Total</b>	<b>(173,553)</b>	<b>(22,474)</b>

This page is intentionally left blank