



## **Audit Committee**

Date: Thursday, 26 November 2020

Time: 11.00 am

Venue: Virtual meeting - <https://youtu.be/YDf4BnZaUx4>

This is a **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

## Supplementary Agenda

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|---|-----------|
| <b>5. Final Statement of Accounts 2019/20</b><br>The report of the Deputy Chief Executive and City Treasurer is enclosed. | 3 - 254   |
| <b>6. External Auditor Report on the Accounts 2091/20</b><br>The report of the Council's External Auditor is enclosed.    | 255 - 284 |

## Further Information

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

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This supplementary agenda was issued on **Friday, 20 November 2020** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street Elevation), Manchester M60 2LA

## Manchester City Council Report for Resolution

**Report to:** Audit Committee – 26 November 2020

**Subject:** Annual Accounts 2019/20 and Letter of Representation

**Report of:** The Deputy Chief Executive and City Treasurer

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### Summary

To seek Members' approval of the revised accounts containing the amendments detailed in the report and to seek their approval and acknowledgement of the letter of representation. These accounts are updated from those reported to the July Committee and take account of any changes that have arisen since that time including the findings of external audit.

### Recommendations

The Committee is asked to –

- Note the amendments made to the annual accounts since they were reported to the Audit Committee in July.
  - Approve the revised annual accounts including the accounting policies contained within them.
  - Approve and acknowledge the letter of representation in Appendix 1 which will be signed by the Deputy Chief Executive and City Treasurer.
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**Wards Affected:** All

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### Background documents (available for public inspection):

Working papers – consolidation of 2019/20 accounts working papers  
Report of the Deputy Chief Executive and City Treasurer to Audit Committee 10  
March 2020 – Accounting Concepts and Policies, Critical Accounting Judgements  
and Key Sources of Estimation Uncertainty

Report to Audit Committee 28 July 2020 - Annual Accounts 2019/20  
Report of External Auditors, Mazars to Audit Committee 26 November 2020 – The  
Audit Findings for Manchester City Council



## **Introduction**

1. Members will recall that the draft Annual Accounts were reported to Audit Committee on 28 July 2020 following their approval by the Deputy Chief Executive and City Treasurer.
2. This report summarises the amendments that have been made following the work undertaken by the Council's External Auditors, Mazars. Further details can also be found in the External Auditor's report elsewhere on this agenda.

## **Changes to the Main Accounting Statements**

3. There have been no changes to the draft accounts that effect the usable reserves of the Council.
4. There has been one change to the main accounting statements that effects the deficit on the provision of services in the Consolidated Income and Expenditure Statement (CIES). This has no implications for the usable reserves of the Council and is explained in the following paragraphs.
5. As a result of a consultation on the statutory underpinning of local authority pension schemes against age discrimination following the McCloud judgement, issued by the Ministry of Housing, Communities and Local Government (MHCLG) in July 2020, the Council requested an additional report from the pension's actuary. The McCloud judgement refers to the Court of Appeals ruling that found that changes in pension schemes for judges and firefighters were discriminatory on the grounds of age. Although the judgement applied to those two schemes only the government confirmed it will apply to all public sector pension schemes.
6. In the Local Government Pension Scheme (LGPS) the protections that applied when the scheme changed in 2014 from a final salary to a career average salary scheme were given to members closer to retirement, rather than all members, so they did not receive less pension under the new scheme compared to the old.
7. The allowance for McCloud in the actuarial report used in the draft accounts assumed that everyone active in the scheme at 31 March 2014 was eligible for the protections. However, the proposed McCloud remedy now limits eligibility to only members who were active at 31 March 2012, which has led to a reduction in the size of the allowance. The revised report showed a reduction in past service costs of £10.067m. As a result of this change the deficit on the provision of services in the CIES has reduced by £10.067m, from that shown in the draft accounts presented to the committee in July, to £5.576m.
8. In addition to the revision relating to the McCloud allowance the actuary updated the report to increase the return on pension assets by £16.254m following the provision of more up to date information provided by the Greater Manchester Pension Fund. As a result of these two changes the pension liability in the balance sheet has reduced by £26.321m. This is matched by a

reduction in the negative pension reserve therefore increasing the net worth of the Council by £26.321m.

9. This change has also been reflected in the Movement in Reserves Statement (MIRS), Cash Flow Statement, Group Account Statements and relevant notes in both the single entity and group accounts.
10. There have been other changes to the main statements that do not affect the deficit on the provision of services. These are explained in the following paragraphs.
11. The disclosure note relating to Heritage Assets (note 25) previously stated that where heritage assets had an individual value of less than £100,000, they were not included in the balance sheet. In order to provide a more accurate position of the value of these assets it has been agreed during the external audit to include the valuation of these assets in the balance sheet. This has resulted in an increase in the value of heritage assets by £62.454m at 31 March 2020 with a corresponding increase in unusable reserves (revaluation reserve). Given the scale of this increase the prior year has also amended and this has resulted in an increase of £60.431m in the value of heritage assets at 31 March 2019.
12. This change has also been reflected in the CIES, MIRS, Group Accounts Statements and corresponding notes in the Single Entity and Group Accounts.
13. The Cash Flow Statement has been amended for financing activities. The repayment of ex GMC debt has been added to financing activities. This equates to £2.370m in 2019/20. In addition, net payments and receipts relating to the preceptors' element of council tax and national non-domestic rates have been removed from the financing activities section. This equates to payments of £7.308m in 2018/19 and receipts of £17,000 in 2019/20. These changes are a reclassification only and have no impact on the cash balances of the Council as these items had been previously shown in adjustments to the deficit on the provision of services.
14. The Taxation and Non-Specific Grants line within the CIES has been amended between gross expenditure and gross income. In the draft accounts the business rate top-up (£40.398m in 2019/20 and £19.015m in 2019/20) and the adjustment on concessionary interest loan (£3.752m in 2019/20 and £3.092m in 2018/19) were netted off gross income. In the revised accounts these have been shown as gross expenditure. Net expenditure remains unchanged.
15. The final adjustment to the core financial statements was to include a 'third balance sheet' i.e. as at 1 April 2018 for both the single entity and group accounts. This provides additional information following the prior period adjustments made.

### **Changes to Disclosure Notes**

16. In addition to the amendments above there have been the following changes to disclosure notes.

17. The going concern note (7.1.1) has been updated to include information relating to Destination Manchester Ltd. This was not available when the draft accounts were issued.
18. The key sources of estimation uncertainty note has been updated to provide additional information in relation to investment properties (note 9.2) and pension fund property assets (note 9.7)
19. The Assets Held as Lessor note (note 30) has been corrected as two leases had been incorrectly included. These related to Bridge Street Car Park and 103 Princess Street Basement. Income is no longer collected for these leases, but the property records had not been updated at the time the draft accounts were completed.
20. Additional disclosures have been provided in note 41 (financial instruments) relating to items in the CIES and note 49 (related parties) relating to balance sheet items.
21. The events after balance sheet date note (note 58) has been updated with the latest information on the financial implications of COVID-19. This information has also been reflected in the Narrative Statement.

### **Other Changes**

22. The Narrative Statement and the Annual Governance Statement have been amended to reflect Members' comments including those made at the July Audit Committee.
23. There have been various presentational changes made to improve the understanding of the accounts.

### **Next Steps**

24. At the time of writing this report the audit of the 2019/20 accounts is ongoing particularly in relation to valuations of property, plant and equipment in both the single entity and the group accounts.
25. Subject to the satisfactory conclusion of the outstanding work, an unqualified opinion on the single entity and group accounts is expected to be issued by the statutory deadline of 30 November.
26. If any further amendments to the accounts are identified prior to the Committee meeting they will be reported at the meeting.
27. The revised Annual Accounts for 2019/20 are appended to this report.

### **Letter of Representation**

28. The Council is required to provide a letter of representation to its External Auditors. These representations are required to be approved and acknowledged formally by a committee of the Council. A copy of this letter is attached to this report.

### **Recommendations**

29. The recommendations are listed at the front of this report.

## APPENDIX 1



**MANCHESTER  
CITY COUNCIL**

**Corporate Services  
Carol Culley**

Deputy Chief Executive and City Treasurer

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PO Box 314 Town Hall  
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Karen Murray  
Director  
Mazars LLP  
One St Peter's Square  
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26 November 2020

Dear Karen

### **Manchester City Council and Group - audit for year ended 31 March 2020**

This representation letter is provided in connection with your audit of the financial statements of Manchester City Council ('the Council') and its Group for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

#### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as the Council's Deputy Chief Executive and City Treasurer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council, Executive and committee meetings, have been made available to you.

### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council and Group's financial position, financial performance and cash flows.

### **Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used by the Council and Group in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that, despite the disclosure of material valuation uncertainties in the Council's financial statements, the valuations of the Council's Property, Plant & Equipment, Investment Properties, and Pension Fund assets are appropriate.

### **Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired, or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no undisclosed contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing

the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

### **Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council and Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### **Fraud and error**

I acknowledge my responsibility as the Council's Deputy Chief Executive and City Treasurer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council and Group involving:
  - o management and those charged with governance;
  - o employees who have significant roles in internal control; and
  - o others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

### **Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council and Group's related parties and all related party relationships and transactions of which I am aware.

### **Future commitments**

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### **Covid-19**

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.

### **Going concern**

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

### **Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. All uncorrected misstatements are included in Appendix A.

Yours faithfully

Carol Culley  
Deputy Chief Executive and City Treasurer

### **Appendix A Schedule of unadjusted misstatements**





**MANCHESTER  
CITY COUNCIL**

# **Annual Statement of Accounts 2019/20**

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## **Our 2019-20 Narrative Report**

Our Narrative Report aims to demonstrate a clear link between our resources, our strategy and our performance in a transparent and accessible way. It shows how we've helped deliver intended outcomes and created value throughout 2019/20, and how we are planning ahead to respond as effectively as possible to future challenges. The report mainly looks back to the period before the significant impacts of the COVID-19 pandemic began towards the very end of the 2019/20 financial year.

## **Our Council**

### *Our vision and strategy*

Our mission is to support the delivery of the vision for the city set out in the [Our Manchester Strategy](#) that in 2025 Manchester will be in the top flight of world-class cities. The Council's Corporate Plan ([Our Plan](#)) sets out our priorities for the next 2-3 years for delivering the Our Manchester Strategy for the city. Our Plan was refreshed in February 2020 to emphasise the fundamental importance of the Zero Carbon agenda to the city's future.

### *Our commitment to good governance*

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. Approximately 7,000 Council staff deliver public services across five directorates; Adult Social Care (including Homelessness), Children's Services, Homelessness, Neighbourhoods, Growth and Development and the Corporate Core.

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

<sup>1</sup> Estimate based on in-house forecasting model (MCCFM) which accounts for residential building underway in 2019 and is dependent on strong recovery from impacts of COVID-19.

and transparency. We have set out our governance standards in our [Code of Corporate Governance](#) (The Code), which forms part of our Constitution. The Code explains how the vision and values of the organisation – the Our Manchester principles - are at the heart of the Council's approach to governance. 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.

## **Our City**

### *Our thriving and vibrant city*

The city's growing population was estimated to be just over 575,400 in mid-2019, and by 2025 Manchester is forecast to be home to over 636,000 people<sup>1</sup>. The city's growing economy has been crucial to its overall success and resilience. Manchester is the third most visited city in the UK and is renowned both nationally and internationally as a vibrant, inclusive and outward-looking city.

### *Responding to our challenges*

While the city has made great progress, there are significant challenges relating to areas of deprivation, health outcomes for residents, and those residents living in poverty.

The [Our Manchester Strategy](#) sets out the city's priorities up to 2025 and was launched in 2016. This ambitious strategy was developed through extensive consultation with local people, businesses and service providers and shows how the city came together to address its challenges and strive for a place in the top flight of world class cities.

To progress towards the vision described in the Strategy, and to meet the city's challenges, we are continuing to embed the Our Manchester approach. This is a radically transformed way of working so that public services are focused around people and communities

rather than organisational silos. We are working with partners such as health, education and housing providers, the police, the voluntary sector and communities in new innovative ways that target the specific challenges we have in Manchester and make Manchester the best it can possibly be.

We will closely monitor the implications of government policy (in relation to COVID-19, EU exit and the welfare reforms for example) so that we are well placed to anticipate and mitigate negative impacts and grasp opportunities. We will continue to work together with other authorities in our [city region](#) and use our collective powers and budgets to make local decisions aligned to the needs of our communities, partners and stakeholders.

#### *COVID-19: impacts, response and recovery*

The COVID-19 pandemic has had a significant impact on the Council and the city. It has triggered an unprecedented rise in the number of people claiming unemployment benefits with the claimant count rising by 89% from March 2020 to May 2020 to reach 34,000 people<sup>2</sup>. This represents 8.8% of the city's working age population, which is the highest rate this century. City centre footfall in June 2020 is also 61% lower than June last year and footfall in the city's district centres has dropped by 28% over the same period. We have adapted the way in which we provide the services which we offer, to support our residents and local businesses in these challenging times. Although the impact in the 2019/20 financial year has been limited, the impact on the budget for 2020/21 and beyond will be substantial. The position for 2020/21 is expected to be manageable through immediate additional savings and the use of reserves, however the financial position in 2021/22 becomes much more challenging based on current information. It is clear that the pandemic will have a significant impact on the Council's resources, in terms of both increased expenditure and significantly reduced income for at least the next two to three years.

Our [Update on Response Phase](#) report details our initial response which included:

- Establishing a Community Response Helpline to support vulnerable people with the delivery of food and medicine;
- Establishing the Manchester and Trafford PPE Mutual Aid Hub to quickly distribute PPE to front-line workers;
- Establishing the Community COVID-19 Testing Hub with our health partners which has enabled the testing of hospital patients and NHS and social care staff;
- Establishing a control room to expedite hospital discharges and establishing a COVID-19 positive nursing home;
- Accommodating people who sleep rough in the city's hotels;
- Delivering children's social care for the city's Looked After Children through video technology where possible;
- Continuing to educate vulnerable children and the children of key workers in schools and all children via physical learning materials and laptops, and supporting families in hardship with a Free School Meal Scheme;
- Directly supporting the city's businesses by making various grants available and through the administration of business rates relief schemes such as the Retail Discount.

Additionally, the Council has had to manage COVID-19's impacts on sickness levels, the need to redeploy staff where required, and the need to become an organisation where many staff work from home to respond to the government's 'stay at home' measure (around 3,400 of our workforce of 7,300 during lockdown). Dashboards were set up to monitor COVID-19 related absences and identify any service areas or locations with particularly high levels of such absences, with 14% of all the sickness days recorded for April 2020 being COVID-19 related. Policies were reviewed in relation to redeploying staff, and data gathering exercises were carried out in relation to workforce deployment and the identification of employee's underlying health conditions, caring responsibilities and required adaptations for home working. We supported those staff who were unable to do their usual role to volunteer for temporary redeployment, which mainly involved supporting the helpline for vulnerable residents and food and medicine deliveries. All staff have been supported with guidance on working from home effectively, ICT support and daily communications sharing the latest government, Public Health England (PHE) and Manchester specific advice.

<sup>2</sup> Combined count of Universal Credit (not in employment) and Job Seekers Allowance claimants (ONS).

COVID-19 has had a significant impact on the Council's supply chain and a number of supplier relief arrangements were necessary to support suppliers and service continuity throughout and following the crises. Council staff and schools were provided with guidance on actions needed to help identify and mitigate risk of supplier failure and the Council's contract managers have been supported with specific advice where needed. As a condition of receiving relief, suppliers must certify that other forms of support under the Coronavirus Job Retention Scheme are not being accessed and agree that open book accounting will be applied to all payments made.

Personal Protective Equipment (PPE) became a new priority area for procurement. To mitigate the risk of a failure to provide enough PPE to support the Council's own activity and the health care sector, the Council established a dedicated procurement team to work alongside the Council's health and safety, health partners in Manchester Health and Care Commissioning (MHCC), and the Greater Manchester Health and Care Partnership.

Whilst the response work will continue for some time, there is also a significant focus on planning with our partners to develop the best possible joint plans for the city's recovery. This planning work is described in more detail in the [July COVID-19 Update report](#) to the Executive and it will be focussed across four interdependent work streams which will each have short, medium and longer term priorities.

**The economy** - Whilst the effect on both the local and national economy cannot yet be determined with great accuracy, it is now widely recognised that the economic crisis we are facing will lead to the most severe economic disruption experienced in modern times. The forecasts for Manchester's economic performance in the KPMG UK Economic Outlook Report for June suggest a projected reduction in overall productivity of 7.6% for 2020, followed by an increase of 3.5% in 2021. The report highlights particularly vulnerable sectors such as hospitality, tourism and activity associated with international travel, which will be impacted disproportionately and whose recovery will be lengthier.

Our Economy work stream aims to ensure we have a recovery plan which is dynamic and local interventions which support the recovery,

and rebuilding of the economy. Areas of focus will include Transport and Infrastructure, Affordable Housing and Skills, Labour Market and Business Support for example. We are currently planning for a recovery period of at least three to five years whilst ensuring that our recovery can be adapted to a rapidly changing situation.

### **Residents and communities –**

The city's residents have come together in response to the pandemic in typical Manchester spirit and shown their strengths and those of their communities. Neighbourhood led approaches have been led by people who have strong local relationships and know their areas well. Working with neighbourhoods in this joined up way has reduced duplication, supported the development of local solutions to local problems and connected residents to local assets. Capitalising and building on the strengths of residents and communities is a key part of both our recovery plans and the re-set of the Our Manchester Strategy.

The residents and communities work stream will consider how best to support our residents including those at greater risk and further disadvantaged by COVID-19 through the recovery period. The interventions and support required will be different for different communities and different sectors within communities. To best understand what might be needed within different neighbourhoods whilst considering their unique strengths and assets, various public services have been working together as part of a 'Team Around the Neighbourhood'. The team includes representatives from the Council's Neighbourhoods Service, Work and Skills Service, Community Safety Service, and Early Help and Early Years teams as well as representatives from Housing Providers, Greater Manchester Police and the Manchester Local Care Organisation. The team is connected to a wider team which includes representatives from the Voluntary and Community Sector Enterprise (VCSE), Adult Social Care, General Practitioners, health and mental health services. This joined up approach at the heart of each specific neighbourhood is being taken to reduce duplication and provide the right services, at the right time and in the right way. Our work will include a focus on equality, diversity and inclusion, hardship funds and other discretionary spend, youth services and support for children and young people, domestic violence and abuse,

homelessness, digital exclusion, and the Voluntary Community and Social Enterprise (VCSE) and Faith sector.

Our work will include a focus on equality, diversity and inclusion, hardship funds and other discretionary spend, youth services and support for children and young people, domestic violence and abuse, homelessness, digital exclusion, and the Voluntary Community and Social Enterprise (VCSE) and Faith sector.

**Health and Social Care** - Health and Social Care leaders will develop a refreshed Locality Plan for the city building on the unique experiences of the pandemic and seizing the opportunities of changes being made in the response phase.

**Future Council / Impact on the Council** - This work stream will focus on how the Council will need to change in terms of workforce, transformation and finance.

Our response to COVID-19 has been a catalyst for change in terms of our workforce and has allowed us to reimagine what it will look like in the coming months and beyond. This will be a workforce that is supported to excel and be well, work in a transformed way and deliver improved services. We will plan a phased return to the workplace for our workforce. This will include plans for safe working in offices, a refreshed health and well-being offer, and risk assessment and guidance for staff and managers. Our plans will be informed by an all-staff survey which had circa 3,500 respondents with nearly three quarters of these working from home. 95% of those surveyed felt that they were well supported, 80% felt they were at least as productive as normal and 30% felt they were more productive than normal. We are committed to continuing to embed the Our Manchester (OM) approach throughout the Council and Our Transformation Programme, Our Ways of Working will support staff to work even more flexibly across different locations and services as we move into our 'new normal'

Manchester's overall approach to public service reform involves key partners working together effectively across the city's neighbourhoods, and this is called 'Bringing Services Together for People in Places' (BST PIP). Our BST PIP work has been accelerated in response to the pandemic and we will build upon the success of this to ensure that key improvements are sustained to

become business as usual. A related key programme of activity is the work to support residents and businesses who experience digital exclusion. This can occur due to the lack of access to technology or the lack of skills to use it. Many of our residents who are vulnerable or at risk are also digitally excluded and it is more common in older people, disabled people, people whose first language is not English and people on low incomes who may experience difficulties affording devices and connections. The impacts of the pandemic have increased the scale of the already significant challenge of digital exclusion with some vulnerable people not being able to access the protected online shopping slots and feeling isolated because they cannot use technology to keep in touch with family and friends. To help address some of these issues the Council has given digital devices to some residents and is working with partners to better understand the challenges (e.g. disability organisations). One way the Council has enabled vulnerable residents, who may not be able to use digital devices, to engage with services and access support is by introducing Citizens Advice free phones to selected libraries. The Council is also working to ensure investment into the city's digital infrastructure including full fibre connections to premises and 5G.

We will be reviewing and revising the budget position for the Council for 2020/21 and beyond in light of escalating costs, significant and long-term income losses, funding uncertainty and economic challenges. Aligned to this, Our Plan and the activities which underpin delivery of the Council Business Plan for 2020/21 are being reviewed. This will allow the Council's shorter-term priorities and the planned actions of its 41 services to be updated in light of the impacts of the pandemic and to support the city's recovery from this.

#### *Our Manchester Strategy Reset*

The longer term Our Manchester Strategy 2016-2025 also needs to be reset and repositioned, to respond to the post COVID-19 challenges the city now faces and will underpin all the recovery planning work. This reset will begin with a consultation that is firmly rooted in the Our Manchester approach, which addresses the significant challenges but also some of the opportunities over the next five to ten years. The reset will maintain our overarching principles of equality, inclusivity and sustainability at its heart, building on them to establish the refreshed vision for achieving the city's 2025 aims.



## Our Strategy and Objectives

This page sets out the eight priorities of Our Plan. It shows how they are aligned to the strategy for the city and the city region, and how they inform the Council Business Plan and Budget Report. Our [Revenue Budget Strategy](#) and [Capital Budget Strategy](#) are aligned to the Our Manchester Strategy and what Manchester people value most.



**Zero Carbon Manchester** - Lead delivery of the target for Manchester to become a zero carbon city by 2038 at the latest, with the city's future emissions limited to 15 million tonnes of carbon dioxide: • Work with the Manchester Climate Change Agency to develop a full action plan for the city by March 2020, setting out how the ambition will be met • Ensure activities are delivered to reduce the Council's own direct emissions as part of this plan • Contribute to improvements in air quality across Manchester required in the Clean Air Plan.

**Young People** - From day one, support Manchester's children to be safe, happy, healthy and successful, fulfil their potential, and make sure they attend a school graded 'good' or better: • Ensure all children have high-quality education • Support more Manchester children to have the best possible start in life and be ready for school and adulthood • Reduce number of children needing a statutory service • Reduce the number of children growing up in family poverty.

**Healthy Cared-for People** - Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives: • Support Mancunians to be healthy, well and safe • Improve health and reduce demand by integrating neighbourhood teams, that are connected to other services and assets locally, delivering new models of care • Reduce the number of people becoming homeless, and enable better housing and better outcomes for those who are homeless.

**Housing** - Ensure delivery of the right mix of good-quality housing so that Mancunians have a good chance of quality homes: • Accelerate and sustain the delivery of more housing • Ensure the provision of enough safe, secure and affordable housing for those on low and average incomes.

**Neighbourhoods** - Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of: • Enable clean, safe, vibrant neighbourhoods.

**Connections** - Connect Manchester people and places through good-quality roads, sustainable transport and better digital networks: • Improve public transport and highways, and make them more sustainable • Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and support a thriving digital economy.

**Growth that benefits everyone** - Boost the city's productivity and create a more inclusive economy that all residents can participate in and benefit from, and contributing to reductions in family poverty, as set out in the Our Manchester Industrial Strategy: • Support good-quality job creation for residents, and effective pathways into those jobs • Facilitate economic growth of the city.

**Well-managed Council** - Support our people to be the best and make the most of our resources: • Enable our workforce to be the best they can be through the Our People Strategy and Our Manchester behaviours • Effectively plan our future budgets and balance our current budget, delivering savings, transformation of the organisation, reductions in demand through reform, and generating income.

Our work towards each priority is underpinned by city-wide leadership which aims to reduce inequalities and promote inclusion and diversity. We pursue our priorities by applying the Our Manchester principles in all that we do, from our Business and Budget planning through our service and team planning, to the 1:1 About You sessions managers have with staff which complete the golden thread. These principles are 'listening', 'recognising strengths of individuals and communities', 'working together' 'better lives'. The [Our People Strategy](#) is aligned to these principles and aims to ensure staff are listened to, involved, respected and inspired

**Our Funding and Spending 2019/20**

The graphics below show how our gross revenue and gross capital spending programmes were funded and where we targeted our revenue spend and capital investments throughout 2019/20 to help support the people of Manchester to achieve and enjoy a better quality of life.

Revenue spending relates to the day-to-day running costs required for the Council's operations such as staffing and utilities costs.

**Revenue funding and spending 2019//20**

|  | 2019 / 20<br>£M |
|--|-----------------|
| <b>Revenue Funding</b>                                     |                 |
| Government Grants and Contributions                        | 777.4           |
| Income from Council Tax                                    | 161.5           |
| Business Rates Income                                      | 330.3           |
| Interest and Investment Income                             | 97.4            |
| Gain on Disposal of Fixed Assets (Housing Revenue Account) | 7.1             |
| Capital Charges related income                             | 170.6           |
| Fees Charges and other service income                      | 265.3           |
| Return on Pension Assets                                   | 72.6            |
| <b>Total Resources Available</b>                           | <b>1,882.2</b>  |
| <b>Revenue Spending</b>                                    |                 |
| Children's Service   | 567.7           |
| Adult Social Care  | 272.7           |
| Homelessness   | 36.3            |
| Corporate Core   | 332.9           |
| Neighbourhoods Directorate                                 | 173.9           |
| Growth and Development                                     | 86.1            |
| Housing Revenue Account                                    | 64.5            |
| Levies   | 68.7            |
| Council Wide Costs   | 8.3             |
| Taxation and non-specific grant expenditure                | 44.1            |
| Corporate Items  | 5.5             |
| Financing and Investment Expenditure                       | 166.4           |
| Loss on disposal of non-current assets                     | 52.5            |
| Payments to government housing capital receipts pool       | 2.6             |
| <b>Total Revenue Spending</b>                              | <b>1,882.2</b>  |



### Capital funding and spending 2019/20

Capital expenditure relates to spending on the purchase or improvement of assets that have a long-term value to the Council and residents, such as land and buildings.

|  | 2019 / 20<br>£M |
|--|-----------------|
| <b>Capital Funding</b>                             |                 |
| Government Grants                                  | 42.7            |
| External Contributions                             | 28.1            |
| Revenue Contributions by the Council               | 15.4            |
| Borrowing :  |                 |
| Manchester City Council                            | 95.0            |
| On behalf of Greater Manchester Combined Authority | 36.0            |
| Capital Receipts :                                 |                 |
| Manchester City Council                            | 3.4             |
| On behalf of Greater Manchester Combined Authority | 16.3            |
| Housing Revenue Account – Major Repairs Reserve    | 18.6            |
| <b>Total Resources Available</b>                   | <b>255.5</b>    |
| <b>Capital Spending</b>                            |                 |
| Children's Services                                | 4.3             |
| Corporate Services                                 | 7.4             |
| Neighbourhoods Directorate                         | 7.6             |
| Growth and Development                             | 81.2            |
| ICT  | 5.5             |
| Town Hall refurbishment                            | 12.7            |
| Greater Manchester Programme                       | 52.2            |
| Housing – Housing Revenue Account                  | 18.9            |
| Housing – Private Sector                           | 11.1            |
| Highways   | 54.6            |
| <b>Total Capital Spending</b>                      | <b>255.5</b>    |

## Our Performance

The Performance of the Council and its partners against the goals of the city's Our Manchester Strategy is reported each year in the [State of the city Report](#). However, a high level view of delivery of the **shorter-term Council priorities** outlined in Our Corporate Plan is summarised in the tables below.

| Growth that benefits everyone   |             |                     |                                 |
|---|-------------|---------------------|---------------------------------|
| Measure   | Performance | Direction of travel | Desirable or undesirable change |
| Out of work benefits (50-64-year olds), Nov 2019 (DWP)                                      | 23.4%       | Down                | Desirable                       |
| Council's procurement spend spent with local suppliers in 18/19 (CLES)                      | 69.9%       | Down                | Undesirable                     |
| Planning applications with fees of £50k+ in 18/19 (MCC)                                     | 15          | Up                  | Desirable                       |
| Enrolments on foundation courses including literacy, numeracy and ESOL in 18/19 (MCC, MAES) | 3,026       | Down                | Undesirable                     |

| Neighbourhoods  |              |                     |                                 |
|---|--------------|---------------------|---------------------------------|
| Measure   | Performance  | Direction of travel | Desirable or undesirable change |
| Incidents of fly tipping per 1,000 residents in 18/19 (MCC)                         | 34.1         | Up                  | Undesirable                     |
| Household waste recycled in 18/19 (DEFRA)   | 40.1%        | Up                  | Desirable                       |
| Visits to city's Libraries, Leisure Facilities & Galleries in 2019/20 (Source: MCC) | 7.47 million | Up                  | (Desirable)                     |

| Housing  |             |                     |                                 |
|--|-------------|---------------------|---------------------------------|
| Measure  | Performance | Direction of travel | Desirable or undesirable change |
| New homes defined as affordable by the government (MCC)  | 470         | Up                  | Desirable                       |
| New builds which became available for buying or renting in Manchester within 2019/20 (MCC)                             | 4,201       | Up                  | Desirable                       |
| Households moved to settled accommodation provided by registered providers (MCC)                                       | 518         | Up                  | Desirable                       |
| Households moved to settled accommodation in the private sector (MCC)  | 408         | Up                  | Desirable                       |
| Households prevented from becoming homeless via supporting them to stay in existing or alternative accommodation (MCC) | 1,157       | Up                  | Desirable                       |
| Households presented as homeless or threatened with homelessness and were owed a duty (MCC)                            | 5,263       | Up                  | Undesirable                     |

| Young People   |             |                     |                                 |
|--|-------------|---------------------|---------------------------------|
| Measure  | Performance | Direction of travel | Desirable or undesirable change |
| Primary schools rated good or outstanding (Ofsted)   | 93.3%       | Up                  | Desirable                       |
| Secondary schools rated good or outstanding (Ofsted)                                       | 73.1%       | Up                  | Desirable                       |
| Achievement of expected standard in reading, writing and maths at Key Stage 2, 2019 (DfE)  | 61%         | Down                | Undesirable                     |
| secondary school pupils achieved Grade 5 or above in English & Maths in 2019 (Source: DfE) | 35.5%       | Down                | Undesirable                     |
| Looked after Children per 10,000 at end of March 2020 (MCC)                                | 117         | Up                  | Undesirable                     |
| Children in Need per 10,000, March 2020 (MCC)  | 440         | little or no change | (not applicable)                |

| Healthy cared for people  |             |                     |                                 |
|---|-------------|---------------------|---------------------------------|
| Measure   | Performance | Direction of travel | Desirable or undesirable change |
| Number of carers receiving carers specific services (per 10,000 population), 19/20 (NHS Digital)              | 32.86       | Down                | Undesirable                     |
| % people reporting that the service helped them feel safe and secure, 19/20 (Adult Social Care - NHS Digital) | 85.6%       | Up                  | Desirable                       |

|  |       |                     |                  |
|--|-------|---------------------|------------------|
| Proportion of people who reported that they had as much social contact as they would like, 19/20 (Adult Social Care - NHS Digital) | 47.3% | Up                  | Desirable        |
| Proportion of directly provided services which have been rated "Good" or "Outstanding" by CQC                                      | 82%   | little or no change | (not applicable) |
| Emergency hospital admissions per 1,000 population (2018/19 Healthcare Evaluation Data)  | 136   | Down                | Desirable        |

| Connections   |                       |                     |                                 |
|---|-----------------------|---------------------|---------------------------------|
| Measure   | Performance           | Direction of travel | Desirable or undesirable change |
| Road network rated as in poor condition in 2019 (excl. footways) (MCC via GAIST)      | 19.98%                | Down                | Desirable                       |
| Resurfacing work in 19/20 excluding footways (MCC)                                    | 538,760m <sup>2</sup> | Up                  | Desirable                       |
| People killed or seriously injured on city's roads per 1m population in 2019 (TfGM)   | 250                   | Down                | Desirable                       |
| Percentage of journeys into Manchester city centre by bicycle (TfGM)                  | 2.28%                 | Up                  | Desirable                       |
| Percentage of residents with access to high-speed broadband >30Mbps/s in 2019 (Ofcom) | 94.2%                 | Down                | Undesirable                     |

| Zero Carbon  |             |                     |                                 |
|--|-------------|---------------------|---------------------------------|
| Measure  | Performance | Direction of travel | Desirable or undesirable change |
| Our Direct CO <sub>2</sub> emissions change from 2009/10 baseline (MCC, 2018)          | -47.9%      | Down                | Desirable                       |
| Manchester's CO <sub>2</sub> emissions change from 2005 baseline (DECC estimate, 2019) | -40%        | Down                | Desirable                       |
| Average speed of travelling to work by car, at am peak (minutes per mile) (TfGM)       | 4.6         | little or no change | (not applicable)                |
| Average speed of travelling to work by car, afternoon (minutes per mile) (TfGM)        | 5.4         | little or no change | (not applicable)                |

| Well Managed Council   |             |                     |                                 |
|--|-------------|---------------------|---------------------------------|
| Measure  | Performance | Direction of travel | Desirable or undesirable change |
| Best Companies Index Score   | 644         | Up                  | Desirable                       |
| Number of staff provided with an Our Manchester Experience in 19/20 to help them understand their part in delivering the city's strategy (MCC) | 1,450       | Up                  | Desirable                       |
| Stage 1 and 2 corporate complaints responded to within 10 working days (MCC)   | 75.9%       | Down                | Undesirable                     |
| Percentage of annual due Council Tax collected   | 92.73%      | Little or no change | (not applicable)                |
| Percentage of annual due Business Rates collected  | 97.58%      | Up                  | Desirable                       |

## Our Financial Performance 2019/20

This section provides a high-level analysis of our financial performance within 2019/20 and complements the more detailed financial statements published within the accounts. It shows how our position at the end of the financial year relates to our budget and the key variances. Our **net revenue budget** is the total amount of corporate resources available to us. It is mainly funded from retained business rates, council tax receipts, government grants, dividends and use of reserves. In 2019/20 the **net revenue budget** totalled some £628m, and the table below shows our year-end position (spend) compared to this budget.

| Manchester City Council programme | Net revenue budget 2019/20 £M | Year End Position 2019/20 £M | Overspend or (underspend) 2019/20 £M |
|-----------------------------------|-------------------------------|------------------------------|--------------------------------------|
| Total available resources         | (628.1)                       | (630.0)                      | (1.9)                                |
| Total Corporate budgets           | 119.9                         | 119.1                        | (0.8)                                |
| Directorate Budgets               |                               |                              |                                      |
| Children's Services               | 120.9                         | 122.3                        | 1.6                                  |
| Adult Social Care                 | 198.3                         | 205.2                        | 6.9                                  |
| Homelessness                      | 14.1                          | 14.2                         | 0.1                                  |
| Corporate Core                    | 69.7                          | 66.8                         | (2.9)                                |
| Neighbourhoods Directorate        | 99.3                          | 97.3                         | (2.0)                                |
| Growth and Development            | 5.9                           | 5.4                          | (0.5)                                |
| <b>Total Directorate budgets</b>  | <b>508.2</b>                  | <b>511.4</b>                 | <b>3.2</b>                           |
| <b>Total use of resources</b>     | <b>628.1</b>                  | <b>630.5</b>                 | <b>2.4</b>                           |
| <b>Net overspend</b>              | <b>0.0</b>                    | <b>0.5</b>                   | <b>0.5</b>                           |

At the end of the year we had overspent against our **net revenue budget** by £527,000 and this was funded from our General Fund Reserve. The main variations are set out in the table above.

The most significant overspending areas in 2019/20 continued the trend from 2018/19 in the Children's Services and Adult Social Care Directorates. This is offset by underspends in other directorates; including Corporate Core and Neighbourhoods together with the achievement of additional income to increase available resources. The ongoing financial impact of these trends has been addressed and budgets have been revised for 2020/21.

The Council also operates a Housing Revenue Account (HRA), which contains the costs of owning and maintaining properties let to tenants, and rental income from those properties. This is held separately from the net revenue budget position shown in the previous table. The Council was responsible for managing an average of 15,767 dwellings during 2019/20. The outturn position for the HRA in 2019/20 was that income was greater than expenditure by £4.993m which resulted in the general HRA reserve increasing to £73.585m. In addition, there are further HRA reserves relating to other potential liabilities of £35.860m. It is anticipated that as a result of planned capital expenditure HRA reserves will reduce considerably over the next four years.

### COVID-19

The Council received additional grants in 2019/20 as part of Central Government's response to the COVID-19 pandemic. These were to assist with cash flow and to allow the Council to help both the residents and businesses of Manchester.

The first tranche of un-ring-fenced Government COVID-19 support funding totalling £18.589m was received in March 2020. This grant covered some costs in 2019/20 (£389k) but as the majority of costs will be incurred from 2020/21 the remaining grant (£18.2m) was transferred to an earmarked reserve to fund future cost pressures.

Our capital budget for the 2019/20 year was £318.1m, and the table below shows our year-end position (spend) compared to this budget.

| Manchester City Council programme         | Capital Budget for 2019/20 £m | Capital expenditure in 2019/20 £m | Overspend or (underspend) for 2019/20 £m |
|---|-------------------------------|-----------------------------------|--|
| Highways                                  | 55.5                          | 54.6                              | (0.9)                                    |
| Neighbourhoods Directorate                | 8.6                           | 7.6                               | (1.0)                                    |
| Growth and Development                    | 90.8                          | 81.2                              | (9.6)                                    |
| Town Hall refurbishment                   | 17.0                          | 12.7                              | (4.3)                                    |
| Housing – private sector                  | 10.3                          | 11.1                              | 0.8                                      |
| Housing – HRA                             | 19.6                          | 18.9                              | (0.7)                                    |
| Children's Services                       | 25.2                          | 4.3                               | (20.9)                                   |
| ICT                                       | 5.7                           | 5.5                               | (0.2)                                    |
| Corporate Services                        | 15.4                          | 7.4                               | (8.0)                                    |
| <b>Manchester City Council Total</b>      | <b>248.1</b>                  | <b>203.3</b>                      | <b>(44.8)</b>                            |
| Programme on behalf of Greater Manchester | 70.0                          | 52.2                              | (17.8)                                   |
| <b>Total</b>                              | <b>318.1</b>                  | <b>255.5</b>                      | <b>(62.6)</b>                            |

At the end of the year we had underspent against our capital budget by £62.6m. The Council's underspend is largely due to the timing of spend and will be carried forward into the next financial year. The nature of the capital budget requires flexibility to manage the funding across the life of projects in a transparent manner. As such some variations within the year are to be expected as projects are developed, and budgets are re-profiled on a quarterly basis and reported to members for approval in order to reflect these changes.

## Our Risks and Outlook

In this time of such rapid transition, our financial, policy and legislative environment is constantly evolving. The skills and diversity of our leaders, the 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. More detail can be found in [Our Risk Strategy 2018–20](#) and [Our Business Continuity Strategy 2017–20](#)

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. In March 2020, the CRR was refreshed and risk scores (in terms of likelihood and impact) were updated. The table below includes the four risks from the CRR which had the highest risk scores in March 2020. It highlights the risk and the planned mitigating actions.

| Risk Description   | Planned Mitigating Actions  |
|--|---|
| <b>Medium Term Financial Resources</b> - These are insufficient to support achievement of Council and city priorities. This is based on financial uncertainty post 2020/21 and risks that may arise from the Spending Review, Fair Funding Review, Business Rates reset, uncertainty over Shared Prosperity Fund and wider financial / fiscal risks linked to EU Exit and macroeconomic factors. Reduced income due to COVID-19 related economic downturn and additional costs of managing the pandemic need assessment. | Budget reports 2020/21 to Scrutiny, Executive and Council in March 2020 reflect current levels of risk and scenarios in medium term financial strategy prior to the pandemic. Robustness and maintenance of reserves. Engagement and lobbying of national decisions makers direct and via network groups including Core Cities and the Local Government Association. Specific lobbying regarding the full financial impact of COVID-19.       |
| <b>Access to ICT</b> - Loss of required access to systems impacts on the ability to operate services and deliver to Manchester residents. This could arise from risks relating to core infrastructure (network and applications), hardware obsolescence (WYSE terminals), system availability (unsupported systems, insufficient licenses) or cyber-attack.  | Corporate and Service Business Continuity Plans and robust incident management process in place. Programme of ICT investment with reporting to ICT Board, Capital Strategy Board, SMT, Executive and Scrutiny. Positive assurance taken from LGA Cyber Stock Take 2019. Despite improvement in control, risk remains as a consequence of heightened cyber risk in the external environment and pending completion of the data centre project. |
| <b>Climate Change</b> - The Council does not produce, or deliver on, a sufficiently ambitious plan to become a zero carbon Council by 2038 or earlier if possible. The Council does not undertake its leadership role effectively for Manchester to become a zero carbon city by this date, and stay within the science-based budget for the city.   | Governance through Zero Carbon Coordination Group. Regular reporting to the Executive. Additional resources investment in budget 2020/21. Very high level of ambition on this agenda will require fundamental changes to how we operate and significant investment across all aspects of the Council, and for many partners in the city.  |
| <b>Health and Social Care integration</b> - Failure to achieve the desired and intended outcomes of care integration increases further pressure on Council and health budgets; and impacts on the ability to achieve improved health outcomes for Manchester residents.  | Joint business and budget planning with Manchester Health & Care Commissioning (MHCC) and Manchester Local Care Organisation (MLCO), and active senior leadership engagement in HSC governance with MHCC/MLCO. Risk managed at SMT level. Positive response to MHCC/MLCO Governance audit reports 2019 with further development steps underway.   |



## Medium Term Financial Plan

Our [MTFP](#) that was refreshed and approved in March 2020 considers the local and national financial climate, describes some of the key challenges we are facing and the key changes in our resources before setting out the anticipated savings requirement for the financial year 2020/21.

This also included the approval of the annual council tax level being an increase in Manchester's Council Tax of 3.99% in 2020/21; 1.99% attributable to the Council element and 2% for the Adult Social care precept as well as the Greater Manchester Mayoral and Police and Crime Commissioner precepts. The increase in the Adult funding will be used to support the most vulnerable people.

We are experiencing a number of challenges which are both internal and external to the Council prior to the pandemic. These challenges include continued reductions in Government funding, costs of inflation and pay awards, demographic pressures, and increased demand for services. For example, national pressures on Children's Social Care are very much reflected within Manchester with the rising numbers who require care and support.

Other challenges continue in delivering transformational changes including the implementation of public sector reform to ensure that we deliver improved services for our residents. This includes improved working with our partners such as Health, Housing providers, Greater Manchester Police, Department for Work and pensions and continuing to achieve the new arrangements for Health and Social Care under the Local Care Organisation/Care Together to deliver savings.

In our MTFP we updated our resources to include increased projected business rates income (which included our share of benefits from the 100% growth retention pilot), increased projected council tax income as well as further use of reserves.

There has been a comprehensive review of how our available resources are utilised to invest in the priority areas agreed with our residents. Our [MTFP](#) highlighted that there is a need to invest more into the Council's front line services such as social care, services for the homeless and helping to mitigate some of the impacts of welfare reform.

The impact of funding reductions combined with the pressures of increased demand has resulted in a need to reduce gross spend by £7.5m in 2020/21.

In order to support our investment priorities and deliver a balanced budget directorates have produced [budgets](#) to reduce resource commitments.

Our current MTFP, (approved before the pandemic) is summarised in the table below. It shows the resources we expected to have and the resources we expected to need.



|  | 2019/20<br>Original<br>Budget<br>£M | 2019/20<br>Revised<br>Budget<br>£M | 2020/21<br>Budget<br>£M |
|--|-------------------------------------|------------------------------------|-------------------------|
| Business Rates Related Funding                     | 314.6                               | 314.6                              | 339.5                   |
| Council Tax  | 166.5                               | 166.5                              | 174.5                   |
| Other non-ring-fenced Grants                       | 54.4                                | 65.8                               | 66.7                    |
| Dividends and Use of Airport Reserve               | 62.4                                | 62.4                               | 62.9                    |
| Use of Other Reserves                              | 12.9                                | 12.9                               | 21.5                    |
| <b>Total Resources Available</b>                   | <b>610.8</b>                        | <b>622.2</b>                       | <b>665.1</b>            |
| <b>Resources Required:</b>                         |                                     |                                    |                         |
| <b>Corporate Costs:</b>                            |                                     |                                    |                         |
| Levies and Statutory Charge                        | 70.0                                | 70.0                               | 71.3                    |
| Contingency  | 1.6                                 | 0.9                                | 0.9                     |
| Capital Financing                                  | 44.5                                | 44.5                               | 44.5                    |
| Transfer to Reserves                               | 7.1                                 | 18.4                               | 18.3                    |
| <b>Sub-Total Corporate Costs</b>                   | <b>123.2</b>                        | <b>133.8</b>                       | <b>135.0</b>            |
| <b>Directorate Costs:</b>                          |                                     |                                    |                         |
| Additional Allowances and other pension costs      | 10.0                                | 10.0                               | 9.6                     |
| Insurance Costs                                    | 2.0                                 | 2.0                                | 2.0                     |
| Inflationary Pressures and budgets to be allocated | 9.9                                 | 1.8                                | 10.3                    |
| Directorate Budgets                                | 465.7                               | 474.6                              | 508.2                   |
| <b>Sub - Total Directorate Costs</b>               | <b>487.6</b>                        | <b>488.4</b>                       | <b>530.1</b>            |
| <b>Total Resources Required</b>                    | <b>610.8</b>                        | <b>622.2</b>                       | <b>665.1</b>            |
| <b>Shortfall / (surplus)</b>                       | <b>0.0</b>                          | <b>0.0</b>                         | <b>0.0</b>              |

The table below shows the net budget per directorate for 2019/20 and 2020/21.

| Directorate                     | Cash Limit<br>2019/20<br>£M | Cash Limit<br>2020/21<br>£M |
|---------------------------------|-----------------------------|-----------------------------|
| Children Services               | 120.4                       | 130.3                       |
| MHCC Pooled Budget              | 193.7                       | 216.9                       |
| Adults Social Care              | 4.3                         | 4.4                         |
| Homelessness                    | 13.9                        | 15.3                        |
| Corporate Core                  | 69.6                        | 70.0                        |
| Neighbourhood Directorate       | 66.9                        | 63.7                        |
| Growth and Development          | 5.8                         | 7.6                         |
| <b>Total Directorate Budget</b> | <b>474.6</b>                | <b>508.2</b>                |

The MTFP was set whilst there was considerable financial uncertainty post financial year 2020/21 and prior to the COVID-19 pandemic. Numerous financial reviews planned by the Government had already been delayed, adding to the financial challenges faced.

The budget contains investment for priority areas including Children's Services, Adult Social Care and Homelessness. It also includes £7.5m of efficiency savings, of which £4.6m are being reinvested back into the budget. The full further details can be found in the Council's Medium-Term Financial Plan for 2020/21 and the accompanying Directorate Budget Reports.

#### COVID-19 pandemic

The COVID-19 pandemic has had a significant effect on the financial position of all Local Authorities. Nationally emergency funding of £4.6 billion has been announced to support Councils through the immediate pressures. This has been made available through four tranches of non-ring-fenced grant funding, two at £1.6bn, a third of £500m and fourth of £0.9bn. The first funding announcement was on 20 March and the Council was allocated £18.589 million; the second was announced on 18 April with the individual allocations released on 29 April. Manchester has been allocated £15.167m.

The allocations of the third tranche were announced on 16 July with the Council's allocation being £7.085m. The fourth tranche announced on the 20 October being £24.33m. This takes the total amount of emergency funding available to the Council up to £65.171m.

There have also been further funding allocations:

£7.458m Council Tax Hardship Fund

£68k Emergency Support for Rough Sleepers

Care Home Infection Control Fund £3.342m Round 1 and £3.084m Round 2

£5.432m Local Authority Discretionary Grants Fund

£4.837m Test and Trace Fund,

£2.0m Next Step Accommodation Grant.

£489k Reopening High Streets Safely Fund.

£0.957m Local Authority Emergency Assistance Grant for Food and Essential Supplies

£225k New Burdens funding for Business Rates Administration,

£4.423m Contain Outbreak Management Fund,

£0.68m Test and Trace Support Payments, (Self Isolation Scheme),

£453k Local Authority Compliance and Enforcement Grant,

£286k to support clinically extremely vulnerable individuals advised to shield,

£390k to support the culture sector recovery and

£2.581m Covid Winter Grant Scheme (£170m nationally) to support the hardest hit families and individuals for the cost of food and bills to the end of March 2021.

Further national allocations have been announced but the Council has not yet been informed of the amount it has been allocated. These are:

- Homelessness £15m nationally for rough sleepers
- Support for income shortfalls (sales, fees and charges only) - national amount not announced; estimated to be £6.4m. The funding per Council is limited to 75p in the pound for income losses in excess of 5% of a Council's planned income from sales, fees and charges.
- Leisure centre support for those most in need (£100m nationally) details of the scheme to be issued.

Support for Businesses:

The Council is also responsible for processing on behalf of the Government, these are initial allocations subject to eligibility and take-up:

expanded retail discounts of £138.477m for retail, hospitality and leisure and a further allocation of £121.032m for small business grants in this sector, £5.432m for Local Authority Discretionary Grants,

grants to support businesses during both the Tier 3 restrictions and the second national lockdown, initial allocations being £7.665m and £11.187m subject to eligibility.

In addition, there is an allocation for all GM authorities placed in tier 3, this will be paid to GMCA and passed to individual authorities based on a per-capita allocation. It is estimated that this will be £11.7m for Manchester.

There are financial pressures in excess of the financial support provided including significant income losses particularly reductions in business rates, council tax and commercial income as well as sales, fees and charges.

The Deputy Chief Executive and City Treasurer and Deputy City Treasurer are leading the financial work stream for the Council covering:

- Identifying cost implications for the Council due to additional Expenditure.
- Identifying financial implications of lost income from both fees and charges and commercial arrangements.
- Lobbying Government to ensure that Manchester can access the appropriate amount of available Government funding to support during the current crisis.
- Reviewing all budgets in order to identify any areas of discretionary spend that can be delayed/ceased to support other areas of the budget

From April 2020, every Local Authority has been required to submit monthly returns to the Ministry of Housing Communities and Local Government (MHCLG) setting out the forecast financial implications of COVID-19.

This has included a significant reduction in the value of business rates and council tax collected so far in 2020/21, some of this will relate to the deferral of payments and some due to an increase in Council Tax Support claimants. This will be monitored closely during the financial year.

The work to identify the financial implications of the current COVID-19 crisis is ongoing, but it is clearly going to have a significant impact both in 2020/21 and future years particularly with the expected loss of business rates and commercial income.

The Council reported on the 2020/21 position to the Executive at the end of July. This included the work that has been undertaken to reduce costs and deliver a balanced budget in 2020/21.

The measures required to address the longer-term financial position are being developed. The Council continues to work with Core Cities and Greater Manchester Authorities to make representations to the Government to seek solutions to address the funding shortfall.

### **Financial Statements**

The Statement of Accounts provide an overview of the Council's financial position for 2019/20.

It is important to note that the deadline for the production of the Annual Accounts has been changed for 2019/20. The Ministry of Housing Communities and Local Government (MHCLG) have introduced the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations 2015. This is following consultation with all key stake holders and in recognition of the impact of COVID-19.

The draft Accounts must now be submitted for audit by 31 August 2020 rather than 31 May 2020 and the timeline for the conclusion of the audit is now 30 November 2020 rather than 31 July 2020.

The accounts were reported to the Audit Committee on 28 July; in advance of the revised deadline

### **The Basis of the Preparation and Presentation of the Annual Statement of 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 to 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 complying with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ('the Code') and consistent Local Authority reporting.
- 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 use 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**

The annual accounts of all authorities are prepared following the standard assumptions set out below, to ensure that all Council's reports are consistent and comparable.

#### **Accruals Basis**

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

#### **Going Concern**

- The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future. This position will not change with the impact of COVID-19. However, unless support from central government significantly increases the budget gap for 2021/22 is significant. The Council is working on a range of budget options that will assist with closing the budget gap and will be reviewing its financial position again after the Spending

Review and Finance Settlement. Further information on going concern is shown within the accounting policies.

### 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

### **The Financial Statements: Purpose and Summary**

The annual statement of accounts has been prepared in accordance with the 2019/20 CIPFA 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 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 statements are followed by three further statements:

- 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 show the full extent of the Council's economic activities by including the Council's involvement with its group companies and organisations. The Group Accounts are of equal prominence to the Council in compiling the financial statements.

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.

The intended adoption of IFRS16 Leases for the 2020/21 accounts has been deferred. IFRS16 is being introduced for local authorities from 1 April 2021 which means that the annual accounts for 2021/22 will be the first set of accounts produced in accordance with this standard.

Accounting policies are set out in note 7 to the financial statements.

### *Business Rates 100% Retention Pilot*

The ten Greater Manchester authorities including Manchester are part of the Greater Manchester 100% of Business Rates pilot. As 1% of business rates is transferred to the Greater Manchester Combined Authority (fire and rescue element) the Council retains 99% of business rates.

Any business rates income in excess of Manchester's assessed funding need is still paid back to central government to be redistributed in the form of tariffs and top ups but the Council now retains all of the growth it achieves

in its business rates base. Under the new regime Revenue Support Grant and Public Health grant are not received but are met from within the Business Rates income with the assessed funding need adjusted accordingly.

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.

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

The Council was again a member of the Greater Manchester, Cheshire East and Cheshire West and Chester Business Rates Pool in 2019/20. 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 2019/20 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.

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 is 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 2019/20 is shown below:

| Local Authority   | Total Levy Saving | Retained by Local Authority<br>£M | Retained by Pool<br>£M |
|---|-------------------|-----------------------------------|------------------------|
| Cheshire West and Chester                                     | 2.2               | 1.1                               | 1.1                    |
| Cheshire East   | 2.7               | 1.4                               | 1.3                    |
| <b>Retained for the pool (less £21k administration costs)</b> | <b>4.9</b>        | <b>2.5</b>                        | <b>2.4</b>             |

## 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. This format aims to be 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 deficit on the provision of services.

The CIES is broken down into three sections:

- Net cost of services;
- Other operating expenditure; and
- Other income and expenditure on the provision of services.

This Net Cost of Services is the cost of providing the Council's services as reported in the revenue monitoring reports, however it also includes accounting adjustments for items such as depreciation and impairment. These would be a significant cost in a commercial organisation, but legislation is in place that ensures these costs are not required to be funded by council taxpayers. (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 £637.092m.

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 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 £116.697m.

Corporate Expenditure and Income includes:

- other income and expenditure on the provision of services such as interest paid and received, investment property rental income and the change in values of investment properties (net income totalling £79.672m)
- 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 £668.541m).

These three sections are totalled to produce an overall accounting deficit on the provision of services of £5.576m.

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 revaluation of non-current assets;
- impairment losses on non-current assets charged to the revaluation reserve;
- the gain or loss on investments classified as fair value through other comprehensive income;
- re-measurement of the defined benefit pension scheme relating to changes in pension assumptions.

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

| Reconciliation                                   | General Fund<br>£M | HRA<br>£M     | Total<br>£M   |
|--|--------------------|---------------|---------------|
| <b>Over / (Under)spend</b>                       | <b>0.5</b>         | <b>(14.6)</b> | <b>(14.1)</b> |
| Budgeted transfer (to) / from general reserves   | 0.2                | 9.6           | 9.8           |
| <b>Net transfer (to) / from general reserves</b> | <b>0.7</b>         | <b>(5.0)</b>  | <b>(4.3)</b>  |
| Transfers (to) earmarked reserves                | (28.7)             | (0.0)         | (28.7)        |
| Other income and expenditure classification      | 5.1                | (5.1)         | 0.0           |
| Notional accounting adjustments                  | 49.1               | (10.5)        | 38.6          |
| <b>Deficit / (Surplus) per CIES</b>              | <b>26.2</b>        | <b>(20.6)</b> | <b>5.6</b>    |

*Note 12 to the accounts shows the notional accounting adjustments that do not affect the Council's 'bottom line' i.e. 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 2018 to 31 March 2020.

*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 noncash backed.

It is a requirement placed on all Councils that the level of reserves is reviewed regularly by the Deputy Chief Executive and 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

Usable reserves are defined as those that the Council could utilise to fund capital or revenue expenditure. The Council holds a number of reserves all of which, aside from the General Fund Reserve, have been set aside to meet specific future expenditure or risks including Private Finance Initiative (PFI) costs, statutory reserves, school balances and grants which cross over financial years. The Council is not permitted to borrow to fund revenue and there is a requirement to balance budgets on an annual basis.

The increase in usable reserves of £94.046m is mainly due to increases in the usable capital receipts reserve and capital grants unapplied and to a lesser extent the capital fund reserve to fund capital schemes for the general fund, as well as the capital financing reserve which has been set up to fund future increases in borrowing costs as a result of the Council's capital programme. Much of this reflects the timing issues between funding being received and expenditure being incurred.

In addition, the unused balance of the first tranche of grant for COVID-19 (£18.2m) received in March 2020 has been therefore transferred into the reserve to meet future cost pressures of the pandemic.

Reserves have also been set aside to support the financial position for future years as reported during the budget setting process. This has enabled the use of one-off funding from the Business Rates pilot and of social care grants to be used in a planned way to support council services and avoid these one-off pressures and the need for cuts when funding streams end.

The usable reserves (as reported at Note 42 to the financial statements) are held for the following purposes:

| Type of Reserve   | 31 March 2019<br>£M | 31 March 2020<br>£M |
|---|---------------------|---------------------|
| <b>Capital</b>  |                     |                     |
| Reserves held for capital purposes including capital receipts and capital grants unapplied  | 142.3               | 203.3               |
| <b>Sub Total</b>  | <b>142.3</b>        | <b>203.3</b>        |
| <b>Revenue</b>  |                     |                     |
| Statutory reserves that have to be set aside e.g. On street parking reserve, bus lane enforcement   | 20.5                | 25.0                |
| Reserves held for PFIs to meet contracted future costs  | 2.4                 | 2.1                 |
| Reserves held to smooth risk or for assurance including the insurance reserve of £18.6m and airport dividend reserve of £55.8m (Dividend is used a year in arrears) | 100.4               | 117.8               |
| Business Rates Reserves   | 19.2                | 25.5                |
| Revenue reserves held to support capital including the Capital Fund   | 113.4               | 116.8               |
| Reserves held to encourage economic growth or for public sector reform e.g. Our Manchester reserve, Town Hall reserve   | 37.4                | 30.8                |
| Small specific reserves   | 3.5                 | 4.3                 |
| Grants and contributions held to meet expenditure commitments over more than one year (incl. COVID-19)  | 9.8                 | 26.4                |
| <b>Sub Total</b>  | <b>306.4</b>        | <b>348.7</b>        |
| Housing Revenue Account reserve (£35.6m earmarked for future PFI payments and other potential liabilities)  | 104.4               | 109.4               |
| General Fund reserve  | 22.0                | 21.4                |
| Schools reserves (these belong to schools and are for their use only)   | 25.48               | 11.7                |
| <b>Total</b>  | <b>600.6</b>        | <b>694.6</b>        |



## Unusable Reserves

Unusable reserves hold unrealised gains or losses for assets not yet disposed of and also accounting adjustments which are required by statute. These reserves cannot be used to fund capital or revenue expenditure

The unusable reserves are shown in the table below:

| Unusable Reserve                          | 31 March<br>2019<br>£M | 31 March<br>2020<br>£M |
|---|------------------------|------------------------|
| Revaluation Reserve                       | 1,242.4                | 1,273.1                |
| Financial Instruments Revaluation Reserve | 13.9                   | 13.0                   |
| Pensions Reserve                          | (952.6)                | (689.6)                |
| Capital Adjustment Account                | 1,280.7                | 1,296.4                |
| Deferred Capital Receipts Reserve         | 3.8                    | 3.6                    |
| Financial Instruments Adjustment Account  | (1.1)                  | (4.3)                  |
| Collection Fund Adjustment Account        | 21.7                   | 15.8                   |
| Short-term Accumulated Absences Account   | (5.7)                  | (5.8)                  |
|   | <b>1,603.1</b>         | <b>1,902.2</b>         |

The negative pension reserve of £689.6m has reduced by £263.0m from the previous year. This matches the pension liability in the balance sheet as measured under International Accounting Standard (IAS) 19.

The purpose of IAS19 is to provide a consistent accounting valuation of all Council's pension liabilities based on the pension benefits earned by staff at the balance sheet date. The IAS19 calculations are carried out using a prescribed method. This is different to the formal actuarial triennial valuations of the fund which set the level of contributions that need to be paid into the pension fund. 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 £393.2m during 2019/20.

The increase in usable reserves is mainly due to:

- £18.2m increase due to the introduction of the first tranche of Covid-19 funding which will support the 2020/21 revenue budget.
- £61m increase in reserves held for capital purposes namely capital receipts and capital grants
- £6.6m increase in the capital fund and capital financing reserve due to capital expenditure being delayed into future years. This reserve will be used to support future capital schemes.
- £5m increase in HRA reserves due to delays in capital expenditure funded from revenue resources.

The total increase in unusable reserves of £301.0m is mainly due to:

- £263.0m reduction in the negative pension reserve following the IAS19 actuarial valuation of the pension liability as outlined above
- £15.7m 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
- £30.7m increase in the revaluation reserve from the revaluations of non-current assets, during 2019/20 mainly in relation to council dwellings and other land and buildings.

The increase in the net worth is matched by an increase in value of net assets of the Council of £393.2m.

## The Council's Balance Sheet

The Balance Sheet shows a summary of the Council's financial position as at the 31 March 2020, 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.



| Council Position             |                                 |                                    |                |
|------------------------------|---------------------------------|------------------------------------|----------------|
| Assets                       | £M                              | Liabilities                        | £M             |
| Council Dwellings            | 568.1                           | Borrowing                          | 618.3          |
| Other Property and Equipment | 1,960.5                         | Provisions for Future Liabilities  | 271.3          |
| Heritage Assets              | 604.8                           | Liability for Pension Scheme       | 689.6          |
| Investment Properties        | 475.2                           | Capital Grants Received in Advance | 9.7            |
| Other Assets                 | 164.4                           | Money owed by the Council          | 217.9          |
| Investments                  | 149.5                           |                                    |                |
| Money owed to the Council    | 481.1                           |                                    |                |
| <b>Total</b>                 | <b>4,403.6</b>                  | <b>Total</b>                       | <b>1,806.8</b> |
|                              | <b>Net Worth of the Council</b> |                                    | <b>2,596.8</b> |

The net worth of the Council is £2,596.815m. This is split between usable reserves of £694.571m and unusable reserves of £1,902.244m.

### 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 Group Balance Sheet, the Group Cash Flow Statement and notes to the Group Accounts.

Taking account of the Group assets and liabilities, the consolidated position is set out below:

| Group Position               |   |                                    |                |
|------------------------------|---|------------------------------------|----------------|
| Assets                       | £M                                      | Liabilities                        | £M             |
| Council Dwellings            | 568.2                                   | Borrowing                          | 618.3          |
| Other Property and Equipment | 1,990.5                                 | Provisions for Future Liabilities  | 272.8          |
| Heritage Assets              | 604.8                                   | Liability for Pension Scheme       | 689.6          |
| Investment Properties        | 475.2                                   | Capital Grants Received in Advance | 9.7            |
| Other Assets                 | 172.3                                   | Money owed by the Council          | 226.1          |
| Investments                  | 900.0                                   |                                    |                |
| Money owed to the Council    | 465.9                                   |                                    |                |
| <b>Total</b>                 | <b>5,176.9</b>                          | <b>Total</b>                       | <b>1,816.5</b> |
|                              | <b>Net Worth of the Council's Group</b> |                                    | <b>3,360.4</b> |

### 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 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 (NNDR) and how the income from these sources has been distributed to precepting authorities and the Council's General Fund. The expenditure includes the precept payment for the services delivered across the borough by the Greater Manchester Combined Authority, specifically for the Mayoral Police and Crime Commissioner and Fire and Rescue services. It is a statutory requirement to maintain a Collection Fund to account for all the Council tax and Business rates income and expenditure the Council collects each year.

### Borrowing Limit

In 2019/20 the Council had an authorised limit for borrowing of £1,521.4m (£1,351.4m for external debt and £170.0m for other long-term liabilities such as PFIs and finance leases). The actual level of external debt at 31 March 2020 is £618.3m. The borrowing limit is based on the Council's Capital financing Requirement or CFR. The Council may meet this need from external borrowing or from 'internal borrowing' from its cash flow and cash backed reserves.

During 2019/20 the Council has borrowed from Salix and Homes and Communities Agency (HCA), and has taken some temporary debt to manage cash flow. The Council has also repaid c. £1.5m of market debt which was due for repayment.

Now the Greater Manchester Combined Authority has received the relevant borrowing powers the Council has transferred responsibility to the GMCA for funds it has been administering on its behalf. These include all loans from the HCA relating to City Deal Receipts and following the novation of all outstanding Housing Investment Fund investments and debtors to the Greater Manchester Combined Authority, the temporary loan from the Authority to the Council funding them has been written down.

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

| External Borrowing   | 2018/19<br>£M | 2019/20<br>£M |
|----------------------|---------------|---------------|
| Long-term Borrowing  | 607,2         | 585,4         |
| Short-term Borrowing | 126,3         | 32,9          |
| <b>Total</b>         | <b>733,5</b>  | <b>618,3</b>  |

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

Whilst the 2019/20 Capital Programme was funded notionally by borrowing of £131m, the debt outstanding on the balance sheet at 31 March 2020 has decreased by £115m as the Council's Treasury Management Strategy is to use cash backed reserves, i.e. internal borrowing, in lieu of external borrowing where possible.

Due to historic low interest rates the Council retains minimal cash balances and reduces the use of external borrowing as borrowing rates are substantially higher than investment returns.

#### *The Council's Cash Flow Statement*

This shows the reasons for the change in cash, cash equivalents (investments made for a period of less than three months) and the bank balance during the year. The cash balance at 31 March 2020 had increased by £29.5m from 31 March 2019.

#### *Major Acquisitions and Disposals*

The Council's significant acquisitions of non-current assets during 2019/20 included:

- Various properties at the Courtyard at Royal Mills £1.8m
- Properties at Edwin Road, East Manchester £2.9m

Significant disposals in 2019/20 included schools which transferred to academy status. Their value upon disposal was £50.2m. Other significant disposals were:

- The former Waverley Care Home site at Hough End £2.1m
- Land at Toxteth Street East Manchester £0.8m
- Land in West Gorton £2.1m

#### *Investment in Manchester Airport Group*

The Council's shareholding remains at 35.5%. The Council received significant dividend income during the year from this investment.

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

PFI's 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 2020, the Miles Platting Housing, Plymouth Grove Housing, Brunswick Housing, Temple School, Wright Robinson Sports College and Street Lighting PFI schemes were ongoing. The Housing Energy Services PFI ended during 2019/20.

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             |

### *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.
- 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 has again been awarded to Greenwich Leisure Ltd for the operation and maintenance of Leisure Buildings and Provision of Leisure Management Services.
- 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.

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### **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.

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

## Manchester City Council Annual Statement of Accounts 2019/20

**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 Deputy Chief Executive and 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 Deputy Chief Executive and City Treasurer's Responsibilities**

The Deputy Chief Executive and 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) 2019/20.

In preparing this statement of accounts, the Deputy Chief Executive and 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 Deputy Chief Executive and 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 2020 and their income and expenditure for the year ended 31 March 2020.

Carol Culley  
Deputy Chief Executive and City Treasurer  
26 November 2020

**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 introduction to the accounts.

| Restated<br>2018/19<br>Gross<br>Expenditure<br>£000s | Restated<br>2018/19<br>Gross<br>Income<br>£000s | Restated<br>2018/19<br>Net<br>Expenditure<br>£000s |  | Notes  | 2019/20<br>Gross<br>Expenditure<br>£000s | 2019/20<br>Gross<br>Income<br>£000s | 2019/20<br>Net<br>Expenditure<br>£000s |
|--|---|--|--|--------|--|-------------------------------------|--|
| 245,499  | (55,222)  | 190,277  | <b>Continuing operations</b>   |        | 272,674                                  | (60,059)                            | 212,615                                |
| 31,673   | (20,338)  | 11,335   | Adults Social Care   |        | 36,318                                   | (24,491)                            | 11,827                                 |
| 558,948  | (401,684)                                       | 157,264  | Homelessness   |        | 567,681                                  | (386,914)                           | 180,767                                |
| 351,065  | (275,571)                                       | 75,494   | Children's Services  |        | 332,904                                  | (248,094)                           | 84,810                                 |
| 163,413  | (48,502)  | 114,911  | Corporate Core   |        | 173,851                                  | (52,433)                            | 121,418                                |
| 95,773   | (41,944)  | 53,829   | Neighbourhoods and Highways  |        | 86,058                                   | (42,468)                            | 43,590                                 |
| 6,170  | (4,278)   | 1,892  | Growth and Development   | 1      | 5,492                                    | (11,152)                            | (5,660)                                |
| 17,937   | 0   | 17,937   | Corporate Items  | 2      | 8,276                                    | 0                                   | 8,276                                  |
| 75,715   | (86,221)  | (10,506)   | Council - Wide Costs   |        | 64,537                                   | (85,088)                            | (20,551)                               |
|  |   |  | Housing Revenue Account  |        |  |                                     |  |
| <b>1,546,193</b>                                     | <b>(933,760)</b>                                | <b>612,433</b>                                     | <b>Net cost of services</b>  |        | <b>1,547,791</b>                         | <b>(910,699)</b>                    | <b>637,092</b>                         |
|  |   |  | <b>Other operating expenditure</b>   |        |  |                                     |  |
| 12,946   | (7,215)   | 5,731  | Loss on disposal of non-current assets   | 23     | 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   | 42a(1) | 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>                         |
| 180,948  | (213,683)                                       | (32,735)   | Financing and investment income and expenditure  | 15     | 166,396                                  | (246,068)                           | (79,672)                               |
| 22,107   | (658,410)                                       | (636,303)  | Taxation and non-specific grant income and expenditure   | 16     | 44,150                                   | (712,691)                           | (668,541)                              |
| <b>1,833,858</b>                                     | <b>(1,813,068)</b>                              | <b>20,790</b>                                      | <b>Deficit on provision of services</b>  |        | <b>1,882,163</b>                         | <b>(1,876,587)</b>                  | <b>5,576</b>                           |
|  |   |  | <b>Items that will not be subsequently classified in the Deficit of Provision of Services</b>                          |        |  |                                     |  |
|  | (99,719)  |  | (Surplus) on revaluation of property, plant and equipment assets   | 43a    |  |                                     | (76,583)                               |
|  | 6,682   |  | Impairment losses on non-current assets charged to the Revaluation Reserve   | 43a    |  |                                     | 12,357                                 |
|  | 85,487  |  | Re-measurements of the net defined benefit liability   | 45     |  |                                     | (335,501)                              |
|  |   |  | <b>Items that will be subsequently classified in Deficit of Provision of Services</b>                                  |        |  |                                     |  |
|  | (2,738)   |  | (Surplus) / deficit from investments in equity instruments designated at fair value through other comprehensive income | 43b    |  |                                     | 980                                    |
|  | <b>(10,288)</b>                                 |  | <b>Total other comprehensive income and expenditure</b>  |        |  |                                     | <b>(398,747)</b>                       |
|  | <b>10,502</b>                                   |  | <b>Total comprehensive income and expenditure</b>  |        |  |                                     | <b>(393,171)</b>                       |

Carol Culley  
Deputy Chief Executive and City Treasurer  
26 November 2020

**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 deficit on the Provision of Services line includes accounting adjustments for such items as depreciation that would be a significant cost in a commercial organisation but which do not need to be funded by Council Tax. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

|  | Note      | General Fund Reserves<br>£000s | Housing Revenue Account<br>£000s | Capital Receipts Reserve<br>£000s | Capital Grants Unapplied<br>£000s | Major Repairs Reserve<br>£000s | Total Usable Reserves<br>£000s | Total Unusable Reserves<br>£000s | Total Council Reserves<br>£000s |
|--|-----------|--------------------------------|----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|--------------------------------|----------------------------------|---------------------------------|
|  |           |                                | Restated                         |                                   |                                   |                                | Restated                       | Restated                         | Restated                        |
| <b>Balance at 1 April 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>(1,717,146)</b>               | <b>(2,214,146)</b>              |
| <b>Movement in reserves during 2018/19</b>                               |           |                                |                                  |                                   |                                   |                                |                                |                                  |                                 |
| Total comprehensive income and expenditure                               | CIES      | 26,798                         | (6,008)                          | 0                                 | 0                                 | 0                              | 20,790                         | (10,288)                         | 10,502                          |
| Adjustments between accounting basis and funding basis under regulations | 4b and 12 | (74,070)                       | 1,495                            | (9,839)                           | (38,988)                          | (2,913)                        | (124,315)                      | 124,315                          | (0)                             |
| (Increase) or decrease in year   |           | <b>(47,272)</b>                | <b>(4,513)</b>                   | <b>(9,839)</b>                    | <b>(38,988)</b>                   | <b>(2,913)</b>                 | <b>(103,525)</b>               | <b>114,027</b>                   | <b>10,502</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>(600,525)</b>               | <b>(1,603,119)</b>               | <b>(2,203,644)</b>              |
| <b>Movement in reserves during 2019/20</b>                               |           |                                |                                  |                                   |                                   |                                |                                |                                  |                                 |
| Total comprehensive income and expenditure                               | CIES      | 21,059                         | (15,483)                         | 0                                 | 0                                 | 0                              | 5,576                          | (398,748)                        | (393,172)                       |
| Adjustments between accounting basis and funding basis under regulations | 4b and 12 | (49,070)                       | 10,489                           | (14,989)                          | (46,538)                          | 485                            | (99,622)                       | 99,622                           | 0                               |
| (Increase) or decrease in year   |           | <b>(28,011)</b>                | <b>(4,994)</b>                   | <b>(14,989)</b>                   | <b>(46,538)</b>                   | <b>485</b>                     | <b>(94,046)</b>                | <b>(299,126)</b>                 | <b>(393,172)</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>(1,902,244)</b>               | <b>(2,596,815)</b>              |

**Balance Sheet**

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

| Restated<br>1 April<br>2018<br>£000 | Restated<br>31 March<br>2019<br>£000s |   | Note    | 31 March<br>2020<br>£000s |                    |
|-------------------------------------|---------------------------------------|---|---------|---------------------------|--------------------|
|                                     |                                       | <b>Non-current assets</b>   |         |                           |                    |
| 2,379,740                           | 2,469,945                             | Property, plant and equipment                                       | 22      | 2,528,643                 |                    |
| 598,592                             | 598,703                               | Heritage assets   | 25      | 604,821                   |                    |
| 414,985                             | 422,814                               | Investment properties   | 31      | 475,227                   |                    |
| 284                                 | 352                                   | Intangible non-current assets                                       |         | 324                       |                    |
| 134,449                             | 136,096                               | Long-term investment in subsidiaries, associates and joint ventures | 34      | 136,951                   |                    |
| 7,973                               | 13,035                                | Other long-term investments   | 34      | 12,536                    |                    |
| 197,272                             | 299,652                               | Long-term debtors   | 35      | 310,231                   |                    |
| <b>3,733,295</b>                    | <b>3,940,597</b>                      | <b>Total non-current assets</b>                                     |         |                           | <b>4,068,733</b>   |
|                                     |                                       | <b>Current assets</b>   |         |                           |                    |
| 8,945                               | 9,017                                 | Short-term investments  | 34      | 20,098                    |                    |
| 537                                 | 478                                   | Inventories and long-term contracts                                 |         | 505                       |                    |
| 161,396                             | 272,477                               | Short-term debtors  | 35      | 170,855                   |                    |
| 127,792                             | 104,477                               | Cash and cash equivalents   | 51      | 133,984                   |                    |
| 10,414                              | 11,773                                | Short-term assets held for sale                                     | 27      | 9,474                     |                    |
| 481                                 | 344                                   | Intangible current assets   | 36      | 0                         |                    |
| <b>309,565</b>                      | <b>398,566</b>                        | <b>Total current assets</b>   |         |                           | <b>334,916</b>     |
| <b>4,042,860</b>                    | <b>4,339,163</b>                      | <b>Total assets</b>   |         |                           | <b>4,403,649</b>   |
|                                     |                                       | <b>Current liabilities</b>  |         |                           |                    |
| (51,948)                            | (126,283)                             | Short-term borrowing  | 41      | (32,904)                  |                    |
| (178,964)                           | (169,805)                             | Short-term creditors  | 37      | (216,596)                 |                    |
| (38,320)                            | (32,430)                              | Short-term provisions   | 40      | (31,570)                  |                    |
| (15,538)                            | (15,137)                              | Short-term deferred liabilities                                     | 39      | (11,453)                  |                    |
| <b>(284,770)</b>                    | <b>(343,655)</b>                      | <b>Total current liabilities</b>                                    |         |                           | <b>(292,523)</b>   |
| <b>3,758,090</b>                    | <b>3,995,508</b>                      | <b>Total assets less current liabilities</b>                        |         |                           | <b>4,111,126</b>   |
|                                     |                                       | <b>Long-term liabilities</b>  |         |                           |                    |
| (1,096)                             | (1,360)                               | Long-term creditors   | 37      | (1,243)                   |                    |
| (62,839)                            | (63,098)                              | Long-term provisions  | 40      | (73,159)                  |                    |
| (482,531)                           | (607,232)                             | Long-term borrowing   | 38 & 41 | (585,397)                 |                    |
| (150,617)                           | (148,277)                             | Long-term deferred liabilities                                      | 39      | (155,196)                 |                    |
| (41,581)                            | (19,290)                              | Capital grants receipts in advance                                  | 37      | (9,743)                   |                    |
| (805,280)                           | (952,607)                             | Pensions liability  | 45      | (689,573)                 |                    |
| <b>(1,543,944)</b>                  | <b>(1,791,864)</b>                    | <b>Total long-term liabilities</b>                                  |         |                           | <b>(1,514,311)</b> |
| <b>2,214,146</b>                    | <b>2,203,644</b>                      | <b>Net assets</b>   |         |                           | <b>2,596,815</b>   |
|                                     |                                       | <b>Financed by:</b>   |         |                           |                    |
| (497,000)                           | (600,525)                             | Usable reserves   | 42      | (694,571)                 |                    |
| (1,717,146)                         | (1,603,119)                           | Unusable reserves   | 43      | (1,902,244)               |                    |
| <b>(2,214,146)</b>                  | <b>(2,203,644)</b>                    | <b>Total reserves</b>   |         |                           | <b>(2,596,815)</b> |

Carol Culley  
Deputy Chief Executive and City Treasurer

26 November 2020



## 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).

| <b>Restated<br/>2018/19<br/>£000s</b> |  | <b>Note</b> | <b>2019/20<br/>£000s</b> |
|---------------------------------------|--|-------------|--------------------------|
| (20,790)                              | Net deficit on the provision of services   |             | (5,576)                  |
| 257,713                               | Adjustments to net deficit on the provision of services for non-cash movements   | 52          | 246,318                  |
| (148,286)                             | Adjustments for items included in the net deficit on the provision of services that are investing and financing activities | 53          | (144,477)                |
| <b>88,637</b>                         | <b>Net cash flows from operating activities</b>  |             | <b>96,265</b>            |
| (292,813)                             | Investing activities   | 55          | (86,845)                 |
| 180,861                               | Financing Activities   | 56          | 20,087                   |
| <b>(23,315)</b>                       | <b>Net increase or (decrease) in cash and cash equivalents</b>   |             | <b>29,507</b>            |
| 127,792                               | Cash and cash equivalents at the beginning of the reporting period   |             | 104,477                  |
| <b>104,477</b>                        | <b>Cash and cash equivalents at the end of the reporting period</b>  | 51          | <b>133,984</b>           |

## Notes to the Core Financial Statements

|         |  |
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## Manchester City Council Annual Statement of Accounts 2019/20

**Note 1. Corporate Items**

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

|   | <b>Restated</b> |                |
|---|-----------------|----------------|
|   | <b>2018/19</b>  | <b>2019/20</b> |
|   | <b>£000s</b>    | <b>£000s</b>   |
| <b>Gross Expenditure</b>                                    |                 |                |
| Insurance Costs   | 3,534           | 3,439          |
| Apprentice Levy   | 905             | 942            |
| Other Central Expenditure                                   | 1,731           | 1,111          |
|   | 6,170           | 5,492          |
| <b>Gross Income</b>   |                 |                |
| Insurance Income  | (258)           | (267)          |
| Department of Education - (Inherited Staff Liabilities)     | (1,178)         | (1,045)        |
| Contribution from CCG                                       | 0               | (4,000)        |
| Other Grants  | (93)            | 0              |
| Fortuitous Income including events income and rental income | (689)           | (1,994)        |
| Other Central Income  | (2,060)         | (3,846)        |
|   | (4,278)         | (11,152)       |
| <b>Total Corporate Items</b>                                | <b>1,892</b>    | <b>(5,660)</b> |

**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.

|   | <b>2018/19</b> | <b>2019/20</b> |
|---|----------------|----------------|
|   | <b>£000s</b>   | <b>£000s</b>   |
| Pensions Past Service Costs                         | 1,331          | 5,826          |
| Financial Asset Impairment in accordance with IFRS9 | 1,071          | 547            |
| Depreciation - Non Operational Properties           | 571            | 673            |
| Impairment - Non Operational Properties             | 14,964         | 1,230          |
| <b>Total Council Wide Costs</b>                     | <b>17,937</b>  | <b>8,276</b>   |

Past service costs have increased due to the recognition of liabilities following the McCloud judgement which refers to the Court of Appeal's ruling that public sector pension reforms unlawfully treated existing public sectors differently based upon members ages.

### 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.

| 2018/19   |   |  |  |  | 2019/20   |                           |   |   |   |  |
|---|---|--|--|--|---|---------------------------|---|---|---|--|
| Restated<br>As reported to<br>Members                   | Adjustments to arrive<br>at net amount<br>chargeable to the<br>general fund and<br>HRA balances | Net expenditure<br>chargeable to the<br>general fund and<br>HRA balances | Restated<br>Adjustments<br>between<br>funding and<br>accounting<br>basis | Restated<br>Net expenditure<br>in the<br>Comprehensive<br>Income and<br>Expenditure<br>Statement |   | As reported to<br>Members | Adjustments to<br>arrive at net<br>amount chargeable<br>to the general fund<br>and HRA balances | Net expenditure<br>chargeable to<br>the general<br>fund and HRA<br>balances | Adjustments<br>between funding<br>and accounting<br>basis | Net expenditure<br>in the<br>Comprehensive<br>Income and<br>Expenditure<br>Statement |
| £000  | £000  | £000   | £000   | £000   |   | £000                      | £000  | £000  | £000  | £000   |
|   | Note 4a   |  | Note 4b  |  |   |                           | Note 4a   |   | Note 4b   |  |
| 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   | 53,829   | 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   | 8,276   | 8,276  |
| (4,512)   | (4,498)   | (9,010)  | (1,496)  | (10,506)   | Housing Revenue Account   | (4,993)                   | (5,068)   | (10,061)  | (10,490)  | (20,551)   |
| 469,468   | (6,880)   | 462,588  | 149,845  | 612,433  | Net Cost of Services  | 511,773                   | (4,655)   | 507,118   | 129,974   | 637,092  |
| (473,718)   | (40,655)  | (514,373)  | (77,270)   | (591,643)  | Other Income and Expenditure  | (516,074)                 | (24,047)  | (540,121)   | (91,395)  | (631,516)  |
| (4,250)   | (47,535)  | (51,785)   | 72,575   | 20,790   | Deficit on Provision of Services                                    | (4,301)                   | (28,702)  | (33,003)  | 38,579  | 5,576  |
| Opening General<br>Fund and HRA<br>Reserves             |   | 404,830  |  |  | Opening General<br>Fund and HRA<br>Reserves<br>IFRS9<br>restatement |                           |   | 458,237   | 0   |  |
| IFRS9 restatement                                       |   | 1,622  |  |  | Surplus on<br>General Fund<br>and HRA<br>Reserves in year           |                           |   | 33,003  |   |  |
| Closing General Fund<br>and HRA Reserves at<br>31 March |   | 458,237  |  |  | Closing General<br>Fund and HRA<br>Balance at 31<br>March           |                           |   | 491,240   |   |  |

The Neighbourhoods and Highways reported to members figure in 2019/20 has increased due to the reversal of a one off transfer from the waste levy to the transport levy (shown within other income and expenditure) of £17.645m.

Adjustments to arrive at the net amount chargeable to the general fund and HRA balances (shown in note 4a) include those that have to be shown in different lines in the CIES from where they are reported in the outturn report (e.g. interest paid or received, impairment of bad debt provisions), transfers to or from reserves that are shown in the MIRS but are included within the figures reported in the outturn and recharges between services that have to be excluded from the CIES.

Adjustments between funding accounting basis (shown in note 4b) are items excluded from the reported outturn as they are technical adjustments that net to nil across council services but are required to be shown within the CIES. These are classified as either capital, pensions, collection fund or other adjustments. Further detail is shown in note 4.

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 2018/19   |  |   |  |                                 |
|---|--|---|--|---------------------------------|
| Other Adjustments   | Restated Adjustments relating to other income and expenditure (i) £000 | Restated Adjustments relating to transfers to / from reserves (ii) £000 | Restated Adjustments relating to internal recharges (iii) £000 | Restated Total Adjustments £000 |
| Adults 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  | 0  | 0   | 0  | 0                               |
| Housing Revenue Account   | (4,498)  | 0   | 0  | (4,498)                         |
| Net Cost of Services  | (9,314)  | 2,434   | 0  | (6,880)                         |
| Other Income and Expenditure from the Expenditure and Funding Analysis  | 9,314  | (49,969)  | 0  | (40,655)                        |
| Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services | 0  | (47,535)  | 0  | (47,535)                        |

| (a) Adjustments to arrive at net amount chargeable to the general fund and HRA balances 2019/20   |   |  |   |                        |
|---|---|--|---|------------------------|
| 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  | (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  | 0   | 0  | 0   | 0                      |
| Housing Revenue Account   | (5,068)   | 0  | 0   | (5,068)                |
| Net Cost of Services  | (28,299)  | 26,646   | (3,002)   | (4,655)                |
| Other Income and Expenditure from the Expenditure and Funding Analysis  | 28,299  | (55,348)   | 3,002   | (24,047)               |
| Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services | 0   | (28,702)   | 0   | (28,702)               |

(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.

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| (b) Adjustments between Funding and Accounting Basis 2018/19  |  |                               |  |                             |                                 |
|---|--|-------------------------------|--|-----------------------------|---------------------------------|
| Adjustments between funding and accounting basis  | Restated Adjustments for Capital Purposes (i) £000 | Pension Adjustments (ii) £000 | Collection Fund Adjustments (iii) £000 | Other Adjustments (iv) £000 | Restated Total Adjustments £000 |
| Adults Social Care  | 1,453  | 6,583                         | 0                                      | 3                           | 8,039                           |
| Homelessness  | 0  | 1,235                         | 0                                      | 0                           | 1,235                           |
| Children's Services   | 12,404   | 19,763                        | 0                                      | (553)                       | 31,614                          |
| Corporate Core  | 6,278  | 11,244                        | 0                                      | 1                           | 17,523                          |
| Neighbourhoods and Highways   | 39,745   | 7,655                         | 0                                      | 5                           | 47,405                          |
| Growth and Development  | 25,288   | 3,382                         | 0                                      | (11)                        | 28,659                          |
| Corporate Items   | (1,071)  | 0                             | 0                                      | 0                           | (1,071)                         |
| Council-Wide Costs  | 16,606   | 1,331                         | 0                                      | 0                           | 17,937                          |
| Housing Revenue Account   | (1,733)  | 237                           | 0                                      | 0                           | (1,496)                         |
| Net Cost of Services  | 98,970   | 51,430                        | 0                                      | (555)                       | 149,845                         |
| Other Income and Expenditure from the Expenditure and Funding Analysis  | (95,839)   | 10,412                        | 5,636                                  | 2,521                       | (77,270)                        |
| Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services | 3,131  | 61,842                        | 5,636                                  | 1,966                       | 72,575                          |

| (b) Adjustments between Funding and Accounting Basis 2019/20  |   |                               |  |                             |                        |
|---|---|-------------------------------|--|-----------------------------|------------------------|
| 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  | 1,316                                     | 7,160                         | 0                                      | 8                           | 8,484                  |
| Homelessness  | 0   | 1,418                         | 0                                      | 2                           | 1,420                  |
| Children's Services   | 15,994                                    | 22,462                        | 0                                      | 124                         | 38,580                 |
| Corporate Core  | 3,502                                     | 11,303                        | 0                                      | 5                           | 14,810                 |
| Neighbourhoods and Highways   | 38,020                                    | 7,690                         | 0                                      | 8                           | 45,718                 |
| Growth and Development  | 19,664                                    | 3,538                         | 0                                      | (30)                        | 23,172                 |
| Corporate Items   | 0   | 0                             | 0                                      | 4                           | 4                      |
| Council-Wide Costs  | 2,450                                     | 5,826                         | 0                                      | 0                           | 8,276                  |
| Housing Revenue Account   | (10,657)                                  | 167                           | 0                                      | 0                           | (10,490)               |
| Net Cost of Services  | 70,289                                    | 59,564                        | 0                                      | 121                         | 129,974                |
| Other Income and Expenditure from the Expenditure and Funding Analysis  | (116,625)                                 | 12,900                        | 5,904                                  | 6,426                       | (91,395)               |
| Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services | (46,336)                                  | 72,464                        | 5,904                                  | 6,547                       | 38,579                 |

(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 2018/19 is presented in a comparable way to 2019/20.

**Consolidated Income and Expenditure Statement (CIES)**

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.

(a) The 2018/19 gross income and expenditure figures have been restated to reflect transfers of services between directorates in 2019/20. These include the transfer of Youth Services from Children's Services to Neighbourhoods and Highways and the transfer of the Fixed Penalty Enforcement service from Neighbourhoods and Highways to Corporate Core.

(b) In line with CIPFA guidance the contributions to the provisions for the impairment of debt should be shown within financing and investment income and expenditure rather than within net cost of services. In order to provide a consistent comparison the 2018/19 figures have been restated.

(c) A shortfall in impairment in 2018/19 on Council dwellings relating to the Brunswick PFI has been corrected. This has resulted in an increase in the deficit shown in the Comprehensive Income and Expenditure Statement of £12.403m in 2018/19. This also results in an increase in Total Comprehensive Income and Expenditure of £12.403m. This was due to the asset valuation included for 2018/19 including expenditure from previous years which was included in externally produced valuations for 2018/19.

(d) The business rates tariff and concessionary adjustment had been netted off income. This have now been shown as expenditure items.

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

|  | As reported in<br>the 2018/19<br>CIES<br>£000 | (a)<br>Transfer of<br>services<br>between<br>directorates<br>£000 | (b)<br>Contributions to /<br>(from) provisions<br>for impairment of<br>debt<br>£000 | (c)<br>Additional<br>impairment<br>£000 | (d)<br>Grossing up of<br>expenditure<br>£000 | As restated<br>2018/19<br>£000 |
|--|---|---|---|---|--|--------------------------------|
| <b>Net Expenditure</b>                                 |   |   |   |   |  |                                |
| <b>Directorate Line</b>                                |   |   |   |   |  |                                |
| Adults Social Care                                     | 193,339                                       | (3,062)   | 0   | 0                                       | 0  | 190,277                        |
| Homelessness   | 11,058  | 0   | 277   | 0                                       | 0  | 11,335                         |
| Children's Services                                    | 157,264                                       | 0   | 0   | 0                                       | 0  | 157,264                        |
| Corporate Core   | 91,617  | (14,827)  | (1,296)   | 0                                       | 0  | 75,494                         |
| Neighbourhoods and Highways                            | 102,849                                       | 17,889  | (5,827)   | 0                                       | 0  | 114,911                        |
| Growth and Development                                 | 54,099  | 0   | (270)   | 0                                       | 0  | 53,829                         |
| Corporate Items  | 1,877   | 0   | 15  | 0                                       | 0  | 1,892                          |
| Council Wide Costs                                     | 17,937  | 0   | 0   | 0                                       | 0  | 17,937                         |
| Housing Revenue Account                                | (22,354)                                      | 0   | (555)   | 12,403                                  | 0  | (10,506)                       |
| <b>Total Net Cost of Services</b>                      | <b>607,686</b>                                | <b>0</b>  | <b>(7,656)</b>  | <b>12,403</b>                           | <b>0</b>                                     | <b>612,433</b>                 |
| Financing and Investment Income and Expenditure        | (40,391)                                      | 0   | 7,656   | 0                                       | 0  | (32,735)                       |
| Taxation and non-specific grant income and expenditure | (636,303)                                     | 0   | 0   | 0                                       | 0  | (636,303)                      |
| <b>Total</b>   | <b>(69,008)</b>                               | <b>0</b>  | <b>0</b>  | <b>12,403</b>                           | <b>0</b>                                     | <b>(56,605)</b>                |
| <b>Gross Expenditure</b>                               |   |   |   |   |  |                                |
| <b>Directorate Line</b>                                |   |   |   |   |  |                                |
| Adults Social Care                                     | 248,592                                       | (3,093)   | 0   | 0                                       | 0  | 245,499                        |
| Homelessness   | 31,396  | 0   | 277   | 0                                       | 0  | 31,673                         |
| Children's Services                                    | 558,948                                       | 0   | 0   | 0                                       | 0  | 558,948                        |
| Corporate Core   | 339,617                                       | 12,744  | (1,296)   | 0                                       | 0  | 351,065                        |
| Neighbourhoods and Highways                            | 178,891                                       | (9,651)   | (5,827)   | 0                                       | 0  | 163,413                        |
| Growth and Development                                 | 96,043  | 0   | (270)   | 0                                       | 0  | 95,773                         |
| Corporate Items  | 6,155   | 0   | 15  | 0                                       | 0  | 6,170                          |
| Council Wide Costs                                     | 17,937  | 0   | 0   | 0                                       | 0  | 17,937                         |
| Housing Revenue Account                                | 63,867  | 0   | (555)   | 12,403                                  | 0  | 75,715                         |
| <b>Total Net Cost of Services Gross Expenditure</b>    | <b>1,541,446</b>                              | <b>0</b>  | <b>(7,656)</b>  | <b>12,403</b>                           | <b>0</b>                                     | <b>1,546,193</b>               |
| Financing and Investment Income and Expenditure        | 173,292                                       | 0   | 7,656   | 0                                       | 0  | 180,948                        |
| Taxation and non-specific grant income and expenditure | 0   | 0   | 0   | 0                                       | 22,107                                       | 22,107                         |
| <b>Total</b>   | <b>1,714,738</b>                              | <b>0</b>  | <b>0</b>  | <b>12,403</b>                           | <b>0</b>                                     | <b>1,727,141</b>               |
| <b>Gross Income</b>                                    |   |   |   |   |  |                                |
| <b>Directorate Line</b>                                |   |   |   |   |  |                                |
| Adults Social Care                                     | (55,253)                                      | 31  | 0   | 0                                       | 0  | (55,222)                       |
| Homelessness   | (20,338)                                      | 0   | 0   | 0                                       | 0  | (20,338)                       |
| Children's Services                                    | (401,684)                                     | 0   | 0   | 0                                       | 0  | (401,684)                      |
| Corporate Core   | (248,000)                                     | (27,571)  | 0   | 0                                       | 0  | (275,571)                      |
| Neighbourhoods and Highways                            | (76,042)                                      | 27,540  | 0   | 0                                       | 0  | (48,502)                       |
| Growth and Development                                 | (41,944)                                      | 0   | 0   | 0                                       | 0  | (41,944)                       |
| Corporate Items  | (4,278)                                       | 0   | 0   | 0                                       | 0  | (4,278)                        |
| Council Wide Costs                                     | 0   | 0   | 0   | 0                                       | 0  | 0                              |
| Housing Revenue Account                                | (86,221)                                      | 0   | 0   | 0                                       | 0  | (86,221)                       |
| <b>Total Net Cost of Services Gross Income</b>         | <b>(933,760)</b>                              | <b>0</b>  | <b>0</b>  | <b>0</b>                                | <b>0</b>                                     | <b>(933,760)</b>               |
| Financing and Investment Income and Expenditure        | (213,683)                                     | 0   | 0   | 0                                       | 0  | (213,683)                      |
| Taxation and non-specific grant income and expenditure | (636,303)                                     | 0   | 0   | 0                                       | (22,107)                                     | (658,410)                      |
| <b>Total</b>   | <b>(1,783,746)</b>                            | <b>0</b>  | <b>0</b>  | <b>0</b>                                | <b>(22,107)</b>                              | <b>(1,805,853)</b>             |

Other Statements

## Balance sheet

The value of Plant, Property and Equipment has reduced at 31 March 2019 due to cumulative impairment in the value of Council Dwellings relating to properties in the Brunswick PFI. This is matched by a reduction in unusable reserves (capital adjustment account).

The value of Heritage Assets has increased at 31 March 2019 due to assets that weren't previously shown on the balance sheet being included. This is matched by an increase in unusable reserves (revaluation reserve).

The effect of these two prior year adjustments is shown in the table below.

|   | Property, Plant and Equipment | Heritage Assets | Unusable Reserves |
|---|-------------------------------|-----------------|-------------------|
|   | £000                          | £000            | £000              |
| As reported in the Balance Sheet at 31 March 2019 | 2,524,630                     | 538,272         | 1,597,373         |
| Change prior to 1 April 2018                      | (42,282)                      | 59,338          | 17,056            |
| Change during 2018/19                             | (12,403)                      | 1,093           | (11,310)          |
| Restated at 31 March 2019                         | 2,469,945                     | 598,703         | 1,603,119         |

## Movement in Reserves Statement

The reduction in unusable reserves and increase in the Total Comprehensive Income and Expenditure on the Consolidated Income and Expenditure Statement referred to in the previous sections are reflected in the Movement in Reserves Statement.

## Cash Flow Statement

The cash flow statement has been restated for the additional HRA impairment referred to in note (c) relating to the CIES restatement.

In addition the net payments relating to the preceptors share of council tax and national non domestic rates have been reclassified from financing activities.

|  | As reported in the 2018/19 Cash Flow £000 | Additional impairment £000 | Net Payments relating to preceptors element of council tax £000 | Net Payments relating to preceptors element of national non domestic rates £000 | As restated 2018/19 £000 |
|--|---|----------------------------|---|---|--------------------------|
| Net deficit on the provision of services   | 8,387                                     | 12,403                     | 0   | 0   | 20,790                   |
| Adjustments to net deficit on the provision of services for non-cash movements   | (252,618)                                 | (12,403)                   | 830   | 6,478   | (257,713)                |
| Adjustments for items included in the net deficit on the provision of services that are investing and financing activities | 148,286                                   | 0                          | 0   | 0   | 148,286                  |
| <b>Net cash flows from operating activities</b>  | <b>(95,945)</b>                           | <b>0</b>                   | <b>830</b>  | <b>6,478</b>  | <b>(88,637)</b>          |
| Investing activities   | 292,813                                   | 0                          | 0   | 0   | 292,813                  |
| Financing Activities   | (173,553)                                 | 0                          | (830)   | (6,478)   | (180,861)                |
| <b>Net decrease in cash and cash equivalents</b>   | <b>23,315</b>                             | <b>0</b>                   | <b>0</b>  | <b>0</b>  | <b>23,315</b>            |

## Group Accounts

These amendments have also been reflected in the Group Accounts.

None of the restatements in this note impact on the usable reserves of the Council or its Group.



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**Note 6. Impact of Accounting Changes Issued But Not Yet Adopted**

The Code of Practice on Local Authority Accounting requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the 2019/20 Code.

The Code has introduced changes in accounting policies which will be required from 1 April 2020 and will therefore be valid for the 2020/21 accounts. The changes introduced by the 2020/21 Code that will be adopted by the Council and its Group are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

IAS28 Investments in Associates and Joint Ventures – this amendment clarifies that the exclusion in IFRS9 Financial Instruments, relating to the impairment of long term interests in associates and joint ventures, applies only to interests that a company accounts for using the equity method.

Annual improvements to IFRS Standards 2015 – 2017 Cycle

These improvements relate to the following:

- IFRS 3 Business Combinations and IFRS11 Joint Arrangements. The amendment to IFRS clarifies that when an entity obtains control of a business that is a joint operation it re-measures previously held interests in that business. The amendments to IFRS11 clarifies that when an entity obtains joint control of a business that is a joint operation it does not re-measure previously held interests in that business.
- IAS12 Income Taxes. This amendment clarifies the income tax consequences of dividends.
- IAS23 Borrowing Costs. This amendment clarifies the calculation of the capitalisation rate on general borrowings.

IAS19 Employee Benefits – if a plan amendment, curtailment or settlement occurs it will be mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition the amendment has clarified requirements regarding the asset ceiling.

These changes are not expected to have a material impact on the Council's single entity or group accounts.

## **Note 7. Accounting Concepts and Policies**

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end 31 March 2020. 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 2019/20 (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.

### **7.1. Underlying Assumptions**

#### **7.1.1 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.

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.

Going Concern of Companies within the Council's Group has also been considered as follows-

#### Manchester Airports Holdings Ltd (MAHL)

The directors of MAHL have prepared their financial statements on a going concern basis. In assessing the going concern position, the directors have considered the potential impact of COVID-19 on the cash flow and liquidity, over the next 12 months, together with the corresponding impact on the covenants associated with the financing arrangements leading up to the next covenant test in September 2021.

The current economic conditions resulting from the COVID-19 pandemic have had a significant impact on activity levels from March 2020 onwards. The impacts upon the general economy and the airline industry specifically have continued into 2020/21.

MAHL is subject to financial covenants on its Bonds and Bank facilities, being leverage (Net Debt / EBITDA (earnings before interest, tax, depreciation and amortisation)) and interest cover (EBITDA less tax / net finance charges). The covenants are tested half yearly on 31 March and 30 September. As at 31 March 2020 MAHL had complied with both of its covenants.

At the year ended 31 March 2020 MAHL had significant financial liquidity available of £281.3m comprising cash in hand of £271.3m together with £10m in undrawn committed overdraft facilities. MAHL also has access to a committed £90m Liquidity Facility to ensure interest payment obligations can be kept current for over 12 months. It does not currently expect to utilise the Liquidity Facility.

Despite entering the crisis in a strong financial position, as a consequence of COVID-19 and the subsequent expected impact on EBITDA over the next 12 months, MAHL would not have been able to avoid breaching its covenants when next tested at 30 September 2020.

MAHL has therefore acted promptly and successfully implemented a strategic financing response. This includes significant cash mitigation measures across costs and capital expenditure, including reducing future forecast expenditures by over £380m over the next 2 years; recently securing receipt of £300m of additional funding from its shareholders; together with MAHL's property book currently held for resale as part of a review of its portfolio, with realisation of proceeds significantly in excess of £400m expected to be completed well within the next 15 months. All which together with MAHL's strong liquidity position at 31 March provides adequate levels of funding beyond the next 12 months.

In addition MAHL has obtained comprehensive bank and bondholder support for its response, including obtaining waivers on its next two 6 monthly financial covenant tests at 30 September 2020 and 31 March 2021, removing any risk on financial covenants during the next financial year.

The actual impact of COVID-19 is expected to become clearer over the course of this financial year. In recent weeks the level of infection has been falling in most countries, appropriate manageable protocols have been established for a safe return to air travel, governments are progressively beginning to reopen the borders, and flying has recommenced. The expectation is that international markets will soon reopen fully with a gradual recovery of traffic through this year.

Management have also considered reasonable downside scenarios for the business through 2021 and into 2022. The actions put in to place by MAHL through its financing response, including the debt-holder consents obtained, mean that MAHL's next covenant test is not measured until September 2021, with a reporting date of December 2021, beings periods of 15 months and 19 months respectively from the date of signing of the accounts. MAHL is therefore not expected to be in breach of its financial covenants, even in a downside scenario, for a period in excess of 12 months.

In addition, taking into account the previously outlined level of cash, new equity funding, and realisation of property, the directors are confident that MAHL has sufficient funds to allow it to operate throughout this period even in reasonable downside scenarios.

MAHL also has a window, in excess of 12 months, to consider and address any emerging new or more significant risks in relation to its financial position or for future financial covenant testing dates from September 2021 onwards. Potential actions would include aligning capital investment, operating costs and aviation tariffs with a lower traffic environment; sourcing additional financial support to remedy any short-term shortfalls; or negotiating waivers with the holders for any potential breach of future financial problems beyond the current consent period.

The potential future impact of COVID-19 creates considerable uncertainty in the aviation industry and subsequent travel volumes. Therefore there is a risk that in the event of an extended period of severe trading downsides MAHL might not meet the financial ratios for its September 2021 covenant test. Following its recent strategic response to the current impact of COVID-19, MAHL would expect to be able to solve the issue through a number of measures available to it, including potentially negotiating further waivers. Nevertheless the possibility of a covenant breach at the end of September 2021 and the subsequent need to seek a waiver at that time or to take other action, cannot be excluded given the current uncertainty and as such represents a material uncertainty that may cast significant doubt on the ability to continue as a going concern and, therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would be necessary if the going concern basis was inappropriate.

However, having considered all the relevant requirements, including MAHL's financial position, likely forecasts and reasonable downsides, together with actions available to mitigate impacts and the time period available to act, the Directors consider it

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appropriate to adopt a going concern basis for the preparation of the financial statements, and the directors have an expectation that MAHL will have adequate resources to continue to operate for the foreseeable future.

The Board has agreed the following:

- To confirm that MAHL is a going concern over the period to 31 March 2021 for the purposes of preparing and approving the Annual Report and Accounts for the year ended 31 March 2020, based on the information and analysis provided.
- To confirm, based on the assessment of viability of MAHL over a three year period, that the directors have a reasonable expectation that MAHL will be able to continue in operation, and meet its liabilities as they fall due, over the period to 31 March 2023.

#### Destination Manchester Ltd.

The directors of Destination Manchester Ltd have a reasonable expectation that the company has adequate resource to continue in operational existence for the foreseeable future. The conference centre is currently occupied by the NHS as a Nightingale Hospital that will be used to assist with surge capacity requirements during the Covid-19 pandemic. The tenancy expires in March 2021 and the business will therefore be unable to host events during this period, however the Directors anticipate that normal operations will resume once the NHS tenancy has ended and events are contracted from April 2021 onwards. During the period of occupation, the company will receive a contribution from the NHS to cover overheads and full recovery of costs incurred. These receipts have been included within the company's cash flow forecasts.

The Directors have a reasonable expectation that the company will resume income generation after the period of occupation by the NHS Nightingale.

The going concern expectation is based on the company's; strong future pipeline of business for when the venue is able to open and operate again; strong cash position; the value of the cash generating assets; and the flexible loan facilities available from the ultimate parent company, Manchester City Council. The Council has confirmed that loan or interest repayments due during the period of occupation by the NHS can be deferred until the end of the NHS occupation.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of their financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of

approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## **7.2. Accounting Policies**

### **7.2.1 Property, Plant and Equipment (PPE)**

Property, Plant and Equipment assets have physical substance and are held for use in the provision of services 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. In addition all property, plant and equipment, where expenditure in excess of £500,000 has been incurred during 2019/20, have been considered by the Council's Valuers who have quantified the amount of impairment.

#### **Measurement**

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 mandated by the CIPFA Code 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 at existing use value – social housing.

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 2019. 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. Where the increase is reversing a previous loss charged to the Deficit on the Provision of Services on the same asset, the increase in valuation is credited to the Comprehensive Income and Expenditure Statement.

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

Where revaluation gains or losses are credited or charged to the Comprehensive Income and Expenditure Statement they are reversed in the Movement in 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 previously assessed to determine their effect on the depreciation of council dwellings – main building, roof, windows, external doors, kitchens, bathrooms, heating and electrical systems.

### **7.2.2 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. 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.

### **7.2.3 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.

## **7.2.4 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 on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Interest cost based on the outstanding deferred liability - debited to the Financing and Investment Income and Expenditure line in the Deficit on the Provision of Services.
- Payment towards liability - debited to the deferred liability on the Balance Sheet thus reducing the liability. For non-HRA contracts this reduction in the charge in the Deficit on the Provision of Services is replaced by an equivalent amount of Minimum Revenue Provision (MRP) in the Movement in Reserves Statement. For HRA contracts this reduction in unitary charge is reversed in the Movement in Reserves Statement to the Capital Adjustment Account.
- Lifecycle replacement costs - these are posted to the Balance Sheet as a prepayment and then included as additions to Property, Plant and Equipment when the works are carried out. Where lifecycle costs can be identified as capital

in nature they have been recognised as capital expenditure. This expenditure relates to enhancements or replacement of assets.

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

### **7.2.5 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.

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 7.2.8). The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the de-recognition of property, plant and equipment (policy 7.2.3).

### **7.2.6 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.

### **7.2.7 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. This includes schools managed under a PFI contract.

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 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.

### **7.2.8 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 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.

### **7.2.9 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 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.

There is no MRP charge to the Housing Revenue Account.

#### **7.2.10 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 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 7.2.15c.

#### **7.2.11 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.

### **7.2.12 Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not when cash payments are made or received.

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

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.

Supplies are recorded as expenditure when they are consumed.

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.

Impairments are made for debts that are not considered to be collectable – referred to as impairment of financial assets. This provision is calculated based on the expected amount that will not be collected for 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.

### **7.2.13 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.

### **7.2.14 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 claim 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.

### **7.2.15 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.

#### **7.2.16 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.

#### **7.2.17 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 is recognised when the performance obligations in a contract have been satisfied. This recognition can be over time when the service recipient simultaneously receives and consumes the benefits (e.g. home care services) or at a point in time.

Revenue for Council Tax and Business Rates is recognised at the taxable event and it is probable the revenue will be received by the Council.



### **7.2.18 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.

### **7.2.19 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.

## **7.2.20 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 in which the employee takes the benefit and includes employer national insurance and pension contributions.

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

## **7.2.21 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 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.

## **7.2.22 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 Adult Social Care 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**

### **7.2.23 Financial Assets**

Financial Assets e.g. investments and debtors are classified into three types – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

The categorisation of financial assets into these types is dependent on the reason for holding these assets (to collect cash flows, to sell assets or achieve objectives by other means).

Financial assets are brought onto the balance sheet at fair value when the Council becomes a party to contractual provisions.

#### **Amortised Cost**

These assets relate to financial instruments where the amounts received relating to them are solely principal and interest and they are held to generate cash flows (e.g. investments of surplus cash with the government's debt management office or loans to third parties).

The interest received on these assets is spread evenly over the life of these instruments.

Any gain or loss in the value of these assets is recognised in the net deficit on the net provision of services at the point of derecognition (disposal) or reclassification.

#### **Fair Value through Other Comprehensive Income (FVOCI)**

These assets relate to financial instruments where the amounts received relating to them are solely principal and interest but they are held to collect cash and sell the assets (e.g. money market funds).

The interest received on these assets is spread evenly over the life of these instruments.

Changes in the fair value of these assets are charged to Other Comprehensive Income and Expenditure. Cumulative gains and losses are charged to the deficit on provision of services when they are disposed of.

Under capital accounting regulations where these assets were treated as capital expenditure the gain or loss is reversed to an unusable reserve - the Financial Instruments Revaluation Reserve.

#### **Fair Value through Profit and Loss (FVPL)**

These assets relate to financial instruments where the amounts received relating to them are not principal and interest (e.g. equity investments).

Dividends received are accounted for at the point they are declared.

Charges in fair value are charged to the deficit on the net provision of services as they occur.

Under capital accounting regulations where these assets were treated as capital expenditure the gain or loss is reversed through the Movement in Reserves Statement and charged to an unusable reserve - the Capital Adjustment Account.

An equity instrument that has been classed as FVPL can be designated as FVOCI if it is not held for trading (e.g. a strategic investment). Once this designation has been made it cannot be reversed. This designation would mean that any gains and losses would be held in the Financial Instruments Revaluation Reserve.

### **Credit loss**

The Council will recognise a loss allowance for expected credit losses, if applicable, on assets where cash flows are solely principal and interest (i.e. financial instruments measured at amortised cost or FVOCI unless they have been designated as such). This does not apply where the counterparty is central government or another local authority.

At each year end the loss allowance for a financial instrument is calculated as equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If at year end the credit risk has not increased significantly since initial recognition the loss allowance is measured at an amount equal to twelve month expected credit losses.

Where the financial asset was treated as capital expenditure any losses will be reversed via the Movement in Reserves Statement to the Capital Adjustment Account.

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 foregone 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.

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. 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.

### 7.2.24 Financial Liabilities

Financial liabilities (e.g. borrowings and creditors) are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Council. 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. This is then reversed over the life of the loan.

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.

### **7.2.25 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.

### **7.2.26 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.

### **7.2.27 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.

### **7.2.28 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.

### **7.2.29 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 subsidiaries, associates and joint ventures. Inclusion in the Council group is dependent upon the extent of the Council's interest and power to influence an entity. The determining factor for assessing the extent of interest, 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 long term investments at cost.

### **7.2.30 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.

### **7.2.31 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.

### **7.2.32 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 8. Critical Accounting Judgements**

In applying the accounting policies set out in Note 7 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:

### **8.1 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 24 to the accounts.

## **8.2 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 £217.077m (£228.004m in 2018/19) 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.

## **8.3 Investment Properties**

The Council has reviewed all assets to ensure they meet the accounting policy for investment properties (i.e. they are solely used to earn rentals and / or for capital appreciation) and as a result assets valued on that basis total £475.227m (£442.814m in 2018/19) and are recognised as Investment Properties in the Council's Balance Sheet.

## **8.4 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.

As a result assets valued at £604.821m (£598.703m in 2018/19) have been classed as Heritage Assets.

### **8.5 Classification of Financial Assets**

Under IFRS9 (Financial Instruments) the default valuation method of the Council's equity holdings would be Fair Value through Profit and Loss. However it is the Council's view that the majority of its equity instruments are strategic investments (i.e. are not held for trading) and designating these at Fair Value through Other Comprehensive Income results in a reasonable and reliable accounting policy for the investment.

### **8.6 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 dependent 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.

### **8.7 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 (including the pension liability) 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 9. 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 2020 for which there is a risk of adjustment in the following financial year are:

### 9.1 Revaluation of Property, Plant and Equipment (PPE)

The Council's property, plant and equipment 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 property, plant and equipment 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 and Jacobs, external valuers commissioned by the Council with a valuation date of 1 April 2019. Jacobs provided indexation factors for the percentage increase in value from the date of the last valuation to 31 March 2020 for each category of asset. These did not have a material effect so were not applied to the asset values.

The Council's Valuers have stated that market activity is being impacted in many sectors as a result of the COVID 19 pandemic. At the valuation date they consider that they can attach less weight to previous market evidence, for comparison purposes, to

form opinions of the value of property, plant and equipment where market value is a factor. The current response to COVID 19 means that they are faced with an unprecedented set of circumstances on which to base a judgement. The valuations have therefore been reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global.

An assessment as to whether there is an indication of impairment is also made. 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 £18.03m for every 1% increase in valuation.

## **9.2 Revaluation of 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. .

The Council's valuers have stated that market activity is being impacted in many sectors as a result of the COVID 19 pandemic. At the valuation date they consider that they can attach less weight to previous market evidence, for comparison purposes, to form opinions of the value of investment property where market value is a factor. The current response to COVID 19 means that they are faced with an unprecedented set of circumstances on which to base a judgement. The valuations have therefore been reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global.

It is estimated that the carrying value of investment property would increase by £4.75m for every 1% increase in valuation.

## **9.3 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 £8.3m for every year the useful lives are reduced.

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

External Valuers 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.

#### **9.4 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 £0.095m to the provision required. An increase of 1% in the likelihood of each claim being settled would have the effect of adding £0.104m to the provision.

#### **9.5 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 2020. This provision includes the estimated impact on 2019/20 income of appeals anticipated to be lodged in future years. The percentages used for appeals against the 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, and appeal process. An increase of 1% in the percentage reduction would have the effect of adding £5.681m to the total provision required (Council's share £5.624m).

#### **9.6 Arrears**

At 31 March 2020 the Council had a balance of short term debtors of £311.036m. This included sundry debtors of £213.021m (including housing benefit overpayments), housing rent debtors of £7.599m, council tax debtors of £61.502m and business rates debtors of £28.914m. A review of these outstanding balances suggests that an



impairment of doubtful debts of £140.181m (£63.369m sundry debtors, £6.356m housing rents, £47.203m council tax and £23.253m business rates) was appropriate. However in the current climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate by 1% this would require an additional £1.9m (£1.1m sundry debtors, £0.6m council tax and £0.2m business rates) to be set aside.

### **9.7 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 £316.252m, a 0.5% increase in the salary increase rate would result in a £30.041m increase in the pension liability and a 0.5% increase in the assumed pension rate increase would result in a £283.505m increase in the pension liability.

The Council's net Pension Liability of £689.573m includes a share of the overall Greater Manchester Pension Fund investment assets as disclosed in Note 45. The Pension Fund in their financial statements for 2019/20 have disclosed a material uncertainty in accordance with Valuation Practice Supplement 3 and Valuation Practice Guidance Assumption 10 of the RICS Red Book Global due to the impact of COVID-19, in respect of the valuation of their property investments. Consequently, less certainty, and a higher degree of caution should be attached to the valuation of those assets than would normally be the case. In Note 45 the Council have disclosed that their share of the total property assets held by the Pension Fund is valued at £130.394m. The valuation of the Council's share of the property assets is subject to the same material valuation uncertainty as applies to the Pension Fund financial statements and as such less certainty can be applied to the valuations than would typically be the case.

The actuary has made an estimated adjustment to the liabilities for the McCloud judgement from the 2019 valuation to ensure this is captured in the March 2020 balance sheet figures. This impact is separately recorded as a past service cost.

**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 and revaluation of property plant and equipment and revaluation of investment properties of £42,030,000 (£89,641,000 in 2018/19) has been included within Deficit on provision of services:

|                             | <b>Restated<br/>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|-----------------------------|---------------------------------------|--------------------------|
| Adults Social Care          | 270                                   | 174                      |
| Children's Services         | 2,194                                 | 3,507                    |
| Corporate Core              | 480                                   | 0                        |
| Neighbourhoods and Highways | 10,509                                | 3,438                    |
| Growth and Development      | 1,831                                 | 431                      |
| Council Wide Costs          | 14,964                                | 1,230                    |
| Housing Revenue Account     | 16,988                                | 5,149                    |
| Investment properties       | 42,405                                | 28,101                   |
| <b>Total</b>                | <b>89,641</b>                         | <b>42,030</b>            |

## Manchester City Council Annual Statement of Accounts 2019/20

**Note 11. Expenditure and Income Analysis**

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

|   | Restated           |                    |
|---|--------------------|--------------------|
|   | 2018/19            | 2019/20            |
|   | £000               | £000               |
| <b>Expenditure</b>  |                    |                    |
| Employee Benefit Expenses                                 | 524,002            | 543,083            |
| Other Service Expenses                                    | 862,830            | 890,110            |
| Business Rates Tariff                                     | 19,015             | 40,398             |
| Capital Charges including Depreciation and impairment (a) | 212,577            | 150,229            |
| Interest Payments   | 35,355             | 38,511             |
| 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             |
| <b>Total Expenditure</b>                                  | <b>1,833,858</b>   | <b>1,882,163</b>   |
| <b>Income</b>   |                    |                    |
| Fees, Charges and Other Service Income                    | (238,389)          | (259,837)          |
| Interest and Investment Income                            | (87,162)           | (97,355)           |
| 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                       | (763,229)          | (777,399)          |
| Gain on Disposal of Fixed Assets (HRA)                    | (7,215)            | (7,129)            |
| <b>Total Income</b>                                       | <b>(1,813,068)</b> | <b>(1,876,587)</b> |
|   |                    |                    |
| <b>Deficit on the Provision of Services</b>               | <b>20,790</b>      | <b>5,576</b>       |

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

|  | Restated       |                |
|--|----------------|----------------|
|  | 2018/19        | 2019/20        |
|  | £000           | £000           |
| Adults Social Care   | 1,454          | 1,316          |
| Children's Services  | 31,668         | 17,656         |
| Corporate Core   | 6,581          | 4,205          |
| Neighbourhoods and Highways  | 44,261         | 46,663         |
| Growth and Development   | 36,634         | 27,080         |
| Council Wide Costs   | 57,941         | 30,005         |
| HRA  | 34,038         | 23,304         |
| <b>Total Capital Charges including Depreciation and Impairment</b> | <b>212,577</b> | <b>150,229</b> |

**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 2018/19:

|  | Usable Reserves       |   |                          |                          |                       |                                | Unusable Reserves                |
|--|-----------------------|---|--------------------------|--------------------------|-----------------------|--------------------------------|----------------------------------|
|  | General Fund Reserves | Restated Housing Revenue Account Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | Restated Total Usable Reserves | Restated Total Unusable Reserves |
|  | £000s                 | £000s                                     | £000s                    | £000s                    | £000s                 | £000s                          | £000s                            |
| <b>Reversal of items debited or credited to the comprehensive income and expenditure statement:</b>  |                       |   |                          |                          |                       |                                |                                  |
| Depreciation   | (56,014)              | 0   | 0                        | 0                        | (16,997)              | (73,011)                       | 73,011                           |
| Amortisation of intangible assets  | (130)                 | 0   | 0                        | 0                        | 0                     | (130)                          | 130                              |
| Impairment / revaluation losses charged to the comprehensive income and expenditure statement  | (30,248)              | (16,988)                                  | 0                        | 0                        | 0                     | (47,236)                       | 47,236                           |
| Movement in fair value of investment property  | (12,715)              | 0   | 0                        | 0                        | 0                     | (12,715)                       | 12,715                           |
| Financing of capital expenditure on council dwellings  | 0                     | 0   | 0                        | 0                        | 14,084                | 14,084                         | (14,084)                         |
| Capital grants and contributions   | 97,524                | 583                                       | 0                        | (9,476)                  | 0                     | 88,631                         | (88,631)                         |
| Revenue expenditure funded from capital under statute  | (20,229)              | (52)                                      | 0                        | (29,512)                 | 0                     | (49,793)                       | 49,793                           |
| Gain / (loss) on disposal of non-current assets  | (12,946)              | 7,215                                     | 0                        | 0                        | 0                     | (5,731)                        | 5,731                            |
| Amount by which pension costs calculated in accordance with IAS19 are different from pension contributions due   | (61,603)              | (237)                                     | 0                        | 0                        | 0                     | (61,840)                       | 61,840                           |
| Private finance initiative charges to the HRA  | 0                     | 10,886                                    | 0                        | 0                        | 0                     | 10,886                         | (10,886)                         |
| Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments   | (3,260)               | 0   | 0                        | 0                        | 0                     | (3,260)                        | 3,260                            |
| 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 | (5,636)               | 0   | 0                        | 0                        | 0                     | (5,636)                        | 5,636                            |
| Statutory provision for the repayment of debt - minimum revenue provision  | 17,810                | 0   | 0                        | 0                        | 0                     | 17,810                         | (17,810)                         |
| Statutory provision for the repayment of debt - finance lease liabilities  | 14                    | 0   | 0                        | 0                        | 0                     | 14                             | (14)                             |
| Statutory provision for the repayment of debt - private finance initiatives  | 3,667                 | 0   | 0                        | 0                        | 0                     | 3,667                          | (3,667)                          |
| HRA capital receipts to housing central pool   | (2,567)               | 0   | 2,567                    | 0                        | 0                     | 0                              | 0                                |
| Revenue contribution to finance capital  | 8,854                 | 89  | 0                        | 0                        | 0                     | 8,943                          | (8,943)                          |
| Premiums and discounts charged to revenue  | 547                   | 0   | 0                        | 0                        | 0                     | 547                            | (547)                            |
| Principal repayment of ex-GMC debt   | 2,284                 | 0   | 0                        | 0                        | 0                     | 2,284                          | (2,284)                          |
| Capital receipts received  | 0                     | 0   | (28,561)                 | 0                        | 0                     | (28,561)                       | 28,561                           |
| Use of capital receipts reserve to finance capital expenditure   | 0                     | 0   | 41,117                   | 0                        | 0                     | 41,117                         | (41,117)                         |
| Write down of long term debtor   | (24)                  | 0   | 0                        | 0                        | 0                     | (24)                           | 24                               |
| Capital receipts for long term debtors   | 0                     | 0   | (24,962)                 | 0                        | 0                     | (24,962)                       | 24,962                           |
| Transfer to short term accumulated absences account  | 600                   | 0   | 0                        | 0                        | 0                     | 600                            | (600)                            |
| <b>Total adjustments</b>   | <b>(74,070)</b>       | <b>1,495</b>                              | <b>(9,839)</b>           | <b>(38,988)</b>          | <b>(2,913)</b>        | <b>(124,315)</b>               | <b>124,315</b>                   |

The table below shows the adjustments made in 2019/20:

|  | Usable Reserves                |   |                                   |                                   |                                |                                | Unusable Reserves                |
|--|--------------------------------|---|-----------------------------------|-----------------------------------|--------------------------------|--------------------------------|----------------------------------|
|  | General Fund Reserves<br>£000s | Housing Revenue Account Reserves<br>£000s | Capital Receipts Reserve<br>£000s | Capital Grants Unapplied<br>£000s | Major Repairs Reserve<br>£000s | Total Usable Reserves<br>£000s | Total Unusable Reserves<br>£000s |
| <b>Reversal of items debited or credited to the comprehensive income and expenditure statement:</b>  |                                |   |                                   |                                   |                                |                                |                                  |
| Depreciation   | (59,002)                       | 0   | 0                                 | 0                                 | (18,107)                       | (77,109)                       | 77,109                           |
| Amortisation of intangible assets  | (85)                           | 0   | 0                                 | 0                                 | 0                              | (85)                           | 85                               |
| Impairment / revaluation losses charged to the comprehensive income and expenditure statement  | (8,780)                        | (5,150)                                   | 0                                 | 0                                 | 0                              | (13,929)                       | 13,929                           |
| Movement in fair value of investment property  | 25,194                         | 0   | 0                                 | 0                                 | 0                              | 25,194                         | (25,194)                         |
| Financing of capital expenditure on council dwellings  | 0                              | 0   | 0                                 | 0                                 | 18,593                         | 18,593                         | (18,593)                         |
| Capital grants and contributions   | 106,041                        | 4   | 0                                 | (35,329)                          | 0                              | 70,716                         | (70,716)                         |
| Revenue expenditure funded from capital under statute  | (19,745)                       | (48)                                      | 0                                 | (11,211)                          | 0                              | (31,004)                       | 31,004                           |
| Gain / (loss) on disposal of non-current assets  | (52,586)                       | 7,129                                     | 0                                 | 0                                 | 0                              | (45,457)                       | 45,457                           |
| Amount by which pension costs calculated in accordance with IAS19 are different from pension contributions due   | (72,301)                       | (167)                                     | 0                                 | 0                                 | 0                              | (72,468)                       | 72,468                           |
| Private finance initiative charges to the HRA  | 0                              | 8,570                                     | 0                                 | 0                                 | 0                              | 8,570                          | (8,570)                          |
| Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments   | (4,386)                        | 0   | 0                                 | 0                                 | 0                              | (4,386)                        | 4,386                            |
| 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 | (5,904)                        | 0   | 0                                 | 0                                 | 0                              | (5,904)                        | 5,904                            |
| Statutory provision for the repayment of debt - minimum revenue provision  | 23,018                         | 0   | 0                                 | 0                                 | 0                              | 23,018                         | (23,018)                         |
| Statutory provision for the repayment of debt - private finance initiatives  | 3,974                          | 0   | 0                                 | 0                                 | 0                              | 3,974                          | (3,974)                          |
| HRA capital receipts to housing central pool   | (2,553)                        | 0   | 2,553                             | 0                                 | 0                              | 0                              | 0                                |
| Revenue contribution to finance capital  | 15,305                         | 151                                       | 0                                 | 0                                 | 0                              | 15,456                         | (15,456)                         |
| Premiums and discounts charged to revenue  | 549                            | 0   | 0                                 | 0                                 | 0                              | 549                            | (549)                            |
| Principal repayment of ex-GMC debt   | 2,370                          | 0   | 0                                 | 0                                 | 0                              | 2,370                          | (2,370)                          |
| Capital receipts received  | 0                              | 0   | (19,737)                          | 0                                 | 0                              | (19,737)                       | 19,737                           |
| Use of capital receipts reserve to finance capital expenditure   | 0                              | 0   | 19,729                            | 0                                 | 0                              | 19,729                         | (19,729)                         |
| Write down of long term debtor   | (24)                           | 0   | 0                                 | 0                                 | 0                              | (24)                           | 24                               |
| Capital receipts for long term debtors   | 0                              | 0   | (17,534)                          | 0                                 | 0                              | (17,534)                       | 17,534                           |
| Transfer to short term accumulated absences account  | (155)                          | 0   | 0                                 | 0                                 | 0                              | (155)                          | 155                              |
| <b>Total adjustments</b>   | <b>(49,070)</b>                | <b>10,489</b>                             | <b>(14,989)</b>                   | <b>(46,540)</b>                   | <b>486</b>                     | <b>(99,623)</b>                | <b>99,623</b>                    |

**Note 13. Private Finance Initiatives (PFI) and Service Concessions**

Undischarged obligations arising from PFI and service concession transactions as at 31 March 2020 were as follows:

| Scheme                                    | Payments                        |                             |                              |                              | Total<br>£000s | Indexation | Contract<br>Expiry | Scheme Details  |
|---|---------------------------------|-----------------------------|------------------------------|------------------------------|----------------|------------|--------------------|---|
|   | Liability<br>Repayment<br>£000s | Lifecycle<br>Costs<br>£000s | Interest<br>Charges<br>£000s | Service<br>Charges*<br>£000s |                |            |                    |   |
| <b>Miles Platting Housing</b>             |                                 |                             |                              |                              |                | 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                    | 1,822                           | 3,476                       | 2,688                        | 8,141                        | 16,127         |            |                    |   |
| Payments within 2 to 5 years              | 8,141                           | 13,902                      | 9,603                        | 35,429                       | 67,075         |            |                    |   |
| Payments within 6 to 10 years             | 12,202                          | 17,378                      | 9,011                        | 51,533                       | 90,124         |            |                    |   |
| Payments within 11 to 15 years            | 14,289                          | 17,378                      | 5,062                        | 61,225                       | 97,954         |            |                    |   |
| Payments within 16 to 20 years            | 8,037                           | 6,951                       | 788                          | 25,248                       | 41,024         |            |                    |   |
|   | 44,491                          | 59,085                      | 27,152                       | 181,576                      | 312,304        |            |                    |   |
| <b>Plymouth Grove Housing</b>             |                                 |                             |                              |                              |                | 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                    | 690                             | 730                         | 1,543                        | 2,495                        | 5,458          |            |                    |   |
| Payments within 2 to 5 years              | 3,099                           | 2,918                       | 5,416                        | 11,120                       | 22,553         |            |                    |   |
| Payments within 6 to 10 years             | 5,752                           | 3,648                       | 4,607                        | 15,955                       | 29,962         |            |                    |   |
| Payments within 11 to 15 years            | 5,121                           | 2,189                       | 1,143                        | 10,602                       | 19,055         |            |                    |   |
|   | 14,662                          | 9,485                       | 12,709                       | 40,172                       | 77,028         |            |                    |   |
| <b>Temple School</b>                      |                                 |                             |                              |                              |                | 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                    | 249                             | 0                           | 204                          | 294                          | 747            |            |                    |   |
| Payments within 2 to 5 years              | 1,369                           | 0                           | 536                          | 1,250                        | 3,155          |            |                    |   |
| Payments within 6 to 10 years             | 455                             | 0                           | 45                           | 332                          | 832            |            |                    |   |
|   | 2,073                           | 0                           | 785                          | 1,876                        | 4,734          |            |                    |   |
| <b>Wright Robinson Sports College</b>     |                                 |                             |                              |                              |                | 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                    | 1,150                           | 461                         | 1,295                        | 1,721                        | 4,627          |            |                    |   |
| Payments within 2 to 5 years              | 5,392                           | 1,844                       | 4,389                        | 7,442                        | 19,067         |            |                    |   |
| Payments within 6 to 10 years             | 8,944                           | 2,305                       | 3,282                        | 10,670                       | 25,201         |            |                    |   |
| Payments within 11 to 15 years            | 4,577                           | 949                         | 461                          | 4,884                        | 10,871         |            |                    |   |
|   | 20,063                          | 5,559                       | 9,427                        | 24,717                       | 59,766         |            |                    |   |
| <b>Public Lighting</b>                    |                                 |                             |                              |                              |                | 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                    | 2,087                           | 620                         | 1,359                        | 2,633                        | 6,699          |            |                    |   |
| Payments within 2 to 5 years              | 9,645                           | 2,479                       | 4,237                        | 11,302                       | 27,663         |            |                    |   |
| Payments within 6 to 10 years             | 13,350                          | 2,634                       | 1,977                        | 13,649                       | 31,610         |            |                    |   |
|   | 25,082                          | 5,733                       | 7,573                        | 27,584                       | 65,972         |            |                    |   |
| <b>Brunswick Housing</b>                  |                                 |                             |                              |                              |                | 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                    | 1,066                           | 0                           | 4,329                        | 2,352                        | 7,747          |            |                    |   |
| Payments within 2 to 5 years              | 7,253                           | 0                           | 15,970                       | 10,058                       | 33,281         |            |                    |   |
| Payments within 6 to 10 years             | 7,367                           | 0                           | 16,862                       | 14,016                       | 38,245         |            |                    |   |
| Payments within 11 to 15 years            | 14,648                          | 0                           | 12,711                       | 15,829                       | 43,188         |            |                    |   |
| Payments within 16 to 20 years            | 19,293                          | 0                           | 4,397                        | 13,369                       | 37,059         |            |                    |   |
|   | 49,627                          | 0                           | 54,269                       | 55,624                       | 159,520        |            |                    |   |
| <b>Refuse Vehicles Service Concession</b> |                                 |                             |                              |                              |                | 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                    | 745                             | 0                           | 79                           | 15,847                       | 16,672         |            |                    |   |
| Payments within 2 to 5 years              | 1,718                           | 0                           | 137                          | 35,656                       | 37,511         |            |                    |   |
|   | 2,463                           | 0                           | 216                          | 51,503                       | 54,183         |            |                    |   |
| <b>Total</b>                              | <b>158,461</b>                  | <b>79,862</b>               | <b>112,131</b>               | <b>383,052</b>               | <b>733,507</b> |            |                    |   |

\*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 six PFI Schemes and one Service Concession as follows:

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

One PFI scheme finished during the financial year:

- Energy (Heating), HRA (Housing) Services PFI Scheme

Each PFI Scheme specifies the start dates for the contractor to begin the work as well as improvement dates for cyclical planned maintenance. The contractor 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)).

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.

Temple Primary School transferred to academy status during 2018/19.

Wright Robinson Sports College transferred to academy status during 2019/20

**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 were negotiated in 2017/18. These related 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. 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 Manchester Clinical Commissioning Group (CCG) and the Council establish a pooled fund from 1 April 2015 for this purpose.

Manchester Health and Care Commissioning (MHCC) is a partnership between Manchester Clinical Commissioning Group (CCG) and Manchester City Council, established in 2017, and is responsible for the commissioning of health, public health and adult social care services in the city of Manchester. As part of the partnership arrangements, the CCG and the Council have agreed to establish and maintain an Integrated Care Budget (ICB) of which the BCF is a subset. The partnership between the CCG and the Council is supported through a Section 75 partnership arrangement (S75). There is a Financial Framework which sets out the detailed financial arrangements for operation of the ICB and is an appendix to the S75. This is documented on the key decision register.

A new funding element has been added to the BCF from 2017/18 – the Improved Better Care Fund (iBCF). The allocation for Manchester is 2018/19 £22.4m and 2019/20 £28.1m. A further new funding element has been added to the BCF from 2019/20 – the Winter Pressures funding. The allocation for Manchester for 2019/20 is £2.7m.

|  | 2018/19<br>£000s | 2019/20<br>£000s |
|--|------------------|------------------|
| <b>Funding</b>                         |                  |                  |
| Manchester City Council                | (38,210)         | (49,606)         |
| Manchester CCG                         | (72,144)         | (78,219)         |
| <b>Total Funding</b>                   | <b>(110,354)</b> | <b>(127,825)</b> |
| <b>Expenditure</b>                     |                  |                  |
| New Delivery Models of Integrated Care | 72,338           | 86,968           |
| Protection of Adult Social Care        | 12,893           | 13,789           |
| Reablement                             | 16,478           | 18,328           |
| Care Act Responsibilities              | 1,590            | 1,590            |
| Capital Expenditure                    | 6,928            | 7,476            |
| <b>Total Expenditure</b>               | <b>110,227</b>   | <b>128,151</b>   |
| <b>Overspend / (Underspend)</b>        | <b>(127)</b>     | <b>326</b>       |

The overspend of £326,000 is largely due to increased costs for equipment and adaptations incurred by the CCG

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. The Manchester Health and Wellbeing Board adopted a refreshed version of the Locality Plan on 14 March 2018 and received an update on 31 October 2018 for the Better Care Fund guidance released in July 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 LCO, recognising the phased 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 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 particularly in the acute sector and in residential care.
- 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 15. Financing and Investment Income and Expenditure**

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

|  | <b>Restated<br/>Gross Expenditure<br/>2018/19<br/>£000s</b> | <b>Restated<br/>Gross Income<br/>2018/19<br/>£000s</b> | <b>Gross Expenditure<br/>2019/20<br/>£000s</b> | <b>Gross Income<br/>2019/20<br/>£000s</b> |
|--|---|--|--|---|
| Interest payable on debt   | 20,484  | 0  | 22,442   | 0   |
| Interest element of finance leases (lessee)                        | 3   | 0  | 0  | 0   |
| Interest payable on PFI unitary payments                           | 11,775  | 0  | 12,317   | 0   |
| Net interest on the net defined benefit liability (pension scheme) | 95,469  | (74,025)   | 96,006   | (72,570)                                  |
| Investment interest income   | 0   | (22,946)   | 0  | (26,294)                                  |
| Rentals received on investment properties                          | 0   | (22,766)   | 0  | (22,840)                                  |
| Expenses incurred on investment properties                         | 3,155   | 0  | 2,858  | 0   |
| Change in fair value of investment properties                      | 42,406  | (29,691)   | 28,101   | (53,295)                                  |
| Dividends receivable   | 0   | (64,215)   | 0  | (71,061)                                  |
| Provision for impairment of bad debts                              | 7,656   | 0  | 4,672  | 0   |
| (Gain) on trading accounts (not applicable to a service)           | 0   | (40)   | 0  | (8)                                       |
|  | <b>180,948</b>  | <b>(213,683)</b>                                       | <b>166,396</b>                                 | <b>(246,068)</b>                          |

**Note 16. 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.

|  | 2018/19<br>£000s | 2019/20<br>£000s |   |
|--|------------------|------------------|---|
| Council Tax Income   | (152,846)        | (161,477)        | a |
| Business Rates Income  | (329,814)        | (330,268)        |   |
| Business Rates Top Up  | 19,015           | 40,398           | b |
| Business Rates Section 31 Grants                             | (21,840)         | (27,228)         | c |
| Enterprise Zone Relief Grant                                 | (810)            | (1,926)          | d |
| Education Services Grant                                     | (1,260)          | (1,260)          |   |
| New Homes Bonus Grant  | (6,420)          | (8,202)          | e |
| Housing Benefit and Council Tax Support Administration Grant | (3,813)          | (3,716)          |   |
| Winter Pressures Grant                                       | (2,666)          | (2,666)          | f |
| Returned Business Rates Levy Share                           | (2,699)          | (600)            | g |
| Returned Business Rates Growth from GMCA                     | (6,022)          | (4,750)          | h |
| Waste Reserves Refund  | 0                | (5,901)          | i |
| Distributed AGMA reserves                                    | (954)            | 0                | j |
| Private Finance Initiative Grant (General Fund)              | (6,580)          | (6,580)          |   |
| Improved Better Care Fund                                    | (22,406)         | (28,149)         | k |
| Adult Social Care Support Grant                              | (1,666)          | 0                | l |
| Children's and Adults Social Care Grant                      | 0                | (4,555)          | m |
| COVID-19 Emergency Funding                                   | 0                | (18,589)         | n |
| Other Revenue Grants   | (507)            | (779)            |   |
| Adjustment on concessionary interest loan                    | 3,092            | 3,752            | o |
| Capital Grants and contributions                             | (98,107)         | (106,045)        | p |
| <b>Total taxation and non-specific grant income</b>          | <b>(636,303)</b> | <b>(668,541)</b> |   |

a. Council Tax Income has increased due to an increase in the Council Tax Base and amount payable including for social care.

b. Business Rates Top Up is the amount paid to government to adjust income from business rates and bring it into line with the government's assessment of baseline funding level required.

c. Business Rates Section 31 grants are paid by government to compensate authorities for loss of business rates income due government policy announcements. These include the extension of small business rates relief and capping the increase in business rates to 2% along with other measures announced in the Government's Budget Statements.

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

e. New Homes Bonus (NHB) grant is based on a rolling four years of legacy payments. The total has increased as achievement in the additional year added in 2019/20 was higher than the earliest year in 2018/19 which has fallen out.

f. Winter Pressures Grant represents the Council's share of £240 million additional national funding announced to help local areas ease winter pressure on the NHS. This is aimed at reducing delayed transfers of care.

g. Returned Business Rates Levy Share from Government. The Levy is applied to authorities with high growth rates income and passed to Government. The surplus levy income was returned to authorities in 2018/19 and 2019/20.

h. Returned Business Rates growth from Greater Manchester Combined Authority (GMCA). A share of the 100% rates retention benefit is passed to GMCA each year of the pilot. This represents the return of unspent funds from the prior year, which are returned to GM districts.

i. The Council's share of £30m of waste related reserves held by GMCA which were redistributed to contributing districts

j. The Council's share of distributed residual AGMA reserves allocated to all Greater Manchester authorities in 2018/19.

k. The Improved Better Care Fund is allocated to local authorities to fund social care. From 2017 the Spending Review made available social care funds for local government, rising to £1.5bn by 2019/20. The Council's allocation in 2019/20 was £28.149m

l. The Adult Social Care Support Grant ceased in 2018/19

m. The Children's and Adults Social Care Grant was announced in the October 2018 budget and totalled £420m for Children's and Adults Social Care with the stated aim of reducing demand on the NHS and improving the social care offer for older people, people with disabilities and children. The Council's allocation was £4.555m.

n. COVID Emergency Funding of £16bn was provided in March 2020 to support local authorities in responding to the COVID19 pandemic. The Council's allocation was £18.589m. Expenditure of £389,000 was funded from this grant in 2019/20 with the balance transferred to an earmarked reserve for use in 2020/21.

o. The Council has received interest free loans of £8.5m from the Homes and Communities Agency repayable in 2024 and £20.1m from Salix repayable until 2025. This amount represents the write back of the total saving recorded at the time the interest free loan was taken out.

p. The Capital Grants and Contributions include Basic Need Grant (to fund additional school places), Disabled Facilities Grant for adaptations to homes, Arts Council England grant funding for the Factory project and contributions from developers.

**Note 17. 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

|  | 2018/19<br>£000s | 2019/20<br>£000s |
|--|------------------|------------------|
| Dedicated Schools Grant  | (316,480)        | (312,022)        |
| Pupil Premium  | (25,588)         | (24,285)         |
| Housing and Council Tax Support  | (214,304)        | (191,853) (a)    |
| Private Finance Initiative Grant (Housing Revenue Account)                                 | (23,598)         | (23,586)         |
| Learning and Skills Council Grants   | (8,264)          | (10,364)         |
| Asylum Seekers Grant   | (8,097)          | (7,843)          |
| Universal Free School Meals Grant  | (4,351)          | (4,692)          |
| Sixth Form Funding Grant   | (1,065)          | (550) (b)        |
| Troubled Families Grant  | (3,833)          | (2,106)          |
| Independent Living Fund  | (2,046)          | (1,984)          |
| Youth Justice Board Grants   | (1,439)          | (1,261)          |
| Department of Education - (Inherited Staff Liabilities)                                    | (1,178)          | (1,045)          |
| Homelessness Grant   | (1,698)          | (4,584) (c)      |
| Home Office Grants - Elections   | (824)            | (1,892)          |
| Home Office Grants - Arena Enquiry   | 0                | (1,676)          |
| PE and Sports Grant  | (1,951)          | (1,916)          |
| Teachers Pay Grant   | (1,010)          | (2,271) (d)      |
| Talk English Grant   | (1,102)          | (2,629)          |
| Additional School Grant incl Teacher Pension grant for maintained schools                  | 0                | (4,576) (e)      |
| Other Grants   | (4,307)          | (3,582)          |
| <b>Total revenue grants credited to the Comprehensive Income and Expenditure Statement</b> | <b>(621,135)</b> | <b>(604,717)</b> |

(a) Housing and Council Tax Support has reduced in line with reduced expenditure.

(b) The sixth form funding grant has reduced due to schools converting to academies.

(c) Homelessness grants have increased due to the provision of new grants such as flexible homeless support.

(d) The teachers' pay award grant has increased nationally from £187m in 2018/19 to £426m in 2019/20.

(e) This a new grant for 2019/20 and is to fund the additional costs of teachers pensions following the increase in the contribution rate.

**Note 18. Members' Allowances**

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

|                     | 2018/19<br>£000s | 2019/20<br>£000s |
|---------------------|------------------|------------------|
| Members' allowances | 2,050            | 2,075            |
| Members' expenses   | 3                | 4                |
| <b>Total</b>        | <b>2,053</b>     | <b>2,079</b>     |

**Note 19. 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 split between those staff who have not received severance or other related payments and those who have is shown below.

|                     | 2018/19<br>Staff Who Have<br>Not Received<br>Severance or<br>Other Related<br>Payments | 2018/19<br>Staff Who Have<br>Received<br>Severance or<br>Other Related<br>Payments | 2018/19<br>Total | 2019/20<br>Staff Who Have<br>Not Received<br>Severance or<br>Other Related<br>Payments | 2019/20<br>Staff Who Have<br>Received<br>Severance or<br>Other Related<br>Payments | 2019/20<br>Total |
|---------------------|--|--|------------------|--|--|------------------|
| £50,000 - £54,999   | 59   | 0  | 59               | 91   | 0  | 91               |
| £55,000 - £59,999   | 34   | 1  | 35               | 27   | 0  | 27               |
| £60,000 - £64,999   | 9  | 0  | 9                | 23   | 0  | 23               |
| £65,000 - £69,999   | 37   | 0  | 37               | 14   | 0  | 14               |
| £70,000 - £74,999   | 14   | 0  | 14               | 23   | 0  | 23               |
| £75,000 - £79,999   | 12   | 0  | 12               | 17   | 1  | 18               |
| £80,000 - £84,999   | 9  | 0  | 9                | 10   | 1  | 11               |
| £85,000 - £89,999   | 5  | 0  | 5                | 6  | 0  | 6                |
| £90,000 - £94,999   | 2  | 0  | 2                | 2  | 0  | 2                |
| £95,000 - £99,999   | 3  | 0  | 3                | 4  | 0  | 4                |
| £100,000 - £104,999 | 3  | 0  | 3                | 1  | 0  | 1                |
| £105,000 - £109,999 | 0  | 0  | 0                | 3  | 0  | 3                |
| £125,000 - £129,999 | 0  | 0  | 0                | 1  | 0  | 1                |
| £130,000 - £134,999 | 0  | 0  | 0                | 1  | 0  | 1                |
| £135,000 - £139,999 | 1  | 0  | 1                | 0  | 0  | 0                |
| £140,000 - £145,999 | 0  | 0  | 0                | 1  | 0  | 1                |
|                     | <b>188</b>   | <b>1</b>   | <b>189</b>       | <b>224</b>   | <b>2</b>   | <b>226</b>       |

**Schools based staff**

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

|                     | 2018/19<br>Staff Who Have<br>Not Received<br>Severance or<br>Other Related<br>Payments | 2018/19<br>Staff Who Have<br>Received<br>Severance or<br>Other Related<br>Payments | 2018/19<br>Total | 2019/20<br>Staff Who Have<br>Not Received<br>Severance or<br>Other Related<br>Payments | 2019/20<br>Staff Who Have<br>Received<br>Severance or<br>Other Related<br>Payments | 2019/20<br>Total |
|---------------------|--|--|------------------|--|--|------------------|
| £50,000 - £54,999   | 70   | 1  | 71               | 62   | 0  | 62               |
| £55,000 - £59,999   | 39   | 0  | 39               | 39   | 0  | 39               |
| £60,000 - £64,999   | 20   | 0  | 20               | 19   | 0  | 19               |
| £65,000 - £69,999   | 16   | 0  | 16               | 18   | 0  | 18               |
| £70,000 - £74,999   | 10   | 0  | 10               | 35   | 0  | 35               |
| £75,000 - £79,999   | 13   | 0  | 13               | 5  | 0  | 5                |
| £80,000 - £84,999   | 2  | 0  | 2                | 9  | 0  | 9                |
| £85,000 - £89,999   | 5  | 0  | 5                | 3  | 0  | 3                |
| £90,000 - £94,999   | 1  | 0  | 1                | 3  | 0  | 3                |
| £95,000 - £99,999   | 2  | 0  | 2                | 1  | 0  | 1                |
| £100,000 - £104,999 | 0  | 0  | 0                | 1  | 0  | 1                |
| £105,000 - £109,999 | 0  | 0  | 0                | 2  | 0  | 2                |
| £110,000 - £114,999 | 2  | 0  | 2                | 1  | 0  | 1                |
| £115,000 - £119,999 | 1  | 0  | 1                | 0  | 0  | 0                |
| £125,000 - £129,999 | 0  | 0  | 0                | 1  | 0  | 1                |
| £140,000 - £145,999 | 1  | 0  | 1                | 0  | 0  | 0                |
|                     | <b>182</b>   | <b>1</b>   | <b>183</b>       | <b>199</b>   | <b>0</b>   | <b>199</b>       |

**Senior Employees' Remuneration**

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

|   | Salary, Fees or Allowances |              | Expenses Allowance |              | Employer's Contribution to Pension |              | Employer's Contribution to Early Retirement Costs |              | Severance Payments |              |
|---|----------------------------|--------------|--------------------|--------------|------------------------------------|--------------|---|--------------|--------------------|--------------|
|   | 2018/19<br>£               | 2019/20<br>£ | 2018/19<br>£       | 2019/20<br>£ | 2018/19<br>£                       | 2019/20<br>£ | 2018/19<br>£                                      | 2019/20<br>£ | 2018/19<br>£       | 2019/20<br>£ |
| Chief Executive, Joanne Roney                               | 205,671                    | 202,878      | 0                  | 0            | 37,990                             | 38,750       | 0   | 0            | 0                  | 0            |
| City Treasurer (a)  | 128,259                    | 0            | 0                  | 0            | 24,474                             | 0            | 0   | 0            | 0                  | 0            |
| Deputy Chief Executive and City Treasurer, Carol Culley (a) | 12,500                     | 153,000      | 0                  | 0            | 2,411                              | 29,223       | 0   | 0            | 0                  | 0            |
| Interim City Solicitor (b)                                  | 19,301                     | 0            | 0                  | 0            | 3,553                              | 0            | 0   | 0            | 0                  | 0            |
| City Solicitor (b)  | 95,663                     | 127,357      | 0                  | 0            | 18,272                             | 24,325       | 0   | 0            | 0                  | 0            |
| Strategic Director (Neighbourhoods) (c)                     | 8,616                      | 126,013      | 0                  | 0            | 1,646                              | 24,068       | 0   | 0            | 0                  | 0            |
| Strategic Director of Children and Education Services       | 139,786                    | 142,582      | 0                  | 0            | 26,699                             | 27,233       | 0   | 0            | 0                  | 0            |
| Executive Director of Adult Social Services (d)             | 41,059                     | 124,126      | 0                  | 0            | 7,842                              | 23,708       | 0   | 0            | 0                  | 0            |
| Director of Education                                       | 121,664                    | 123,797      | 0                  | 0            | 23,238                             | 23,645       | 0   | 0            | 0                  | 0            |
| Director of Population Health and Wellbeing                 | 99,929                     | 104,157      | 0                  | 0            | 14,370                             | 14,978       | 0   | 0            | 0                  | 0            |
| Strategic Director (Development)                            | 133,110                    | 142,582      | 882                | 272          | 25,424                             | 27,233       | 0   | 0            | 0                  | 0            |
| Director of ICT, Robert Brown (e)                           | 157,121                    | 0            | 0                  | 0            | 30,010                             | 0            | 0   | 0            | 0                  | 0            |

(a) The post of Deputy Chief Executive (Neighbourhoods) was disestablished and combined with the City Treasurer post from 25 February 2019. The Deputy Chief Executive (Neighbourhoods) left on 24 February 2019. The neighbourhood responsibilities of the Deputy Chief Executive (Neighbourhoods) post were transferred to the Strategic Director Neighbourhoods.

(b) A City Solicitor was appointed on an interim basis on 29 January 2018. The current postholder was appointed City Solicitor on 18 June 2018.

(c) A new post of Strategic Director Neighbourhoods was created on 28 February 2019.

(d) The new post holder was appointed in November 2018.

(e) The former post holder left the Council on 5 May 2020. The current post is no longer included in the senior note as the post holder is paid less than £150,000 per annum and is not part of the Senior Management Team.



**Note 20. 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 2018/19 and 2019/20.

|                   | <b>2018/19<br/>Number of Staff<br/>Departures Agreed</b> | <b>2018/19<br/>Total Cost of Exit<br/>Packages<br/>£000s</b> | <b>2019/20<br/>Number of Staff<br/>Departures Agreed</b> | <b>2019/20<br/>Total Cost of Exit<br/>Packages<br/>£000s</b> |
|-------------------|--|--|--|--|
| £0 - £19,999      | 84   | 411  | 84   | 498  |
| £20,000 - £39,999 | 7  | 199  | 4  | 104  |
| £40,000 - £59,999 | 3  | 159  | 0  | 0  |
| £60,000 - £99,999 | 2  | 133  | 2  | 156  |
|                   | <b>96</b>  | <b>902</b>   | <b>90</b>  | <b>757</b>   |

The figures include both schools and non-schools staff.

**Note 21. Audit Fees**

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

|  | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|--|--------------------------|--------------------------|
| Fees payable to Mazars with regard to external audit services carried out by the appointed auditor | 159                      | 159                      |
| Fees payable to Mazars for Homes England assurance work  | 3                        | 0                        |
|  | <b>162</b>               | <b>159</b>               |

**Note 22. Property Plant and Equipment**

Movements on property, plant and equipment during 2019/20 were as follows:

|   | Property, Plant and Equipment             |                                      |  |                                   |                              |  |                            | Total<br>£000s   |
|---|---|--------------------------------------|--|-----------------------------------|------------------------------|--|----------------------------|------------------|
|   | Council<br>Dwellings<br>Restated<br>£000s | Other Land<br>and Buildings<br>£000s | Vehicles, Plant,<br>and Equipment<br>£000s | Infrastructure<br>Assets<br>£000s | Community<br>Assets<br>£000s | Assets<br>Under<br>Construction<br>£000s | Surplus<br>Assets<br>£000s |                  |
| <b>Movement in 2019/20</b>  |   |                                      |  |                                   |                              |  |                            |                  |
| Gross book value brought forward  | 576,037                                   | 1,182,498                            | 103,446                                    | 618,424                           | 32,249                       | 81,602                                   | 142,871                    | 2,737,127        |
| Accumulated depreciation and impairment brought forward                     | (25,653)                                  | (47,476)                             | (45,720)                                   | (137,836)                         | (853)                        | 0  | (9,644)                    | (267,182)        |
| <b>Net book value carried forward as at 1 April 2019</b>                    | <b>550,384</b>                            | <b>1,135,022</b>                     | <b>57,726</b>                              | <b>480,588</b>                    | <b>31,396</b>                | <b>81,602</b>                            | <b>133,227</b>             | <b>2,469,945</b> |
| Additions   | 18,428                                    | 11,888                               | 9,549                                      | 51,978                            | 1,511                        | 56,682                                   | 4,412                      | 154,448          |
| Revaluations recognised in revaluation reserve                              | 26,894                                    | 44,187                               | 231  | 0                                 | 0                            | 0  | (1,152)                    | 70,160           |
| Downward 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)                             | 0  | 0                                 | 0                            | 0  | 0                          | (50,219)         |
| Transferred (to) held for sale assets                                       | (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)         |
| Other movements in cost or valuation - newly recognised leased / PFI assets | 16,447                                    | 0                                    | 2,069                                      | 0                                 | 0                            | 0  | 0                          | 18,516           |
| Depreciation  | (17,822)                                  | (28,384)                             | (9,272)                                    | (20,959)                          | 0                            | 0  | (673)                      | (77,110)         |
| Impairments charged to the deficit on the provision of services             | 0   | (828)                                | (29)                                       | 0                                 | 0                            | 0  | 0                          | (857)            |
| Impairments covered by the revaluation reserve                              | (10,793)                                  | (1,564)                              | 0  | 0                                 | 0                            | 0  | 0                          | (12,357)         |
| <b>Net book value carried forward as at 31 March 2020</b>                   | <b>568,161</b>                            | <b>1,100,833</b>                     | <b>60,037</b>                              | <b>517,529</b>                    | <b>32,961</b>                | <b>114,256</b>                           | <b>134,866</b>             | <b>2,528,643</b> |
| Gross book value carried forward  | 568,262                                   | 1,149,582                            | 113,242                                    | 676,326                           | 33,814                       | 114,256                                  | 138,909                    | 2,794,391        |
| Accumulated depreciation and Impairment carried forward as at 31 March 2020 | (101)                                     | (48,749)                             | (53,205)                                   | (158,797)                         | (853)                        | 0  | (4,043)                    | (265,748)        |
| <b>Net book value carried forward as at 31 March 2020</b>                   | <b>568,161</b>                            | <b>1,100,833</b>                     | <b>60,037</b>                              | <b>517,529</b>                    | <b>32,961</b>                | <b>114,256</b>                           | <b>134,866</b>             | <b>2,528,643</b> |

Movements on property, plant and equipment during 2018/19 were as follows:

|  | Property, Plant and Equipment    |                             |                                   |                          |                     |                                 |                   | Restated<br><br>Total<br>£000s |
|--|----------------------------------|-----------------------------|-----------------------------------|--------------------------|---------------------|---------------------------------|-------------------|--------------------------------|
|  | Restated<br>Council<br>Dwellings | Other Land<br>and Buildings | Vehicles, Plant,<br>and Equipment | Infrastructure<br>Assets | Community<br>Assets | Assets<br>Under<br>Construction | Surplus<br>Assets |                                |
|  | £000s                            | £000s                       | £000s                             | £000s                    | £000s               | £000s                           | £000s             |                                |
| <b>Movement in 2018/19</b>   |                                  |                             |                                   |                          |                     |                                 |                   |                                |
| Gross book value brought forward   | 548,441                          | 1,204,728                   | 100,068                           | 561,251                  | 31,279              | 76,223                          | 108,789           | 2,630,779                      |
| Accumulated depreciation and impairment brought forward                      | (27,424)                         | (56,393)                    | (38,081)                          | (118,340)                | (853)               | 0                               | (9,947)           | (251,038)                      |
| <b>Net book value carried forward as at 1 April 2018</b>                     | <b>521,017</b>                   | <b>1,148,335</b>            | <b>61,987</b>                     | <b>442,911</b>           | <b>30,426</b>       | <b>76,223</b>                   | <b>98,842</b>     | <b>2,379,741</b>               |
| Additions  | 16,237                           | 33,887                      | 5,863                             | 39,982                   | 689                 | 46,167                          | 9,580             | 152,405                        |
| Revaluations recognised in revaluation reserve                               | 47,930                           | 42,061                      | 55                                | 0                        | 0                   | 0                               | 9,321             | 99,367                         |
| Downward Revaluations recognised in the deficit on the provision of services | (13,260)                         | (11,969)                    | 0                                 | 0                        | 0                   | 0                               | (14,544)          | (39,773)                       |
| Derecognition - disposals  | 0                                | (18,699)                    | (17)                              | 0                        | 0                   | 0                               | 0                 | (18,716)                       |
| Transferred (to) held for sale assets  | (7,079)                          | (24)                        | 0                                 | 0                        | 0                   | 0                               | (9,193)           | (16,296)                       |
| Other transfers  | (917)                            | (28,698)                    | 186                               | 17,192                   | 281                 | (40,788)                        | 40,212            | (12,532)                       |
| Other movements in cost or valuation - newly recognised leased / PFI assets  | 12,403                           | 0                           | 504                               | 0                        | 0                   | 0                               | 0                 | 12,907                         |
| Depreciation   | (16,708)                         | (27,269)                    | (8,967)                           | (19,497)                 | 0                   | 0                               | (571)             | (73,012)                       |
| Impairments charged to the 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)                        |
| <b>Net book value carried forward as at 31 March 2019</b>                    | <b>550,384</b>                   | <b>1,135,022</b>            | <b>57,726</b>                     | <b>480,588</b>           | <b>31,396</b>       | <b>81,602</b>                   | <b>133,227</b>    | <b>2,469,945</b>               |
| Gross book value carried forward   | 576,037                          | 1,182,498                   | 103,446                           | 618,424                  | 32,249              | 81,602                          | 142,871           | 2,737,127                      |
| Accumulated depreciation and impairment carried forward as at 31 March 2019  | (25,653)                         | (47,476)                    | (45,720)                          | (137,836)                | (853)               | 0                               | (9,644)           | (267,182)                      |
| <b>Net book value carried forward as at 31 March 2019</b>                    | <b>550,384</b>                   | <b>1,135,022</b>            | <b>57,726</b>                     | <b>480,588</b>           | <b>31,396</b>       | <b>81,602</b>                   | <b>133,227</b>    | <b>2,469,945</b>               |

**Note 23. Disposal of Assets**

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

|  | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|--|--------------------------|--------------------------|
| <b>Disposals of Assets</b>                       |                          |                          |
| Held for Sale - Council dwellings (right to buy) | 7,079                    | 7,461                    |
| Held for Sale - General Fund                     | 8,473                    | 7,515                    |
| Academy Disposals                                | 18,699                   | 50,219                   |
| Other General Fund Disposals                     | 17                       | 0                        |
|  | <b>34,268</b>            | <b>65,195</b>            |

The schools that transferred to academies in 2019/20 were; Wright Robinson Sports College and The Grange School

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

|   | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|---|--------------------------|--------------------------|
| Held for Sale - Council dwellings (right to buy)        | (2,618)                  | (3,629)                  |
| HRA Other   | (4,597)                  | (3,500)                  |
| Held for Sale General Fund                              | 1,017                    | 3,974                    |
| Academy Disposals                                       | 18,699                   | 50,219                   |
| Other General Fund Disposals and other Capital Receipts | (6,770)                  | (1,607)                  |
|   | <b>5,731</b>             | <b>45,457</b>            |

**Note 24. Accounting for Local Government Schools**

The Council has the following maintained schools:

|  | Community    | Voluntary<br>Controlled | Voluntary<br>Aided | Foundation  |
|--|--------------|-------------------------|--------------------|-------------|
| Number of schools at 31 March 2020               | 54           | 13                      | 44                 | 2           |
| Value of Land and Buildings at 31 March 2020     | £325,834,000 | N/A                     | N/A                | £17,327,000 |
| Value of Land and Buildings at 31 March 2019     | £326,388,000 | N/A                     | N/A                | £16,325,000 |
| Value of PFI Land and Buildings at 31 March 2019 | N/A          | N/A                     | N/A                | £40,683,000 |

**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 22). 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 42).

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

|                                     | Community | Voluntary<br>Controlled | Voluntary<br>Aided | Foundation | Total     |
|-------------------------------------|-----------|-------------------------|--------------------|------------|-----------|
|                                     | £000s     | £000s                   | £000s              | £000s      | £000s     |
| Opening schools reserves            | 16,182    | 3,147                   | 6,235              | 1,505      | 27,069    |
| Funding, including DSG              | 156,054   | 31,403                  | 102,063            | 6,309      | 295,829   |
| Net expenditure incurred by schools | (162,683) | (32,266)                | (104,684)          | (7,272)    | (306,905) |
| Closing schools reserves            | 9,553     | 2,284                   | 3,614              | 542        | 15,993    |

**PFI Schemes**

The Council no longer has schools subject to PFI contracts. Wright Robinson Sports College transferred to academy status during 2019/20 so the buildings are no longer shown on the Council's balance sheet. The related liability is shown on the balance sheet.

**Note 25. Heritage Assets**

Movements on heritage assets during 2019/20 were as follows:

|                                 | Fine Art Works | Civic Plate  | Monuments Statues and Fountains | Town Hall Sculptures | Other        | Total          |
|---------------------------------|----------------|--------------|---------------------------------|----------------------|--------------|----------------|
| Cost or valuation               | £000s          | £000s        | £000s                           | £000s                | £000s        | £000s          |
| <b>Balance at 1 April 2019</b>  | 588,700        | 2,959        | 715                             | 2,962                | 3,367        | 598,703        |
| Additions/ Donations            | 0              | 0            | 30                              | 0                    | 0            | 30             |
| Revaluations                    | 6,088          | 0            | 0                               | 0                    | 0            | 6,088          |
| <b>Balance at 31 March 2020</b> | <b>594,788</b> | <b>2,959</b> | <b>745</b>                      | <b>2,962</b>         | <b>3,367</b> | <b>604,821</b> |

Movements on heritage assets during 2018/19 were as follows:

|                                 | Restated       |              |                                 | Restated             |              | Restated       |
|---------------------------------|----------------|--------------|---------------------------------|----------------------|--------------|----------------|
| Cost or valuation               | Fine Art Works | Civic Plate  | Monuments Statues and Fountains | Town Hall Sculptures | Other        | Total          |
|                                 | £000s          | £000s        | £000s                           | £000s                | £000s        | £000s          |
| <b>Balance at 1 April 2018</b>  | 588,685        | 2,959        | 619                             | 2,962                | 3,367        | 598,592        |
| Additions/ Donations            | 0              | 0            | 96                              | 0                    | 0            | 96             |
| Revaluations                    | 15             | 0            | 0                               | 0                    | 0            | 15             |
| <b>Balance at 31 March 2019</b> | <b>588,700</b> | <b>2,959</b> | <b>715</b>                      | <b>2,962</b>         | <b>3,367</b> | <b>598,703</b> |

The 2018/19 figures have been restated to include works valued over £100,000 that were previously excluded from the balance sheet.

**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' (MCG) 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 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 Gallery 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 through 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 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 (those valued over £100,000) are included in the balance sheet at market valuation.

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. Where they have a market valuation they are included in the balance sheet at that value, otherwise the insurance valuation has been used.

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 2019/20 resulted in an increase in value of £6,088,000 (2018/19 £15,000).

**Civic Plate / Lord Mayors Regalia / Model of HMS Manchester**

These items are included in the balance sheet at insurance valuation.

**Sculptures**

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

**Furniture**

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

The majority of the heritage furniture, paintings and social history material (including civic gifts) from the Town Hall have been moved to an offsite storage location during the Town Hall restoration project. 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 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.

d) Heritage Assets carried as other asset types**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.

**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 26. 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 existing use value - social housing
- 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                   | 8            | 37         |
| Car Parks                                    | 16           | 21         |
| Children's Home / Family Centres             | 9            | 39         |
| Day Centres / Luncheon Clubs                 | 8            | 51         |
| Galleries                                    | 29           | 58         |
| Depots                                       | 9            | 50         |
| Housing Offices                              | 7            | 39         |
| Leisure Centres / Sports Facilities          | 8            | 59         |
| Libraries                                    | 2            | 55         |
| Markets                                      | 11           | 16         |
| Offices                                      | 20           | 54         |
| Park Buildings                               | 1            | 49         |
| Schools                                      | 3            | 58         |
| Youth Clubs / Children's Centres / Nurseries | 3            | 49         |
| BMX / Skate / Bike Facilities                | 19           | 52         |
| Cemeteries and Crematoria                    | 6            | 31         |
| Vehicles, Plant, Furniture and Equipment     | 1            | 29         |
| Infrastructure Assets                        | 25           | 48         |
| Surplus Assets                               | 3            | 52         |

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 Jacobs, external valuers commissioned by the Council with a valuation date of 1 April 2019. Jacobs have provided indexation factors for the percentage increase in value from the date of the last valuation to 31 March 2020 for each category of asset. These were not material in 2019/20 so have not been applied to the asset values.

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 where there is no active market for the asset being valued, that is, where there is no relevant evidence of recent sales transactions due to specialist nature of the asset. 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 recent transactions 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 property, plant and equipment (PPE) asset value is comprised of properties valued using the Depreciated Replacement Cost (DRC) method of valuation.

Inspections of PPE were carried out in 2019/20 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 £70,160,000 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 £13,928,000 in relation to PPE being charged to the Comprehensive Income and Expenditure Statement.

The following table lists the value of each type of property, plant and equipment with the year of their last valuation:

|                 | Council Dwellings<br>£000s | Other Land & Buildings<br>£000s | Vehicles, Plant, & Equipment<br>£000s | Infrastructure Assets<br>£000s | Community Assets<br>£000s | Surplus Assets<br>£000s | Assets Under Construction<br>£000s | Total<br>£000s |
|-----------------|----------------------------|---------------------------------|---------------------------------------|--------------------------------|---------------------------|-------------------------|------------------------------------|----------------|
| Historical Cost | 0                          | 0                               | 59,445                                | 517,529                        | 32,961                    | 0                       | 114,256                            | 724,191        |
| Valuation Year  |                            |                                 |                                       |                                |                           |                         |                                    |                |
| 2015/16         | 337                        | 48,724                          | 0                                     | 0                              | 0                         | 16,735                  | 0                                  | 65,796         |
| 2016/17         | 0                          | 21,973                          | 0                                     | 0                              | 0                         | 7,608                   | 0                                  | 29,581         |
| 2017/18         | 0                          | 9,340                           | 0                                     | 0                              | 0                         | 7,242                   | 0                                  | 16,582         |
| 2018/19         | 0                          | 277,051                         | 156                                   | 0                              | 0                         | 66,604                  | 0                                  | 343,811        |
| 2019/20         | 567,824                    | 743,745                         | 437                                   | 0                              | 0                         | 36,677                  | 0                                  | 1,348,683      |
| Total           | 568,161                    | 1,100,833                       | 60,037                                | 517,529                        | 32,961                    | 134,866                 | 114,256                            | 2,528,643      |

## 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<br>2019<br>£000 | 31 March<br>2020<br>£000 |
|---------------------------------|---------|--------------------------|--------------------------|
| Other significant inputs        | Level 2 | 26,992                   | 21,917                   |
| Significant unobservable inputs | Level 3 | 106,235                  | 112,949                  |
|                                 |         | 133,227                  | 134,866                  |

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 £300,000 between levels of fair value hierarchy during 2019/20. These included: land in Holt Town and Hall Moss Road

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

|  | 2018/19<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| Balance at 1 April   | 71,840          | 106,235         |
| Transfers to surplus assets  | 31,859          | 5,292           |
| Transfers between levels   | 2,165           | 300             |
| Total (losses) included in deficit on provision of services resulting from changes in the fair value | (14,513)        | (796)           |
| Total gains / (losses) included in other comprehensive income and expenditure                        | 9,140           | (1,152)         |
|  | 100,491         | 109,879         |
| Additions  | 6,314           | 3,743           |
| Depreciation   | (570)           | (673)           |
| Balance at 31 March  | 106,235         | 112,949         |

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

**Fair Value Hierarchy**

**Level 1** Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the balance sheet date. A quoted market price in an active market provides the most reliable evidence of fair value.

**Level 2** Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 2 inputs include:

Quoted prices for similar assets or liabilities in active markets

Quoted prices for identical or similar assets or liabilities in markets that are not active

Inputs other than quoted prices that are observable for the asset or liability, for example:

Interest rates and yield curves

**Level 3** Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

**Note 27. 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:

|   | <b>Assets Held<br/>For Sale<br/>£000s</b> |
|---|---|
| <b>Net book value brought forward</b>                     | <b>10,414</b>                             |
| <b>Movement in 2018/19</b>                                |   |
| Reclassifications   | 16,296                                    |
| Additions   | 276                                       |
| Disposals   | (15,552)                                  |
| Revaluations  | 339                                       |
| <b>Net book value carried forward as at 31 March 2019</b> | <b>11,773</b>                             |
| <b>Movement in 2019/20</b>                                |   |
| Reclassifications   | 12,341                                    |
| Disposals   | (14,975)                                  |
| Revaluations  | 335                                       |
| <b>Net book value carried forward as at 31 March 2020</b> | <b>9,474</b>                              |

**Note 28. Assets Recognised Under PFI and Similar Arrangements**

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

|   | Energy Services<br>£000s | Temple Primary School<br>£000s | Plymouth Grove Housing<br>£000s | Miles Platting Housing<br>£000s | Restated Brunswick Housing<br>£000s | Public Lighting<br>£000s | Wright Robinson Sports College<br>£000s | Refuse Vehicles Service Concession<br>£000s | Restated Total<br>£000s |
|---|--------------------------|--------------------------------|---------------------------------|---------------------------------|-------------------------------------|--------------------------|---|---|-------------------------|
| <b>Net book value brought forward</b>                     | <b>86</b>                | <b>6,427</b>                   | <b>25,592</b>                   | <b>56,225</b>                   | <b>40,987</b>                       | <b>51,599</b>            | <b>42,196</b>                           | <b>4,239</b>                                | <b>227,351</b>          |
| <b>Movement in 2018/19</b>                                |                          |                                |                                 |                                 |                                     |                          |   |   |                         |
| Expenditure   | 0                        | 0                              | 131                             | 0                               | 13                                  | 12,124                   | 0                                       | 0   | 12,268                  |
| Newly recognised assets                                   | 0                        | 0                              | 0                               | 0                               | 12,403                              | 0                        | 0                                       | 505   | 12,908                  |
| Disposals   | 0                        | (6,394)                        | 0                               | 0                               | 0                                   | 0                        | 0                                       | 0   | (6,394)                 |
| Reclassifications   | 0                        | 0                              | (325)                           | (1,314)                         | (389)                               | 0                        | 0                                       | 0   | (2,028)                 |
| Depreciation  | (8)                      | (33)                           | (756)                           | (1,801)                         | (1,177)                             | (2,548)                  | (709)                                   | (613)                                       | (7,645)                 |
| Revaluations  | 0                        | 0                              | 1,123                           | 3,311                           | (11,955)                            | 0                        | (804)                                   | 0   | (8,325)                 |
| Impairments   | 0                        | 0                              | (79)                            | 0                               | (52)                                | 0                        | 0                                       | 0   | (131)                   |
| <b>Net book value carried forward as at 31 March 2019</b> | <b>78</b>                | <b>0</b>                       | <b>25,686</b>                   | <b>56,421</b>                   | <b>39,830</b>                       | <b>61,175</b>            | <b>40,683</b>                           | <b>4,131</b>                                | <b>228,004</b>          |
| <b>Movement in 2019/20</b>                                |                          |                                |                                 |                                 |                                     |                          |   |   |                         |
| Expenditure   | 0                        | 0                              | 149                             | 0                               | 0                                   | 8,118                    | 0                                       | 0   | 8,267                   |
| Newly recognised assets                                   | 0                        | 0                              | 0                               | 0                               | 16,447                              | 0                        | 0                                       | 2,069                                       | 18,516                  |
| Disposals   | 0                        | 0                              | 0                               | 0                               | 0                                   | 0                        | (40,258)                                | 0   | (40,258)                |
| Reclassifications   | 0                        | 0                              | (578)                           | (571)                           | (550)                               | 0                        | 0                                       | 0   | (1,699)                 |
| Depreciation  | (7)                      | 0                              | (774)                           | (1,865)                         | (1,274)                             | (2,772)                  | (425)                                   | (694)                                       | (7,811)                 |
| Revaluations  | 0                        | 0                              | 3,942                           | 9,162                           | (957)                               | 0                        | 0                                       | 0   | 12,147                  |
| Impairments   | 0                        | 0                              | (89)                            | 0                               | 0                                   | 0                        | 0                                       | 0   | (89)                    |
| <b>Net book value carried forward as at 31 March 2020</b> | <b>71</b>                | <b>0</b>                       | <b>28,336</b>                   | <b>63,147</b>                   | <b>53,496</b>                       | <b>66,521</b>            | <b>0</b>                                | <b>5,506</b>                                | <b>217,077</b>          |

Temple Primary School transferred to Academy status during 2018/19. Wright Robinson Sports College transferred to Academy status during 2019/20.

|   | Energy Services<br>£000s | Temple Primary School<br>£000s | Plymouth Grove Housing<br>£000s | Miles Platting Housing<br>£000s | Brunswick Housing<br>£000s | Public Lighting<br>£000s | Wright Robinson Sports College<br>£000s | Refuse Vehicles Service Concession<br>£000s | Total<br>£000s |
|---|--------------------------|--------------------------------|---------------------------------|---------------------------------|----------------------------|--------------------------|---|---|----------------|
| <b>Deferred liability brought forward</b>                     | <b>530</b>               | <b>2,483</b>                   | <b>15,879</b>                   | <b>50,572</b>                   | <b>31,609</b>              | <b>28,893</b>            | <b>22,159</b>                           | <b>4,239</b>                                | <b>156,364</b> |
| <b>Movement in 2018/19</b>                                    |                          |                                |                                 |                                 |                            |                          |   |   |                |
| Additional liability  | 0                        | 0                              | 0                               | 0                               | 12,403                     | 0                        | 0                                       | 505   | 12,908         |
| Write down of liability                                       | (289)                    | (191)                          | (585)                           | (3,529)                         | (5,297)                    | (1,855)                  | (1,015)                                 | (613)                                       | (13,374)       |
| <b>Deferred liability carried forward as at 31 March 2019</b> | <b>241</b>               | <b>2,292</b>                   | <b>15,294</b>                   | <b>47,043</b>                   | <b>38,715</b>              | <b>27,038</b>            | <b>21,144</b>                           | <b>4,131</b>                                | <b>155,898</b> |
| <b>Movement in 2019/20</b>                                    |                          |                                |                                 |                                 |                            |                          |   |   |                |
| Additional liability  | 0                        | 0                              | 0                               | 0                               | 16,447                     | 0                        | 0                                       | 2,089                                       | 18,536         |
| Write down of liability                                       | (241)                    | (219)                          | (633)                           | (2,552)                         | (5,535)                    | (1,957)                  | (1,080)                                 | (714)                                       | (12,931)       |
| <b>Deferred liability carried forward as at 31 March 2020</b> | <b>0</b>                 | <b>2,073</b>                   | <b>14,661</b>                   | <b>44,491</b>                   | <b>49,627</b>              | <b>25,081</b>            | <b>20,064</b>                           | <b>5,506</b>                                | <b>161,503</b> |

**Note 29. Assets Held as Lessee****Operating Leases**

The Council has obtained the right to use 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:

|   | <b>31 March 2019<br/>£000s</b> | <b>31 March 2020<br/>£000s</b> |
|---|--------------------------------|--------------------------------|
| Not later than one year                           | 4,414                          | 5,150                          |
| Later than one year and not later than five years | 16,024                         | 17,539                         |
| Later than five years                             | 39,835                         | 37,734                         |
|   | <b>60,273</b>                  | <b>60,423</b>                  |

Lease payments made:

|                        | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|------------------------|--------------------------|--------------------------|
| Minimum lease payments | 4,161                    | 5,146                    |
|                        | <b>4,161</b>             | <b>5,146</b>             |

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

|                                     | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|-------------------------------------|--------------------------|--------------------------|
| Corporate Core                      | 333                      | 356                      |
| Growth and Development              | 3,828                    | 4,790                    |
| <b>Total minimum lease payments</b> | <b>4,161</b>             | <b>5,146</b>             |

**Note 30. 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:

|   | <b>Restated<br/>31 March 2019<br/>£000s</b> | <b>31 March 2020<br/>£000s</b> |
|---|---|--------------------------------|
| Not later than one year                           | 18,764                                      | 16,794                         |
| Later than one year and not later than five years | 62,911                                      | 60,977                         |
| Later than five years                             | 920,514                                     | 861,161                        |
| <b>Total minimum lease payments</b>               | <b>1,002,189</b>                            | <b>938,932</b>                 |

The 2018/19 figures in the table above have been amended to remove income received by the Council, for the lease of land at Manchester Airport, that is transferred to the other 9 authorities in Greater Manchester as their share and for the removal of 2 leases where income is no longer being collected.

This reduction is £4.400m for not later than one year, £17.603m for later than one year and not later than five years plus £316.313m for later than five years.

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 31. Investment Properties**

The value of income generating investment properties classed as operating leases is £474,880,000 (£422,476,000 in 2018/19). 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 2018/19 or 2019/20.

|  | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|--|--------------------------|--------------------------|
| Rental income from investment property                     | (22,766)                 | (22,840)                 |
| Direct operating expenses arising from investment property | 3,155                    | 2,858                    |
| <b>Net gain</b>  | <b>(19,611)</b>          | <b>(19,982)</b>          |

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

|   | <b>Investment<br/>Properties<br/>£000s</b> |
|---|--|
| <b>Net book value brought forward as at 1 April 2018</b>  | <b>414,985</b>                             |
| Movement in 2018/19                                       |  |
| Expenditure   | 8,013                                      |
| Reclassifications   | 12,531                                     |
| Movement in fair value of investment property             | (12,715)                                   |
| <b>Net book value carried forward as at 31 March 2019</b> | <b>422,814</b>                             |
| Movement in 2019/20                                       |  |
| Expenditure   | 8,746                                      |
| Reclassifications   | 18,473                                     |
| Movement in fair value of investment property             | 25,194                                     |
| <b>Net book value carried forward as at 31 March 2020</b> | <b>475,227</b>                             |

**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 7.2.33 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 32. Capital Expenditure and Capital Financing**

|  | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|--|--------------------------|--------------------------|
| <b>Opening Capital Financing Requirement</b>           | <b>1,237,120</b>         | <b>1,528,528</b>         |
| <b>Expenditure</b>                                     |                          |                          |
| Property, plant and equipment                          | 152,405                  | 154,448                  |
| Investment properties                                  | 8,013                    | 8,746                    |
| Assets held for sale                                   | 276                      | 0                        |
| Heritage assets  | 96                       | 30                       |
| Revenue expenditure funded from capital under statute* | 49,793                   | 31,004                   |
| Intangible assets                                      | 198                      | 57                       |
| Long term debtors                                      | 237,986                  | 59,342                   |
| Investment in share capital                            | 4,000                    | 1,870                    |
|  | <b>452,767</b>           | <b>255,497</b>           |
|  |                          |                          |
| Assets acquired under finance lease / PFI arrangements | 12,907                   | 18,516                   |
| Novation of long term debtors                          | 0                        | (154,577)                |
| <b>Funding Resources</b>                               |                          |                          |
| Revenue contributions                                  | (8,943)                  | (15,456)                 |
| Capital Receipts                                       | (41,117)                 | (19,729)                 |
| Major Repairs Reserve                                  | (14,084)                 | (18,594)                 |
| Government grants                                      | (76,530)                 | (42,658)                 |
| External contributions                                 | (12,101)                 | (28,059)                 |
| Minimum Revenue Provision                              | (21,491)                 | (26,991)                 |
|  | <b>(174,266)</b>         | <b>(151,487)</b>         |
| <b>Closing Capital Financing Requirement</b>           | <b>1,528,528</b>         | <b>1,496,477</b>         |
| HRA  | 281,648                  | 298,095                  |
| Non HRA  | 1,246,880                | 1,198,382                |
| <b>Closing Capital Financing Requirement</b>           | <b>1,528,528</b>         | <b>1,496,477</b>         |
| <b>Explanation of Movement in Year</b>                 |                          |                          |
| Minimum Revenue Provision                              | (21,491)                 | (26,991)                 |
| Increase in underlying need to borrow                  | 299,992                  | 131,001                  |
| Assets acquired under finance lease / PFI arrangements | 12,907                   | 18,516                   |
| Novation of long term debtors                          | 0                        | (154,577)                |
|  | <b>291,408</b>           | <b>(32,051)</b>          |

The novation of long term debtors relates to the transfer to the Greater Manchester Combined Authority (GMCA) of investments made using Housing Investment Fund and City Deal Receipts funding, following the novation of the associated debt to the GMCA. With both the debt and the associated investments being novated, the CFR requires an adjustment to reflect this.

\* 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.

Further analysis of the capital expenditure incurred is shown in the narrative report.

**Note 33. 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:

|                               | <b>31 March<br/>2019<br/>£000s</b> | <b>31 March<br/>2020<br/>£000s</b> |
|-------------------------------|------------------------------------|------------------------------------|
| Housing                       | 2,559                              | 10,680                             |
| Education                     | 0                                  | 244                                |
| Indoor Leisure                | 1,263                              | 382                                |
| The Factory                   | 100,824                            | 65,866                             |
| Our Town Hall                 | 14,987                             | 12,799                             |
| Street Lighting               | 7,327                              | 1,649                              |
| Alexandra House               | 805                                | 5,936                              |
| Highways Investment Programme | 3,887                              | 4,752                              |
| Gorton Health Hub             | 967                                | 107                                |
| New Islington Marina          | 1,761                              | 0                                  |
| Carbon Reduction Programme    | 0                                  | 2,344                              |
| Civic Quarter Heat Network    | 17,168                             | 7,788                              |
|                               | <b>151,548</b>                     | <b>112,547</b>                     |

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

**Note 34. Investments**

The Council has the following long-term investments:

|  | <b>31 March<br/>2019<br/>£000s</b> | <b>31 March<br/>2020<br/>£000s</b> |
|--|------------------------------------|------------------------------------|
| <b>Investments in organisations included in the group statements</b>                     |                                    |                                    |
| Manchester Airports Holdings Ltd Share Capital   | 112,354                            | 112,354                            |
| Manchester Airports Holdings Ltd C Shares  | 0                                  | 1,870                              |
| Destination Manchester Ltd Share Capital   | 10,200                             | 10,200                             |
| <b>Other long-term investments</b>   |                                    |                                    |
| <b>Investments in subsidiaries not included in the group statements</b>                  |                                    |                                    |
| Manchester Mortgage Corporation Plc Share Capital  | 149                                | 146                                |
| <b>Investments in associates and joint ventures 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                              |
| Matrix Homes Ltd   | 6,515                              | 5,079                              |
| Mayfield Developments  | 4,000                              | 4,000                              |
|  | <b>136,096</b>                     | <b>136,951</b>                     |
| <b>Total other long-term investments</b>   | <b>13,035</b>                      | <b>12,536</b>                      |
| <b>Total Long-Term Investments</b>   | <b>149,131</b>                     | <b>149,487</b>                     |

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

All other investments are held at fair value, either at quoted price or based on the Council's share of reserves of the company.

At 31 March 2020 the Council had short term investments of £20.098m with Bank of Scotland (£5.010m), HSBC (£5.087m), Nat West (£0.001m) and Rotherham Metropolitan Borough Council (£10.000m); 31 March 2019 £9.017m with Bank of Scotland (£3.981m), HSBC (£5.035m) and Nat West (£0.001m). 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 2018/19 and 2019/20. These figures show the Council's share of the joint venture's results:

| <b>Council's share of Manchester Airports Holdings Ltd</b> | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|--|--------------------------|--------------------------|
| Total current assets as at 31 March                        | 60,970                   | 298,626                  |
| Total long term assets as at 31 March                      | 1,318,380                | 1,496,112                |
| Total current liabilities as at 31 March                   | 108,955                  | 154,851                  |
| Total long term liabilities at 31 March                    | 748,125                  | 1,162,164                |
| Total income   | 311,500                  | 315,737                  |
| Total expenditure  | 261,625                  | 264,830                  |

**Note 35. 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<br>2019<br>£000s | 31 March<br>2020<br>£000s |
|---|---------------------------|---------------------------|
| <b>Short term debtors and payments in advance</b>                               |                           |                           |
| <b>Debtors included in the Financial Instruments note</b>                       |                           |                           |
| Government departments  | 31,622                    | 30,211                    |
| Other local authorities   | 10,902                    | 35,687 <sup>a</sup>       |
| NHS bodies  | 5,713                     | 7,358                     |
| Public corporations   | 335                       | 1,503                     |
| Housing rents   | 8,216                     | 7,599                     |
| Housing investment fund loans   | 118,710                   | 0 <sup>b</sup>            |
| All other bodies (external to government) - trade organisations and individuals | 119,282                   | 123,455                   |
|   | 294,780                   | 205,813                   |
| <b>Impairment of Debt</b>   |                           |                           |
| Housing rents   | (6,263)                   | (6,356)                   |
| Other   | (59,332)                  | (63,369)                  |
|   | 229,185                   | 136,088                   |
| <b>Debtors not included in the Financial Instruments note</b>                   |                           |                           |
| HM Revenue and Customs  | 7,728                     | 6,657                     |
| Council tax   | 57,169                    | 61,502                    |
| Business rates  | 33,881                    | 28,914                    |
| Destination Manchester Ltd / Manchester Central Ltd                             | 750                       | 750                       |
| All other bodies (external to government) payments in advance                   | 8,318                     | 7,400                     |
| <b>Impairment of Debt</b>   |                           |                           |
| Council tax   | (40,851)                  | (47,203)                  |
| Business rates  | (23,703)                  | (23,253)                  |
| <b>Total</b>  | <b>272,477</b>            | <b>170,855</b>            |

a. The increase in local authority debtors mainly relates to higher highways capital contributions due from Transport for Greater Manchester, higher business rates retained levies due from Cheshire East and Cheshire West and Chester Councils and redistribution of waste reserves from the Greater Manchester Combined Authority.

b. All Housing Investment Fund debtors have been repaid or novated to the Greater Manchester Combined Authority.

Within debtors and payments in advance the amount outstanding for over 30 days that is not impaired is £46.7m. This includes business rates debtors £4.7m, and council tax debtors £5.3m and housing benefit overpayment debtors £3.0m.

An analysis of business rates and council tax debtors outstanding for over 30 days not impaired is shown below.

|                        | 31 March<br>2019<br>£000s | 31 March<br>2020<br>£000s |
|------------------------|---------------------------|---------------------------|
| Less than three months | 1,301                     | 902                       |
| Three to six months    | 1,446                     | 1,003                     |
| Six months to one year | 3,036                     | 2,105                     |
| More than one year     | 20,713                    | 15,949                    |
|                        | 26,496                    | 19,959                    |

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<br>2019<br>£000s | 31 March<br>2020<br>£000s |     |
|---|---------------------------|---------------------------|-----|
| <b>Amounts falling due after one year</b>                     |                           |                           |     |
| <b>Debtors included in the Financial Instruments note</b>     |                           |                           |     |
| Former Greater MC debt  | 47                        | 24                        | (a) |
| Private Sector Housing Loans                                  | 10,856                    | 10,842                    | (b) |
| Equity Mortgages  | 3,436                     | 2,952                     | (c) |
| Matrix Homes  | 8,338                     | 8,889                     | (d) |
| Biffa Municipal   | 3,569                     | 4,379                     | (e) |
| Manchester Quays Riverside                                    | 4,300                     | 4,288                     | (f) |
| Manchester College  | 17,747                    | 17,596                    | (g) |
| Other   | 3,040                     | 2,985                     | (h) |
|   | 51,333                    | 51,955                    |     |
| <b>Debtors not included in the Financial Instruments note</b> |                           |                           |     |
| Manchester Airports Holdings Ltd                              | 207,418                   | 218,713                   | (i) |
| Destination Manchester Ltd / Manchester Central Ltd           | 16,407                    | 16,407                    | (j) |
| PFI prepayments   | 24,494                    | 23,156                    | (k) |
| <b>Total</b>  | <b>299,652</b>            | <b>310,231</b>            |     |

a - 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.

b - 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 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.

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

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

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

f - This debtor relates to a loan made to Manchester Quays Riverside Ltd in connection with The Factory arts centre

g - This debtor relates to a loan and accrued interest made to Manchester College

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

i - These debtors relate to long-term loan advances made to Manchester Airports Holdings Ltd to assist in the financing of approved capital works. A loan of £83.168m was renegotiated during 2009/10 and includes debt that was previously the responsibility of the Greater Manchester Debt Administration Fund. Advances totalling £124.25m have been made during 2018/19. These loans are to contribute towards capital works at Manchester and Stansted Airports. This long term debtor also includes accrued interest of £11.295m.

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

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

i - These debtors relate to long-term loan advances and accrued interest made to Manchester Airports Holdings Ltd to assist in the financing of approved capital works. A loan of £83.168m was renegotiated during 2009/10 and includes debt that was previously the responsibility of the Greater Manchester Debt Administration Fund. Advances totalling £124.25m have been made during 2018/19. These loans are to contribute towards capital works at Manchester and Stansted Airports. These debtors are not included in the financial instruments note as the company is consolidated within the group accounts.

j - This debtor relates to loans made to the company. This company is consolidated within the group accounts and therefore the debtors are not included in the financial instruments note.

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

#### Note 36. Intangible Current Assets

Intangible current assets relate to Carbon Reduction Commitment (CRC) allowances purchased against future emissions. The CRC allowances have been replaced by an increased Climate Change Levy rate in 2019/20.

**Note 37. 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<br>2019<br>£000s | 31 March<br>2020<br>£000s |
|---|---------------------------|---------------------------|
| <b>Short Term Creditors and Receipts in Advance</b>                         |                           |                           |
| <b>Creditors classed as Financial Instruments</b>                           |                           |                           |
| Government departments  | 6,327                     | 7,514                     |
| Other local authorities   | 20,669                    | 28,083 <sup>a</sup>       |
| NHS bodies  | 755                       | 535                       |
| Public corporations   | 207                       | 1                         |
| Financial institutions  | 836                       | 1,447                     |
| Housing rents   | 2,197                     | 2,652                     |
| Other bodies (external to government) - trade organisations and individuals | 92,556                    | 102,406                   |
|   | 123,547                   | 142,638                   |
| <b>Creditors not classed as Financial Instruments</b>                       |                           |                           |
| Government departments receipts in advance                                  | 10,142                    | 34,816 <sup>b</sup>       |
| Other local authorities receipts in advance                                 | 697                       | 201                       |
| NHS bodies receipts in advance  | 208                       | 87                        |
| Other bodies (external to government) receipts in advance                   | 5,506                     | 7,165                     |
| HM Revenue and Customs  | 6,726                     | 8,083                     |
| Council tax   | 7,374                     | 7,986                     |
| Business rates  | 15,605                    | 15,620                    |
| <b>Total</b>  | <b>169,805</b>            | <b>216,596</b>            |

a The increase in local authority creditors is mainly due to the net balance of the revenue transactions relating to the housing investment fund held by the Council on behalf of the Greater Manchester Combined Authority and the share of increased business rate levies due to Cheshire East and Cheshire West and Chester Councils and the Greater Manchester Combined Authority.

b The increase in government department receipts in advance mainly relates to the 2020/21 section 31 business rates grants which were paid in March 2020 by central government to assist councils with cash flow during the COVID19 pandemic.

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<br>2019<br>£000s | 31 March<br>2020<br>£000s |
|---|---------------------------|---------------------------|
| <b>Amounts falling due after one year</b>         |                           |                           |
| <b>Creditors classed as Financial Instruments</b> |                           |                           |
| Equity mortgages - share of proceeds              | 1,168                     | 1,004                     |
| Homes and Communities Agency re Matrix Homes      | 192                       | 239                       |
| <b>Total</b>                                      | <b>1,360</b>              | <b>1,243</b>              |

**Capital Grants Receipts in Advance**

|                                       | 31 March<br>2019<br>£000s | 31 March<br>2020<br>£000s |
|---------------------------------------|---------------------------|---------------------------|
| Carrington Reinstatement Deposit      | 801                       | 801                       |
| Contributions from Private Developers | 7,850                     | 8,942                     |
| Basic Need Grant                      | 10,639                    | 0                         |
| <b>Total</b>                          | <b>19,290</b>             | <b>9,743</b>              |

The Council has not been allocated Basic Need Grant in 2020/21, therefore none was received in advance.

**Note 38. Analysis of Long-term Borrowing****a. To Balance Sheet Date**

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

|                                      | <b>31 March<br/>2019<br/>£000s</b> | <b>Range of Interest Rates Payable</b> |                 | <b>Average<br/>Interest<br/>%</b> | <b>31 March<br/>2020<br/>£000s</b> |
|--------------------------------------|------------------------------------|--|-----------------|-----------------------------------|------------------------------------|
|                                      |                                    | <b>from<br/>%</b>                      | <b>to<br/>%</b> |                                   |                                    |
| <b>Analysis of loans by type</b>     |                                    |  |                 |                                   |                                    |
| Public Works Loans Board             | 150,000                            | 2.4300                                 | 2.4700          | 2.4500                            | 150,000                            |
| Market Loans                         | 409,210                            | 0.7500                                 | 6.8438          | 4.2462                            | 412,102                            |
| Government Debt                      | 47,164                             | 0.0000                                 | 0.0000          | 0.0000                            | 22,437                             |
| Stocks                               | 858                                | 4.0000                                 | 4.0000          | 4.0000                            | 858                                |
| <b>Total Outstanding</b>             | <b>607,232</b>                     |  |                 |                                   | <b>585,397</b>                     |
| <b>Analysis of loans by maturity</b> |                                    |  |                 |                                   |                                    |
| 1-2 years                            | 2,000                              |  |                 |                                   | 9,663                              |
| 2-5 years                            | 43,401                             |  |                 |                                   | 23,537                             |
| 5-10 years                           | 10,908                             |  |                 |                                   | 1,431                              |
| after 10 years                       | 550,923                            |  |                 |                                   | 550,766                            |
|                                      | <b>607,232</b>                     |  |                 |                                   | <b>585,397</b>                     |

The reduction in Government Debt relates to the novation of the City Deal Receipts funding to the Greater Manchester Combined Authority

**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.

|                                      | <b>31 March<br/>2019<br/>£000s</b> | <b>Range of Interest Rates Payable</b> |                 | <b>Average<br/>Interest<br/>%</b> | <b>31 March<br/>2020<br/>£000s</b> |
|--------------------------------------|------------------------------------|--|-----------------|-----------------------------------|------------------------------------|
|                                      |                                    | <b>from<br/>%</b>                      | <b>to<br/>%</b> |                                   |                                    |
| <b>Analysis of loans by type</b>     |                                    |  |                 |                                   |                                    |
| Public Works Loans Board             | 292,787                            | 2.4300                                 | 2.4700          | 2.4500                            | 289,112                            |
| Market Loans                         | 1,134,355                          | 0.7500                                 | 6.8438          | 4.2462                            | 1,119,395                          |
| Government Debt                      | 47,165                             | 0.0000                                 | 0.0000          | 0.0000                            | 22,437                             |
| Stocks                               | 1,925                              | 4.0000                                 | 4.0000          | 4.0000                            | 1,890                              |
| <b>Total Outstanding</b>             | <b>1,476,232</b>                   |  |                 |                                   | <b>1,432,834</b>                   |
| <b>Analysis of loans by maturity</b> |                                    |  |                 |                                   |                                    |
| 1-2 years                            | 23,550                             |  |                 |                                   | 31,134                             |
| 2-5 years                            | 107,159                            |  |                 |                                   | 86,856                             |
| 5-10 years                           | 116,019                            |  |                 |                                   | 106,541                            |
| after 10 years                       | 1,229,504                          |  |                 |                                   | 1,208,303                          |
|                                      | <b>1,476,232</b>                   |  |                 |                                   | <b>1,432,834</b>                   |

The reduction in Government Debt relates to the novation of the City Deal Receipts funding to the Greater Manchester Combined Authority

**Note 39. 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<br>2019<br>£000s | Repaid<br>in year<br>£000s | Additions<br>in year<br>£000s | 31 March<br>2020<br>£000s | Short Term<br>31 March<br>2020<br>£000s | Long Term<br>31 March<br>2020<br>£000s |
|-----------------------------|---------------------------|----------------------------|-------------------------------|---------------------------|---|--|
| 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                                  |
|                             | <b>163,414</b>            | <b>(15,301)</b>            | <b>18,536</b>                 | <b>166,649</b>            | <b>11,453</b>                           | <b>155,196</b>                         |

**Note 40. 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<br>2019<br>£000s | Transfers<br>in year<br>£000s | Amounts<br>used<br>in year<br>£000s | Contributions<br>in year<br>£000s | Amounts<br>released<br>in year<br>£000s | 31 March<br>2020<br>£000s | Short Term<br>31 March<br>2020<br>£000s | Long Term<br>31 March<br>2020<br>£000s |
|-------------------------------------|---------------------------|-------------------------------|-------------------------------------|-----------------------------------|---|---------------------------|---|--|
| Compensation provisions             | 11,822                    | 0                             | (3,956)                             | 2,338                             | (663)                                   | 9,541                     | 4,675                                   | 4,866                                  |
| Insurance provision (including HRA) | 4,042                     | 0                             | (783)                               | 154                               | 0                                       | 3,413                     | 1,380                                   | 2,033                                  |
| Provision for business rate appeals | 78,776                    | 0                             | (9,198)                             | 21,421                            | 0                                       | 90,999                    | 24,872                                  | 66,127                                 |
| Various other provisions            | 888                       | 0                             | (246)                               | 146                               | (12)                                    | 776                       | 643                                     | 133                                    |
|                                     | <b>95,528</b>             | <b>0</b>                      | <b>(14,183)</b>                     | <b>24,059</b>                     | <b>(675)</b>                            | <b>104,729</b>            | <b>31,570</b>                           | <b>73,159</b>                          |

a - The compensation provisions have been set up to compensate claimants for claims received by the Council as at 31 March 2020. 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, £4.020m claims had already been paid with outstanding claims of £1.012m for which a provision of £1.246m has been made at 31 March 2020.

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 2010 list 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% 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 41. Financial Instruments**

The Council's treasury management policy complies with the CIPFA Code of Practice on Treasury Management (Revised November 2009). This was adopted by the Council on 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 2019/20 the average net rate of interest paid and received was 3.24% (3.89% in 2018/19).

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<br>2019<br>£000s | 31 March<br>2020<br>£000s | 31 March<br>2019<br>£000s | 31 March<br>2020<br>£000s | 31 March<br>2019<br>£000s | 31 March<br>2020<br>£000s |
| <b>Financial Liabilities at Amortised Cost:</b>                       |                           |                           |                           |                           |                           |                           |
| Borrowings  | 607,232                   | 585,397                   | 126,283                   | 32,904                    | 733,515                   | 618,301                   |
| Deferred Liabilities  | 148,277                   | 155,196                   | 15,137                    | 11,453                    | 163,414                   | 166,649                   |
| Creditors   | 1,360                     | 1,243                     | 123,547                   | 142,638                   | 124,907                   | 143,881                   |
| <b>Total Financial Liabilities</b>                                    | <b>756,869</b>            | <b>741,836</b>            | <b>264,967</b>            | <b>186,995</b>            | <b>1,021,836</b>          | <b>928,831</b>            |
| <b>Financial Assets</b>   |                           |                           |                           |                           |                           |                           |
| Amortised cost  | 51,332                    | 51,955                    | 342,679                   | 290,169                   | 394,011                   | 342,124                   |
| Designated Fair value through other comprehensive income - designated | 24,472                    | 25,363                    | 0                         | 0                         | 24,472                    | 25,363                    |
| Fair value through profit and loss                                    | 2,105                     | 1,570                     | 0                         | 0                         | 2,105                     | 1,570                     |
| <b>Total Financial Assets</b>   | <b>77,909</b>             | <b>78,888</b>             | <b>342,679</b>            | <b>290,169</b>            | <b>420,588</b>            | <b>369,057</b>            |

Assets that are classed as fair value are valued at a quoted market value where this is available (level 1 of the fair value hierarchy). Where investments are not quoted the value of that investment has been taken as the Council's share of the reserves of the company invested in.

**Fair Value of Assets and Liabilities**

|   | Carrying Amount           |                           | Fair Value                |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 31 March<br>2019<br>£000s | 31 March<br>2020<br>£000s | 31 March<br>2019<br>£000s | 31 March<br>2020<br>£000s |
| <b>Liabilities</b>                      |                           |                           |                           |                           |
| Public Work Loans Board                 | 150,604                   | 150,614                   | 158,198                   | 149,939                   |
| Market debt                             | 536,029                   | 442,256                   | 1,076,548                 | 646,772                   |
| Government debt                         | 46,015                    | 24,564                    | 44,571                    | 23,422                    |
| Stocks                                  | 867                       | 867                       | 1,182                     | 1,178                     |
| <b>Total Borrowings</b>                 | <b>733,515</b>            | <b>618,301</b>            | <b>1,280,499</b>          | <b>821,311</b>            |
| Ex GMC debt                             | 7,516                     | 5,146                     | 7,516                     | 5,146                     |
| PFI and service concessions liabilities | 155,898                   | 161,503                   | 155,898                   | 161,503                   |
| Trade creditors                         | 124,907                   | 143,881                   | 124,907                   | 143,881                   |
| <b>Total Financial Liabilities</b>      | <b>1,021,836</b>          | <b>928,831</b>            | <b>1,568,820</b>          | <b>1,131,841</b>          |

|                               | Carrying Amount           |                           | Fair Value                |                           |
|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                               | 31 March<br>2019<br>£000s | 31 March<br>2020<br>£000s | 31 March<br>2019<br>£000s | 31 March<br>2020<br>£000s |
| <b>Assets</b>                 |                           |                           |                           |                           |
| Cash and cash equivalents     | 104,477                   | 133,984                   | 104,477                   | 133,984                   |
| Long term investments         | 26,577                    | 26,932                    | 26,577                    | 26,933                    |
| Short term investments        | 9,017                     | 20,098                    | 9,017                     | 20,098                    |
| Trade debtors                 | 280,517                   | 188,043                   | 302,168                   | 210,821                   |
| <b>Total Financial Assets</b> | <b>420,588</b>            | <b>369,057</b>            | <b>442,239</b>            | <b>391,836</b>            |

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 fair value through profit and loss and fair value through other comprehensive income 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 PWLB, 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 £250,526,000 for PWLB debt, £24,547,000 for Government debt and £1,012,576,000 for market debt.

Fair value for PFI, service concessions and finance leases cannot be obtained as there is no comparable information available and has therefore been shown at the carrying amount.

The Government Debt relating to the Housing Investment Fund and City Deal Receipts transferred to the Greater Manchester Combined Authority in 2019/20.

#### Income, expense, gains and losses

|   | 2018/19                              |  | 2019/20                              |  |
|---|--------------------------------------|--|--------------------------------------|--|
|   | Deficit on the provision of services | Other comprehensive income and expenditure | Deficit on the provision of services | Other comprehensive income and expenditure |
|   | £000s                                | £000s                                      | £000s                                | £000s                                      |
| <b>Net (gains)/losses on:</b>   |                                      |  |                                      |  |
| Financial assets measured at fair value through profit or loss                                | 28                                   |  | 534                                  |  |
| Financial assets measured at amortised cost   | 1,071                                |  | 547                                  |  |
| Investments in equity instruments designated at fair value through other comprehensive income |                                      | (2,738)                                    |                                      | 980  |
| <b>Total net (gains)/losses</b>   | <b>1,099</b>                         | <b>(2,738)</b>                             | <b>1,081</b>                         | <b>980</b>                                 |
| Interest income   | (22,946)                             | 0  | (26,294)                             | 0  |
| Interest expense  | 32,262                               | 0  | 34,759                               | 0  |

#### 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 8 March 2019. 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 8 March 2019. 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
- Money Market Funds

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 Deputy Chief Executive and City Treasurer will have the discretion to include it on the lending list.

For all financial assets held at amortised cost the Council has reviewed the creditworthiness of each relevant organisation to ascertain the likely 12 month impairment. For those with indications of financial distress the Council has provided for lifetime impairment losses.

The trade debtor amount is £257,767,000 and the estimated exposure to default is £69,725,000

**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 £314,750,000 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.

**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 £145,000,000 @ 0.50%) = £724,000.

**Price Risk**

The Council, excluding the pension fund, does not generally invest in equity shares but does have shareholdings at a cost of £149,487,000 in a number of organisation including those within its group. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares or impairment of the assets held. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

**Foreign Exchange risk**

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

**Note 42. Usable Reserves**

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

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

|   | 31 March<br>2019<br>£000s | Transfers<br>between<br>reserves<br>£000s | Transfers<br>to<br>reserves<br>£000s | Transfers<br>from<br>reserves<br>£000s | 31 March<br>2020<br>£000s | Note  |
|---|---------------------------|---|--------------------------------------|--|---------------------------|-------|
| <b>a) Reserves Held for Capital Purposes</b>                  |                           |   |                                      |  |                           |       |
| Capital Receipts Reserve                                      | (81,860)                  | 0   | (37,271)                             | 22,282                                 | (96,849)                  | a(1)  |
| Major Repairs Reserve   | (2,913)                   | 0   | (18,107)                             | 18,593                                 | (2,427)                   | a(2)  |
| Capital Grants Unapplied Reserve                              | (57,516)                  | 0   | (117,256)                            | 70,717                                 | (104,055)                 | a(3)  |
| <b>Total Reserves Held for Capital Purposes</b>               | <b>(142,289)</b>          | <b>0</b>                                  | <b>(172,634)</b>                     | <b>111,592</b>                         | <b>(203,331)</b>          |       |
| <b>Reserves Held for Revenue Purposes</b>                     |                           |   |                                      |  |                           |       |
| <b>b) Schools Reserves</b>                                    |                           |   |                                      |  |                           |       |
| Schools Reserves  | (25,358)                  | 0   | 0                                    | 13,646                                 | (11,712)                  | b(1)  |
| <b>Total reserves held for schools</b>                        | <b>(25,358)</b>           | <b>0</b>                                  | <b>0</b>                             | <b>13,646</b>                          | <b>(11,712)</b>           |       |
| <b>c) Statutory Reserves</b>                                  |                           |   |                                      |  |                           |       |
| Bus Lane Enforcement Reserve                                  | (11,742)                  | 0   | (5,020)                              | 4,164                                  | (12,598)                  | c(1)  |
| On-street Parking Reserve                                     | (2,819)                   | 0   | (6,114)                              | 4,676                                  | (4,257)                   | c(2)  |
| Ancoats Square Reserve  | (2,850)                   | 0   | (4)                                  | 27                                     | (2,827)                   | c(3)  |
| Highways Commuted Sums Reserve                                | (371)                     | (702)                                     | (1,649)                              | 0                                      | (2,722)                   | c(4)  |
| Other smaller reserves under £1.0m                            | (2,706)                   | 0   | (171)                                | 274                                    | (2,603)                   |       |
| <b>Total Statutory Reserves</b>                               | <b>(20,488)</b>           | <b>(702)</b>                              | <b>(12,958)</b>                      | <b>9,141</b>                           | <b>(25,007)</b>           |       |
| <b>d) Reserves held for PFIs</b>                              |                           |   |                                      |  |                           |       |
| Public Lighting PFI Reserve                                   | (401)                     | 0   | (3)                                  | 260                                    | (144)                     | d(1)  |
| Temple School PFI Reserve                                     | (677)                     | 0   | (11)                                 | 64                                     | (624)                     | d(2)  |
| Wright Robinson Sports College PFI Reserve                    | (1,311)                   | 0   | (40)                                 | 0                                      | (1,351)                   | d(3)  |
| <b>Total Reserves held for PFIs</b>                           | <b>(2,389)</b>            | <b>0</b>                                  | <b>(54)</b>                          | <b>324</b>                             | <b>(2,119)</b>            |       |
| <b>e) Small specific reserves</b>                             |                           |   |                                      |  |                           |       |
| Other smaller reserves under £1.0m                            | (3,510)                   | 0   | (1,077)                              | 318                                    | (4,269)                   | e(1)  |
| <b>Total small specific reserves</b>                          | <b>(3,510)</b>            | <b>0</b>                                  | <b>(1,077)</b>                       | <b>318</b>                             | <b>(4,269)</b>            |       |
| <b>f) Reserves held to smooth risk / assurance</b>            |                           |   |                                      |  |                           |       |
| Insurance Fund Reserve  | (17,590)                  | 0   | (998)                                | 0                                      | (18,588)                  | f(1)  |
| Crime and Disorder Reserve                                    | (1,500)                   | 0   | 0                                    | 420                                    | (1,080)                   | f(2)  |
| Investment Estate Reserve                                     | (1,524)                   | 0   | 0                                    | 291                                    | (1,233)                   | f(3)  |
| Housing Investment Fund Reserve                               | (5,891)                   | 0   | 0                                    | 5,891                                  | (0)                       | f(4)  |
| Collections Initiative Reserve                                | (600)                     | (439)                                     | (672)                                | 176                                    | (1,535)                   | f(5)  |
| Manchester International Festival Reserve                     | (1,993)                   | 0   | 0                                    | 500                                    | (1,493)                   | f(6)  |
| Adult Social Care Reserve                                     | (7,145)                   | 0   | (6,440)                              | 2,490                                  | (11,095)                  | f(7)  |
| Transformation Reserve  | (9,235)                   | 0   | (248)                                | 0                                      | (9,483)                   | f(8)  |
| Airport Dividend Reserve                                      | (47,077)                  | 0   | (55,806)                             | 47,077                                 | (55,806)                  | f(9)  |
| Planning Income Reserve                                       | (2,195)                   | 0   | (991)                                | 0                                      | (3,186)                   | f(10) |
| Budget Smoothing Reserve                                      | (2,500)                   | 0   | (10,651)                             | 2,500                                  | (10,651)                  | f(11) |
| Other smaller reserves under £1.0m                            | (3,044)                   | 702                                       | (1,545)                              | 209                                    | (3,678)                   | f(12) |
| <b>Total reserves held to smooth risk / assurance</b>         | <b>(100,294)</b>          | <b>263</b>                                | <b>(77,351)</b>                      | <b>59,554</b>                          | <b>(117,828)</b>          |       |
| <b>g) Business Rates Reserve</b>                              |                           |   |                                      |  |                           |       |
| Business Rates Reserve  | (19,189)                  | 0   | (8,761)                              | 2,490                                  | (25,460)                  | g(1)  |
| <b>Total Business Rates Reserve</b>                           | <b>(19,189)</b>           | <b>0</b>                                  | <b>(8,761)</b>                       | <b>2,490</b>                           | <b>(25,460)</b>           |       |
| <b>h) Revenue reserves held to support capital schemes</b>    |                           |   |                                      |  |                           |       |
| Capital Fund Reserve  | (65,510)                  | 0   | (14,111)                             | 12,522                                 | (67,099)                  | h(1)  |
| Capital Financing Reserve                                     | (29,730)                  | 0   | (5,000)                              | 0                                      | (34,730)                  | h(2)  |
| English Institute of Sport Reserve                            | (4,779)                   | 0   | (4,796)                              | 7,491                                  | (2,084)                   | h(3)  |
| Investment Reserve  | (13,370)                  | 0   | 0                                    | 443                                    | (12,927)                  | h(4)  |
| <b>Total revenue reserves held to support capital schemes</b> | <b>(113,389)</b>          | <b>0</b>                                  | <b>(23,907)</b>                      | <b>20,456</b>                          | <b>(116,840)</b>          |       |

|   | 31 March<br>2019<br>£000s | Transfers<br>between<br>reserves<br>£000s | Transfers<br>to<br>reserves<br>£000s | Transfers<br>from<br>reserves<br>£000s | 31 March<br>2020<br>£000s | Note |
|---|---------------------------|---|--------------------------------------|--|---------------------------|------|
| <b>i) Reserves held for economic growth and public sector reform</b>  |                           |   |                                      |  |                           |      |
| Clean and Green Places Reserve  | (1,457)                   | 0   | 0                                    | 1,023                                  | (434)                     | i(1) |
| Social Care Reserve   | (18,028)                  | 0   | (2,904)                              | 6,701                                  | (14,231)                  | i(2) |
| Our Manchester Reserve  | (5,141)                   | 615                                       | (819)                                | 1,669                                  | (3,676)                   | i(3) |
| Town Hall Reserve   | (11,445)                  | 0   | (2,400)                              | 2,514                                  | (11,331)                  | i(4) |
| Other smaller reserves under £1.0m  | (1,283)                   | 439                                       | (347)                                | 41                                     | (1,150)                   |      |
| <b>Total reserves held for economic growth and public sector reform</b>   | <b>(37,354)</b>           | <b>1,054</b>                              | <b>(6,470)</b>                       | <b>11,948</b>                          | <b>(30,822)</b>           |      |
| <b>j) Grants and contributions used to meet commitments over more than one year (shown as reserves due to the required accountancy treatment)</b> |                           |   |                                      |  |                           |      |
| English Partnership Reserve   | (1,519)                   | 0   | 0                                    | 485                                    | (1,034)                   |      |
| Other Grants and Contributions Reserve  | (750)                     | 0   | (8)                                  | 200                                    | (558)                     |      |
| COVID 19 Reserve  | 0                         | 0   | (18,200)                             | 0                                      | (18,200)                  |      |
| Integration Reserve   | (6,190)                   | (615)                                     | (440)                                | 4,593                                  | (2,652)                   |      |
| Other smaller reserves under £1.0m  | (1,309)                   | 0   | (3,261)                              | 629                                    | (3,941)                   |      |
| <b>Total grants and contributions used to meet commitments over more than one year</b>  | <b>(9,768)</b>            | <b>(615)</b>                              | <b>(21,909)</b>                      | <b>5,907</b>                           | <b>(26,385)</b>           | j(1) |
| <b>Total reserves held for revenue purposes</b>   | <b>(331,739)</b>          | <b>0</b>                                  | <b>(152,487)</b>                     | <b>123,784</b>                         | <b>(360,442)</b>          |      |
| <b>k) General Fund Reserve</b>  |                           |   |                                      |  |                           |      |
| General Fund Reserve  | (22,045)                  | 0   | 0                                    | 692                                    | (21,353)                  | k(1) |
| <b>Total all general fund reserves</b>  | <b>(353,784)</b>          | <b>0</b>                                  | <b>(152,487)</b>                     | <b>124,476</b>                         | <b>(381,795)</b>          |      |
| <b>l) Housing Revenue Account Reserve</b>   |                           |   |                                      |  |                           |      |
| Housing Revenue Account Reserve   | (104,452)                 | 0   | (4,993)                              | 0                                      | (109,445)                 | l(1) |
| <b>Total All Usable Reserves</b>  | <b>(600,525)</b>          | <b>0</b>                                  | <b>(330,114)</b>                     | <b>236,068</b>                         | <b>(694,571)</b>          |      |

**a(1) - Capital Receipts Reserve**

Proceeds of non-current assets sales available to meet future capital investment.

|                                     | 2018/19<br>£000s | 2019/20<br>£000s |
|-------------------------------------|------------------|------------------|
| Balance at 1 April                  | (72,021)         | (81,860)         |
| Capital receipts received in year   | (53,523)         | (37,271)         |
| Paid to housing national pool       | 2,567            | 2,553            |
| Applied to fund capital expenditure | 41,117           | 19,729           |
| <b>Balance at 31 March</b>          | <b>(81,860)</b>  | <b>(96,849)</b>  |

**a(2) - Major Repairs Reserve**

Resources available to meet capital investment in council housing.

|   | 2018/19<br>£000s | 2019/20<br>£000s |
|---|------------------|------------------|
| Balance at 1 April                                    | 0                | (2,913)          |
| HRA depreciation                                      | (16,997)         | (18,107)         |
| Financing of capital expenditure on council dwellings | 14,084           | 18,593           |
| <b>Balance at 31 March</b>                            | <b>(2,913)</b>   | <b>(2,427)</b>   |

**a(3) - Capital Grants Unapplied Reserve**

Capital grants and contributions available to meet future capital expenditure.

|  | 2018/19<br>£000s | 2019/20<br>£000s |
|--|------------------|------------------|
| Balance at 1 April   | (18,528)         | (57,516)         |
| Grants received in year  | (127,619)        | (117,256)        |
| Transferred to Capital Adjustment Account: General Grants and Contributions  | 59,119           | 59,506           |
| Transferred to Capital Adjustment Account: Revenue Expenditure Funded from Capital Under Statute (REFCUS) Grants and Contributions | 29,512           | 11,211           |
| <b>Balance at 31 March</b>   | <b>(57,516)</b>  | <b>(104,055)</b> |

a(1)

a(1) Of the balance above £91.4m relates to Basic Need grant allocations.

- 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. This is offset by an overspend on the DSG reserve of £4.28m, (reported at Note 44).
- 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. The transfer in of £5.02m in 2019/20 is reflective of the actual income less the cost of the service. It will be used in accordance with the requirements to fund the Council's contribution to the cost of metroshuttle and contribute towards the costs of the transport levy.
- 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) Funds received as part of development agreements that will be utilised for highways schemes in future years.
- 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 including Contributions Other Local Authorities (£0.4m), Cemeteries Replacement (£0.4m), Community Safety Reserve (£0.6m), Housing Compliance (£0.5m), Brexit (£0.6m), Great Ancoats Management Improvement (£0.3m), Climate Innovation (£0.3m) and Primary School Catering (£0.3m).
- f(1) The Insurance Fund has been established to fund risks that are self-insured, such as those that fall below the insurance policy deductible amounts and historic claims where the period of exposure predate when the commercial liability policies were procured.
- f(2) A Crime and Disorder Reserve of £1.5m was created in 2018/19 to increase the capacity of the City Council to tackle anti-social behaviour in our neighbourhoods. £0.420m was utilised in 2019/20 and £0.540m will be used in each of the following two years to fund the anti-Social Behaviour Team.
- f(3) The Investment Estate Reserve was created in 2018/19 to manage budget pressures due to the volatility and known future risks around investment income.
- f(4) Housing Investment Fund Reserve was to hold ring-fenced Housing Investment resources administered on behalf of the Greater Manchester Combined Authority. This reserve has been transferred to the GMCA following the novation of outstanding debtors.
- f(5) The Collection Initiatives Reserve contains funding for discretionary housing payments.
- f(6) This relates to the commitment to contribute towards the costs of Manchester International festival which is staged every two years.
- f(7) The Adult Social Care Reserve was increased as part of a wider funding strategy that smooths resources over three years to enable permanent rather than agency or temporary appointments for social work posts supporting the delivery of the social care improvement plan, transition to the new home care contracts and to support the health and social care system to manage winter pressures.
- f(8) The Transformation Reserve has been set up to fund future service transformation costs.
- f(9) The Airport Dividend Reserve relates to airport dividends which are used to support the budget a year in arrears. The approved 2019/20 budget included use of £47.1m in 2019/20. The 2020/21 budgeted use is £47.1m with the balance used in 2021/22.
- f(10) The Planning Income Reserve was set up to smooth fluctuations in planning income due to economic volatility
- f(11) The Budget Smoothing Reserve was established in 2017/18 to smooth budgets over 2018/19 and 2019/20. Rebates received from the Greater Manchester Combined Authority in 2019/20 relating to returned business rates income and reserves held for waste costs have been transferred to this reserve to be used to support future years budgets.
- f(12) Other smaller reserves held to smooth risk / assurance includes Taxi Licensing reserve (£0.9m), Pension Contributions Reserve (£0.5m), Land Charges Fees Reserve (£0.4m) Selective Licensing Reserve (£0.4m), Historic Abuse Reserve (£0.7m) and Children's Services Reserve (£0.5m)
- g(1) The Business Rates Reserve was established to manage volatility around this increasingly vital income stream, particularly in relation to the reset expected which would see a loss of the Council's income growth since 2013. Additionally as the risks associated with Brexit are so difficult to quantify the approach is to build up the level of the business rates reserve to help mitigate any economic volatility.
- h(1) The Capital Fund was established to fund revenue contributions to major capital schemes.
- h(2) The Capital Financing Reserve was established to fund increases in borrowing costs due to the Council's capital investment programme
- h(3) 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 Sports city.
- h(4) The Investment Reserve has been set up to deliver priority regeneration projects.

- i(1) 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(2) The Social Care Reserve was set up address social care pressures as well as support the delivery of children's services on a locality footprint and a three year budget strategy. Drawdown of this reserve is predicated on the development of the Consolidated Improvement Plan for Children's Services and a business case process for any other areas.
- i(3) 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.
- i(4) The Town Hall Reserve has been set up to fund revenue expenditure on the Town Hall Complex Programme. The transfer to the reserve of £2.4m has been met from Minimum Revenue Policy savings following the review of the policy in 2016/17. This reserve is expected to fund relevant spend until the end of the Town Hall project.
- 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. This includes the unused element of the first instalment of the COVID19 Emergency Funding received in March 2020
- k(1) The General Fund Reserve is the only unallocated reserve, held to meet costs arising from unplanned events, it also acts as a buffer to help mitigate against the financial risks the Council faces and is used to smooth expenditure across years.
- l(1) Resources available to meet future running costs for council housing. The £5m increase is due to reduced revenue contribution towards capital expenditure because of delays in the planned capital programme. The 30 year business plan currently forecasts that reserves will be exhausted by 2045/46 and work is ongoing to identify efficiencies that ensure that the reserves are kept at a sufficient level to underwrite risk and to fund future investment needs as required.



**Note 43. Unusable Reserves**

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

|   | Restated<br>1 April<br>2018<br>£000 | Restated<br>31 March<br>2019<br>£000s | 31 March<br>2020<br>£000s | Note  |
|---|-------------------------------------|---------------------------------------|---------------------------|-------|
| <b>Unusable Reserve</b>                   |                                     |                                       |                           |       |
| <b>Revaluation balances</b>               |                                     |                                       |                           |       |
| Revaluation Reserve                       | (1,175,015)                         | (1,242,419)                           | (1,273,124)               | a     |
| Financial Instruments Revaluation Reserve | (11,256)                            | (13,994)                              | (13,014)                  | b     |
| <b>Adjustment accounts</b>                |                                     |                                       |                           |       |
| Pensions Reserve                          | 805,280                             | 952,607                               | 689,573                   | c, 47 |
| Capital Adjustment Account                | (1,310,858)                         | (1,280,692)                           | (1,296,434)               | d     |
| Deferred Capital Receipts Reserve         | (2,892)                             | (3,760)                               | (3,614)                   | e     |
| Financial Instruments Adjustment Account  | (1,394)                             | 1,114                                 | 4,284                     | f     |
| Collection Fund Adjustment Account        | (27,301)                            | (21,665)                              | (15,760)                  | q     |
| Short-term Accumulated Absences Account   | 6,290                               | 5,690                                 | 5,845                     | h     |
|   | <b>(1,717,146)</b>                  | <b>(1,603,119)</b>                    | <b>(1,902,244)</b>        |       |

**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.

|   | 2018/19<br>£000s   | 2019/20<br>£000s   |
|---|--------------------|--------------------|
| Balance at 1 April  | (1,175,015)        | (1,242,419)        |
| Revaluations relating to property, plant and equipment    | (99,366)           | (70,160)           |
| Revaluations relating to other non-PPE assets             | (353)              | (6,424)            |
| Revaluation gain depreciation                             | 15,472             | 16,747             |
| Impairment not charged to CIES                            | 6,682              | 12,357             |
| Disposals Transferred to Capital Adjustment Account (CAA) | 10,161             | 15,632             |
| Transfer to CAA re investment properties                  | 0                  | 1,143              |
| <b>Balance at 31 March</b>                                | <b>(1,242,419)</b> | <b>(1,273,124)</b> |

**b - Financial Instruments Revaluation Reserve**

The reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are :

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

|                                     | 2018/19<br>£000s | 2019/20<br>£000s |
|-------------------------------------|------------------|------------------|
| Balance at 1 April                  | (11,256)         | (13,994)         |
| Upward revaluation of investments   | (2,864)          | (489)            |
| Downward revaluation of investments | 126              | 1,469            |
| <b>Balance at 31 March</b>          | <b>(13,994)</b>  | <b>(13,014)</b>  |

**c - Pensions Reserve**

Negative reserve to match pensions IAS19 liability in the balance sheet.

|                            | 2018/19<br>£000s | 2019/20<br>£000s |
|----------------------------|------------------|------------------|
| Balance at 1 April         | 805,280          | 952,607          |
| Net Movement in Year       | 147,327          | (263,034)        |
| <b>Balance at 31 March</b> | <b>952,607</b>   | <b>689,573</b>   |

**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.

|   | <b>Restated</b>    |                    |
|---|--------------------|--------------------|
|   | <b>2018/19</b>     | <b>2019/20</b>     |
|   | <b>£000s</b>       | <b>£000s</b>       |
| Balance at 1 April  | (1,310,858)        | (1,280,692)        |
| Repayment of ex GMC debt  | (2,260)            | (2,370)            |
| Minimum revenue provision   | (21,491)           | (26,991)           |
| Reversal of PFI charges to HRA                                      | (10,886)           | (8,570)            |
| Capital grants and contributions                                    | (88,632)           | (70,717)           |
| Revenue contributions used  | (8,943)            | (15,456)           |
| Movement in fair value of investment property                       | 12,715             | (25,194)           |
| Revaluation gain depreciation                                       | (15,472)           | (16,747)           |
| Disposals transferred from revaluation reserve                      | (10,161)           | (15,633)           |
| Depreciation  | 73,012             | 77,109             |
| Major Repairs Allowance   | (14,084)           | (18,594)           |
| Capital Receipts Used   | (41,117)           | (19,729)           |
| Other Disposals   | 34,268             | 65,195             |
| Write down of intangible assets                                     | 130                | 85                 |
| Repayment of long-term debtors                                      | 24,986             | 17,558             |
| Loss / (Gain) on repayment of housing loan                          | 1                  | (25)               |
| Write down of revenue expenditure funded from capital under statute | 49,793             | 31,004             |
| Impairment of non-current assets                                    | 47,236             | 13,929             |
| Transfer from RR re investment properties                           | 0                  | (1,143)            |
| Impairment of financial instrument assets                           | 1,071              | 547                |
| <b>Balance at 31 March</b>  | <b>(1,280,692)</b> | <b>(1,296,434)</b> |

**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.

**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<br>Balance       |                       |                               |                                  |                                    | Closing<br>Balance        |
|--|--------------------------|-----------------------|-------------------------------|----------------------------------|------------------------------------|---------------------------|
|  | 1 April<br>2019<br>£000s | New<br>Loans<br>£000s | Gains on<br>Disposal<br>£000s | Principal<br>Repayments<br>£000s | Fair Value<br>Adjustments<br>£000s | 31 March<br>2020<br>£000s |
| Historic Mortgages                     | (1)                      | 0                     | 0                             | 1                                | 0                                  | 0                         |
| Equity Mortgages                       | (2,269)                  | 0                     | (51)                          | 252                              | 118                                | (1,950)                   |
| Equity Loans                           | (1,490)                  | 0                     | 0                             | 0                                | (174)                              | (1,664)                   |
| <b>Total Deferred Capital Receipts</b> | <b>(3,760)</b>           | <b>0</b>              | <b>(51)</b>                   | <b>253</b>                       | <b>(56)</b>                        | <b>(3,614)</b>            |

**f - Financial Instruments Adjustment Account**

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

|                                    | 2018/19<br>£000s | 2019/20<br>£000s |
|------------------------------------|------------------|------------------|
| Balance at 1 April                 | (1,394)          | 1,114            |
| Soft loans in year movements       | (37)             | (33)             |
| Adjustment for interest free loans | 3,092            | 3,752 f(a)       |
| Premium and discounts              | (547)            | (549)            |
| <b>Balance at 31 March</b>         | <b>1,114</b>     | <b>4,284</b>     |

f (a) The Council has received interest free loans of £8.5m from the Homes and Communities Agency repayable in 2024 and £20.1m from Salix repayable until 2025. This amount represents the saving to the Council over the remaining length of the loans of them being interest free.

**g - Collection Fund Adjustment Account**

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

| <b>Council Tax</b>         | 2018/19<br>£000s | 2019/20<br>£000s |
|----------------------------|------------------|------------------|
| Balance at 1 April         | (12,718)         | (5,893)          |
| Movement in Year           | 6,825            | 3,031            |
| <b>Balance at 31 March</b> | <b>(5,893)</b>   | <b>(2,862)</b>   |

| <b>Business Rates</b>      | 2018/19<br>£000s | 2019/20<br>£000s |
|----------------------------|------------------|------------------|
| Balance at 1 April         | (14,583)         | (15,772)         |
| Movement in Year           | (1,189)          | 2,874            |
| <b>Balance at 31 March</b> | <b>(15,772)</b>  | <b>(12,898)</b>  |

| <b>Total</b>               | 2018/19<br>£000s | 2019/20<br>£000s |
|----------------------------|------------------|------------------|
| Balance at 1 April         | (27,301)         | (21,665)         |
| Movement in Year           | 5,636            | 5,905            |
| <b>Balance at 31 March</b> | <b>(21,665)</b>  | <b>(15,760)</b>  |

**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.

|                            | 2018/19<br>£000s | 2019/20<br>£000s |
|----------------------------|------------------|------------------|
| Balance at 1 April         | 6,290            | 5,690            |
| Movement in Year           | (600)            | 155              |
| <b>Balance at 31 March</b> | <b>5,690</b>     | <b>5,845</b>     |

**Note 44. 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 2018. 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 2019/20 are as follows:

|   | Central<br>Expenditure<br>£000s | Individual<br>Schools<br>Budget<br>£000s | Total<br>£000s |
|---|---------------------------------|--|----------------|
| Final DSG for 2019/20 before academy recoupment |                                 |  | 530,768        |
| Academy figure recouped for 2019/20             |                                 |  | (218,746)      |
| Total DSG after academy recoupment for 2019/20  |                                 |  | 312,022        |
| Plus brought forward from 2018/19               |                                 |  | (1,711)        |
| Less carry forward to 2019/20 agreed in advance |                                 |  | 0              |
| Agreed initial budgeted distribution in 2019/20 | 18,311                          | 292,000                                  | 310,311        |
| In year adjustments                             | 0                               | 1,711                                    | 1,711          |
| Final budgeted distribution for 2019/20         | 18,311                          | 293,711                                  | 312,022        |
| Less actual central expenditure                 | 17,491                          | 0  | 17,491         |
| Less actual ISB deployed to schools             | 0                               | 298,811                                  | 298,811        |
| Plus local authority contribution for 2019/20   | 0                               | 0  | 0              |
| <b>Carry forward to 2020/21</b>                 | <b>820</b>                      | <b>(5,100)</b>                           | <b>(4,280)</b> |

The Dedicated Schools Grant (DSG) reserve is negative because the centrally retained DSG has overspent, largely due to expenditure within the high needs block which supports the education of children with Special Educational Needs and Disabilities

This deficit is expected to be recovered over a three year period from 2020/21 to 2022/23. Based on the original budgets set for 2020/21 it is expected the DSG deficit will be reduced by £1.8m in 2020/21 and the balance over the following two years. There is to be a further review of areas within the High Needs Block to support this recovery.

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 45. 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 2020 the actuary has rolled forward the value of liabilities calculated at the latest formal valuation, 31 March 2019, 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 46.

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 47.

**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:

|   | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|---|--------------------------|--------------------------|
| <b>Comprehensive Income and Expenditure Statement</b>   |                          |                          |
| Net Cost of Services:   |                          |                          |
| current service cost  | 95,577                   | 101,196                  |
| past service costs  | 1,337                    | 5,826                    |
| Total Service Cost:   | 96,914                   | 107,022                  |
| Financing and investment income and expenditure   |                          |                          |
| interest income on scheme assets  | (74,025)                 | (72,570)                 |
| interest cost on defined benefit obligation   | 95,469                   | 96,006                   |
| Total Net Interest  | 21,444                   | 23,436                   |
| <b>Total post employment benefits charged to the deficit on the provision of services</b>   | <b>118,358</b>           | <b>130,458</b>           |
| <b>Re-measurement of the Net Defined Benefit Liability comprising:</b>  |                          |                          |
| return on plan assets (excluding amounts included in net interest)  | (137,701)                | 228,414                  |
| actuarial gains and losses arising on changes in demographic assumptions  | 0                        | (115,908)                |
| actuarial gains and losses arising on changes in financial assumptions  | 213,609                  | (271,760)                |
| other experience re-measurements  | 9,579                    | (176,247)                |
| <b>Total remeasurements recognised in other comprehensive income and expenditure</b>  | <b>85,487</b>            | <b>(335,501)</b>         |
| The amount charged to other comprehensive income and expenditure statement  | 61,840                   | 72,468                   |
| <b>Movement in Reserves Statement</b>   |                          |                          |
| Reversal of the charges to the deficit on the provision of services and the amounts chargeable to the general fund under regulation | (118,358)                | (130,458)                |
| Employer's contribution payable to scheme   | 45,638                   | 47,314                   |
| Employer's contribution re: unfunded deficit  | 10,880                   | 10,676                   |

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

Present value of the scheme liabilities:

|   | <b>Funded Liabilities: Local Government Pension Scheme</b> |                          |
|---|--|--------------------------|
|   | <b>2018/19<br/>£000s</b>                                   | <b>2019/20<br/>£000s</b> |
| Balance at 1 April                          | 3,673,969  | 3,993,575                |
| Current service cost                        | 95,577   | 101,196                  |
| Interest cost on defined benefit obligation | 95,469   | 96,006                   |
| Contributions by scheme participants        | 15,280   | 16,002                   |
| Changes in financial assumptions            | 213,609  | (271,761)                |
| Changes in demographic assumptions          | 0  | (115,908)                |
| Other experience re-measurements            | 9,579  | (176,247)                |
| Unfunded benefits paid                      | (10,880)   | (10,676)                 |
| Benefits paid                               | (100,365)  | (110,603)                |
| Past service cost including curtailments    | 1,337  | 5,826                    |
| <b>Balance at 31 March</b>                  | <b>3,993,575</b>   | <b>3,527,410</b>         |

Fair value of the scheme assets:

|   | <b>Local Government Pension Scheme</b> |                          |
|---|--|--------------------------|
|   | <b>2018/19<br/>£000s</b>               | <b>2019/20<br/>£000s</b> |
| Balance at 1 April                                  | (2,868,689)                            | (3,040,968)              |
| Interest income on plan assets                      | (74,025)                               | (72,570)                 |
| Return on assets (excluding amounts included in net | (137,701)                              | 228,414                  |
| Contributions in respect of unfunded benefits       | (10,880)                               | (10,676)                 |
| Employer contributions                              | (45,638)                               | (47,314)                 |
| Contributions by scheme participants                | (15,280)                               | (16,002)                 |
| Benefits paid                                       | 100,365                                | 110,603                  |
| Unfunded benefits paid                              | 10,880                                 | 10,676                   |
| <b>Balance at 31 March</b>                          | <b>(3,040,968)</b>                     | <b>(2,837,837)</b>       |

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

|  | 2018/19<br>£000s | 2019/20<br>£000s |
|--|------------------|------------------|
| Present value of funded liabilities                          | (3,855,980)      | (3,412,415)      |
| Present value of unfunded liabilities                        | (137,595)        | (114,995)        |
| Fair value of assets   | 3,040,968        | 2,837,837        |
| <b>Net Liability arising from Defined Benefit obligation</b> | <b>(952,607)</b> | <b>(689,573)</b> |

The liabilities show the underlying commitment that the Council has in the long run to pay retirement benefits. The total liability of £689,573,000 is included within the net worth of the Council which has increased by £393,171,000 as recorded in the balance sheet resulting in a positive overall balance of £2,596,815,000.

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 at 31 March 2022.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 is £42,070,000.

#### 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:

|  | 2018/19    | 2019/20    |
|--|------------|------------|
| Mortality assumptions:   |            |            |
| Longevity at 65 for current pensioners   |            |            |
| Men  | 21.5 years | 20.5 years |
| Women  | 24.1 years | 23.1 years |
| Longevity at 65 for future pensioners *  |            |            |
| Men  | 23.7 years | 22.0 years |
| Women  | 26.2 years | 25.0 years |
| Rate of increase in salaries   | 2.6%       | 2.7%       |
| Rate of increase in pensions   | 2.5%       | 1.9%       |
| Discount rate  | 2.4%       | 2.3%       |
| 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%      | 60.0%      |

\* 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 2020    | % increase to Employer Liability | £000s   |
|--|----------------------------------|---------|
| 0.5% decrease in real discount rate        | 9%                               | 316,252 |
| 0.5% increase in the salary increase rate  | 1%                               | 30,041  |
| 0.5% increase in the pension increase rate | 8%                               | 283,505 |

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 Employers Defined Benefit 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 2019                 |  |           |      | Year Ended 31 March 2020                 |  |           |      |
|---|--|--|-----------|------|--|--|-----------|------|
|   | Quoted<br>Prices in<br>Active<br>Markets | Quoted<br>Prices not<br>in Active<br>Markets | Total     |      | Quoted<br>Prices in<br>Active<br>Markets | Quoted<br>Prices not<br>in Active<br>Markets | Total     |      |
|   | £000s                                    | £000s  | £000s     | %    | £000s                                    | £000s  | £000s     | %    |
| <b>Equity securities</b>                |  |  |           |      |  |  |           |      |
| Consumer                                | 167,964                                  | 0  | 167,964   | 5%   | 214,913                                  | 0  | 214,913   | 8%   |
| Manufacturing                           | 175,734                                  | 0  | 175,734   | 6%   | 177,111                                  | 0  | 177,111   | 6%   |
| Energy and utilities                    | 170,890                                  | 0  | 170,890   | 6%   | 140,721                                  | 0  | 140,721   | 5%   |
| Financial institutions                  | 240,663                                  | 0  | 240,663   | 8%   | 254,950                                  | 0  | 254,950   | 9%   |
| Health and care                         | 89,797                                   | 0  | 89,797    | 3%   | 131,839                                  | 0  | 131,839   | 5%   |
| Information technology                  | 54,291                                   | 0  | 54,291    | 2%   | 116,763                                  | 0  | 116,763   | 4%   |
| Other                                   | 33,319                                   | 0  | 33,319    | 1%   | 58,287                                   | 0  | 58,287    | 2%   |
| <b>Debt securities</b>                  |  |  |           |      |  |  |           |      |
| Corporate bonds (investment grade)      | 113,744                                  | 0  | 113,744   | 4%   | 136,368                                  | 0  | 136,368   | 5%   |
| UK government                           | 20,025                                   | 0  | 20,025    | 1%   | 0  | 0  | 0         | 0%   |
| Other                                   | 77,129                                   | 0  | 77,129    | 2%   | 116,031                                  | 0  | 116,031   | 4%   |
| <b>Private equity</b>                   |  |  |           |      |  |  |           |      |
| All                                     | 0  | 142,417                                      | 142,417   | 5%   | 0  | 180,628                                      | 180,628   | 6%   |
| <b>Real estate</b>                      |  |  |           |      |  |  |           |      |
| UK property                             | 0  | 144,437                                      | 144,437   | 5%   | 0  | 130,394                                      | 130,394   | 5%   |
| <b>Investment funds and unit trusts</b> |  |  |           |      |  |  |           |      |
| Equities                                | 687,440                                  | 0  | 687,440   | 23%  | 265,531                                  | 0  | 265,531   | 9%   |
| Bonds                                   | 378,269                                  | 0  | 378,269   | 12%  | 356,654                                  | 0  | 356,654   | 13%  |
| Infrastructure                          | 0  | 145,790                                      | 145,790   | 5%   | 0  | 169,774                                      | 169,774   | 6%   |
| Other                                   | 59,259                                   | 262,302                                      | 321,562   | 10%  | 67,801                                   | 288,047                                      | 355,848   | 13%  |
| <b>Derivatives</b>                      |  |  |           |      |  |  |           |      |
| Other                                   | 1,541                                    | 0  | 1,541     | 0%   | 0  | 0  | 0         | 0%   |
| <b>Cash and cash equivalents</b>        |  |  |           |      |  |  |           |      |
| All                                     | 75,957                                   | 0  | 75,957    | 2%   | 32,025                                   | 0  | 32,025    | 1%   |
|   | 2,346,022                                | 694,946                                      | 3,040,968 | 100% | 2,068,994                                | 768,843                                      | 2,837,837 | 100% |

#### Note 46. 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 45.

The pension costs charged to the accounts are at the contribution rate set by the DfE on the basis of a notional fund. In 2019/20 the Council's contribution to the DfE in respect of teachers' pension costs was £20,488,000 (£16,059,000 2018/19), the set contribution rate being 16.48% for the period to 31 August 2019, then 23.68% from 1 September 2019 to 31 March 2020 (16.48% 2018/19).

The total contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2021 is £24,281,000.

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with related increases. In 2019/20 these amounted to £5,756,000 (£5,900,000 2018/19) of which £1,045,000 (£1,178,000 2018/19) relates to former establishment employees and is refunded by the Higher Education Funding Council.

#### Note 47. 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 2019/20 the Council's contribution in respect of former NHS staff pension costs was £84,000 (£85,000 in 2018/19), the set contribution rate being 14.4% (14.4% in 2018/19).

#### Note 48. 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.

##### Contingent Liabilities

There are no Contingent Liabilities reported

**Note 49. 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:

| <b>Income</b>  | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |   |
|--|--------------------------|--------------------------|---|
| Central Government - revenue grants                          | 698,779                  | 668,569                  | a |
| Central Government - capital grants                          | 102,182                  | 89,654                   | a |
| Greater Manchester Combined Authority - capital contribution | 12,113                   | 21,740                   | b |
| Manchester Airports Holdings Ltd - dividend                  | 64,215                   | 71,061                   | c |
| Manchester Airports Holdings Ltd - repayment of interest     | 16,465                   | 22,478                   | c |
| Manchester Airports Holdings Ltd - net rent                  | 9,913                    | 9,013                    | c |
| Manchester Clinical Commissioning Group                      | 9,657                    | 21,014                   | d |
| Destination Manchester Ltd - interest on loans               | 811                      | 776                      | c |
| Destination Manchester Ltd - repayment of loan principal     | 750                      | 0                        | c |
| Northwards Housing Ltd (capital and revenue income)          | 1,658                    | 2,133                    | e |
|  | <b>916,543</b>           | <b>906,438</b>           |   |

| <b>Expenditure</b>   | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |   |
|--|--------------------------|--------------------------|---|
| Greater Manchester Combined Authority - levy                           | 54,708                   | 36,824                   | b |
| Greater Manchester Waste Disposal Authority - levy                     | 14,389                   | 31,514                   | b |
| Greater Manchester Police and Crime Commissioner - precept             | 19,690                   | 23,006                   | b |
| Greater Manchester Fire and Rescue Authority - precept                 | 7,676                    | 8,927                    | b |
| Greater Manchester Fire and Rescue Authority - share of business rates | 3,248                    | 3,329                    | b |
| Manchester Clinical Commissioning Group                                | 4,450                    | 7,795                    | d |
| Northwards Housing Ltd (capital and revenue spend)                     | 25,415                   | 30,793                   | e |
| Manchester Working Ltd (capital and revenue spend)                     | 14,057                   | 0                        | e |
|  | <b>143,632</b>           | <b>142,188</b>           |   |

|   | <b>Amounts owed from</b> |                          | <b>Amounts owed to</b>   |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
| Central Government                      | 39,351                   | 36,868                   | 23,842                   | 50,413                   |
| Greater Manchester Combined Authority   | 7,804                    | 10,086                   | 1,648                    | 12,385                   |
| Manchester Airports Holdings Ltd        | 207,418                  | 218,713                  | 0                        | 0                        |
| Destination Manchester Ltd              | 17,157                   | 17,157                   | 0                        | 0                        |
| Manchester Clinical Commissioning Group | 5,943                    | 5,151                    | 7                        | 54                       |
| Northwards Ltd                          | 347                      | 697                      | 1,210                    | 927                      |
| Manchester Working Ltd                  | 790                      | 242                      | 30                       | 333                      |
|   | <b>278,809</b>           | <b>288,914</b>           | <b>26,737</b>            | <b>64,112</b>            |

**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 2019/20 is set out in Note 18. Details of member's interest, both pecuniary and non-financial are recorded in the register of member's interest (available for public inspection). During 2019/20 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 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 16 and 17. Central Government debtors and creditors are set out in Notes 35 and 37.

**b. Other Public Bodies**

The Council pays levies towards the services provided by Greater Manchester Combined Authority (GMCA) for the management and disposal of household waste and 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 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 Deputy Chief Executive and City Treasurer, Carol Culley.

**d. Manchester Clinical Commissioning Group (CCG) and Manchester Health and Care Commissioning (MHCC)**

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.

Manchester Health and Care Commissioning (MHCC) is a partnership between Manchester CCG and Manchester City Council, established in 2017, and is responsible for the commissioning of health, public health and adult social care services in the city of Manchester. This supports the vision for a Single Commissioning Function across the City of Manchester. These arrangements allow for the sharing of Health and Social Care resources for the best use for the population in Manchester. This effectively allows health or social care resource to be re-purposed for the best use of the population in Manchester. Through integrated working this may mean funding moves around the health and social care system. The transactions between the Council and CCG mainly reflects the costs of the new integrated care models which are funded from approved funding sources, such as Greater Manchester transformation funding or identified commissioner budgets.

**e. Subsidiaries or associates of the Council.**

These organisations are not consolidated into the Council's group accounts because they are not material.

**Northwards Housing Ltd**

Northwards Housing Ltd is an Arms Length Management Organisation limited by guarantee, and therefore a subsidiary of the Council. Manchester City Council is the ultimate parent undertaking.

The principal activity of Northwards Housing Ltd is the management and maintenance of Manchester City Council's housing stock in North Manchester.

**Manchester Working**

Manchester Working was responsible for undertaking repairs and maintenance of council houses managed by Northwards and the facilities management estate for the Council; the Council did not have a contract with Manchester Working in 2019/20.

**Note 50. Trust Funds**

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

These trust funds are not material either individually or in total.

Manchester City Council is sole trustee for Castlefield Heritage Trust. The Council administers the following trust funds: We Love Manchester (The Lord Mayor of Manchester's) Charity Appeal Trust; Manchester Safeguarding Children Board and the Millennium Quarter Trust.

These funds are not Council assets and are not included in the Council's Balance Sheet.

**Note 51. Analysis of Cash and Cash Equivalents**

|                                  | <b>31 March<br/>2019<br/>£000s</b> | <b>31 March<br/>2020<br/>£000s</b> |
|----------------------------------|------------------------------------|------------------------------------|
| <b>Cash and Cash Equivalents</b> |                                    |                                    |
| Cash in hand                     | 66                                 | 59                                 |
| Call accounts                    | 10,241                             | 8,269                              |
| Investments less than 3 months   | 61,303                             | 100,030                            |
| Balance at bank                  | 32,867                             | 25,626                             |
| <b>Total</b>                     | <b>104,477</b>                     | <b>133,984</b>                     |

**Note 52. Cash Flow Statement - Adjustments to net deficit on the provision of services for non-cash movements**

|  | <b>Restated<br/>31 March<br/>2019<br/>£000s</b> | <b>31 March<br/>2020<br/>£000s</b> |
|--|---|------------------------------------|
| Depreciation of non current assets   | 73,011  | 77,109                             |
| Impairment and revaluation losses of non current assets  | 47,236  | 13,930                             |
| Amortisation of intangible non-current assets  | 130   | 85                                 |
| Pension fund adjustments   | 61,840  | 72,468                             |
| Movement in fair 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   | (21,766)  | 8,231                              |
| Decrease / (increase) in inventories   | 59  | (27)                               |
| Decrease / (increase) in debtors (less capital)  | 38,358  | (19,764)                           |
| Decrease / (increase) in interest debtors  | 3,657   | (13,768)                           |
| (Decrease) / increase in creditors (less capital)  | (11,332)  | 50,821                             |
| (Decrease) in interest creditors   | (5)   | (76)                               |
| <b>Total</b>   | <b>257,713</b>                                  | <b>246,318</b>                     |

**Note 53. Cash Flow Statement - Adjustments for items included in the net deficit on the provision of services that are investing and financing activities**

|  | <b>31 March<br/>2019<br/>£000s</b> | <b>31 March<br/>2020<br/>£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)                          |
|  | <b>(148,286)</b>                   | <b>(144,477)</b>                   |

**Note 54. Cash Flow Statement - Operating Activities**

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

|                    | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|--------------------|--------------------------|--------------------------|
| Interest received  | (26,629)                 | (15,690)                 |
| Interest paid      | 33,642                   | 31,692                   |
| Dividends received | (64,215)                 | (71,061)                 |

**Note 55. Cash Flow Statement - Investing Activities**

|  | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|--|--------------------------|--------------------------|
| Purchase of plant, property and equipment, investment property and intangible assets               | (398,427)                | (226,654)                |
| Purchase of short-term and long-term investments   | (4,000)                  | (1,870)                  |
| Proceeds from the sale 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   | 12,628                   | 21,040                   |
| <b>Net cash flows from investing activities</b>  | <b>(292,813)</b>         | <b>(86,845)</b>          |

**Note 56. Cash Flow Statement - Financing Activities**

|   | <b>Restated<br/>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|---|---------------------------------------|--------------------------|
| Repayments of long term borrowing   | (76,266)                              | (33,827)                 |
| Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts | (13,387)                              | (12,931)                 |
| Cash receipts of long and short term borrowing  | 272,774                               | 69,215                   |
| Repayment of ex GMC debt  | (2,260)                               | (2,370)                  |
| <b>Net cash flows from financing activities</b>   | <b>180,861</b>                        | <b>20,087</b>            |

**Note 57. Cash Flow Statement - Reconciliation of liabilities arising from Financing Activities**

|  | 1 April<br>2019 | Financing<br>cash flows | Non- cash changes |                              | 31 March<br>2020 |
|--|-----------------|-------------------------|-------------------|------------------------------|------------------|
|  |                 |                         | Acquisition       | Other<br>non-cash<br>changes |                  |
|  | £000s           | £000s                   | £000s             | £000s                        | £000s            |
| Long-term borrowings                               | 607,232         | 69,215                  | 0                 | (91,050)                     | 585,397          |
| Short-term borrowings                              | 126,283         | (33,827)                | 0                 | (59,552)                     | 32,904           |
| Ex GMC debt  | 7,516           | (2,370)                 | 0                 | 0                            | 5,146            |
| PFI liabilities                                    | 151,767         | (12,217)                | 16,447            | 0                            | 155,997          |
| Service concessions                                | 4,131           | (714)                   | 2,089             | 0                            | 5,506            |
| <b>Total liabilities from financing activities</b> | <b>896,929</b>  | <b>20,087</b>           | <b>18,536</b>     | <b>(150,602)</b>             | <b>784,950</b>   |

|  | 1 April<br>2018 | Financing<br>cash flows | Non- cash changes |                              | 31 March<br>2019 |
|--|-----------------|-------------------------|-------------------|------------------------------|------------------|
|  |                 |                         | Acquisition       | Other<br>non-cash<br>changes |                  |
|  | £000s           | £000s                   | £000s             | £000s                        | £000s            |
| Long-term borrowings                               | 482,531         | 272,774                 | 0                 | (148,073)                    | 607,232          |
| Short-term borrowings                              | 51,948          | (76,266)                | 0                 | 150,601                      | 126,283          |
| Ex GMC debt  | 9,776           | (2,260)                 | 0                 | 0                            | 7,516            |
| Finance Lease liabilities                          | 14              | (14)                    | 0                 | 0                            | 0                |
| PFI liabilities                                    | 152,125         | (12,760)                | 12,402            | 0                            | 151,767          |
| Service concessions                                | 4,239           | (613)                   | 505               | 0                            | 4,131            |
| <b>Total liabilities from financing activities</b> | <b>700,633</b>  | <b>180,861</b>          | <b>12,907</b>     | <b>2,528</b>                 | <b>896,929</b>   |

**Note 58. Events after the Balance Sheet Date**Local Government Pension Scheme Advance Payment

On 30 April 2020 the Council made an advance payment of £129.6m to the Greater Manchester Pension Fund. This was an estimate of three years employer pension contributions. As a result of this advanced payment the contribution rate, following the triennial valuation, was reduced by 1% to 17.5% resulting in a saving to the Council.

Loan to Manchester Airport Holdings Ltd

The shareholder holders of Manchester Airport Holdings Ltd have agreed to lend MAHL a total of £300m in order to ensure the ongoing stability of MAHL following the COVID19 pandemic to ensure that the benefits of the Airport to the region and the financial interests of the shareholders are protected. The Council has a shareholding of 35.5%, its proportion of the loan (£106.5m) was advanced on 2 July 2020. This loan is repayable in full by 30 September 2058. A further loan of £102m, if required, (Council's share £36.2m) has been approved to provide continued working capital and operational support (not to be spent on new business acquisitions or new capital expenditure programmes).

COVID 19

The COVID-19 pandemic has had a significant impact on the Council's financial position and activities at the end of 2019/20 and predominately during 2020/21. The Council has had to complete monthly financial returns to MHCLG to track the financial impact of costs and income losses and has received additional government funding. The full details of the support received until mid July is to be reported to the Executive on 29 July 2020.

*Government Funding Support*

The funding support received includes -

Emergency Grant Funding - The government has allocated the Council £65.171m of emergency funding for Council related costs and income losses arising from COVID-19. An amount of £18.589m was received in March 2020. Of this £389,000 was applied to costs in 2019/20, with the balance of £18.2m transferred to an earmarked reserve. A second instalment of £15.167m was announced on 18 April 2020, a third tranche of £7.085m on 16 July 2020 and a fourth tranche of £24.33m on 20 October 2020..

There have been further funding allocations :

£7.458m from the Council Tax Hardship Fund,

£68,000 for emergency support for rough sleepers,



Care Home Infection Control Fund Round 1 £3.342m and Round 2 £3.084m,  
£5.432m local authority discretionary grants fund,  
£4.837m track and trace funding,  
£2m Next Step Accommodation Grant  
£489,000 reopening high streets safely fund and  
£0.957m local authority emergency assistance grant for food and essential supplies.  
£225,000 New Burdens Funding for Business Rates Administration  
£4.423m Contain Outbreak Management Fund  
£0.68m Test and Trace Support Payments (Self Isolation Scheme)  
£453,000 Local Authority Compliance and Enforcement Grant  
£286,000 to support clinically vulnerable individuals advised to shield  
£390,000 to support the culture sector recovery  
£2.581m Winter Grant Scheme to support the hardest hit families families and individuals with *food and bills*

Further national allocations have been announced but the Council has not yet been informed of the allocation. These are :  
Homelessness Rough Sleepers (£15m nationally)  
Support for income shortfalls (sales, fees and charges)  
Support for Council leisure centres (£100m nationally)

Support for Businesses  
The Council is also responsible for processing grants on behalf of local government for expanded retail discounts of £138.477m to business ratepayers and paying small business grants and retail, hospitality and leisure grants of £121.032m, £5.432m of Local Authority discretionary grants, grants for businesses during tier 3 restrictions of £7.665m and the second national lockdown of £11.187m.

In addition, an allocation to all GM authorities placed in tier 3 passed from GMCA and estimated to be £11.7m for Manchester

*Financial Impact on the Council*

From April 2020, every Local Authority has been required to submit monthly returns to MHCLG setting out the forecast financial implications of COVID 19. The most recent return for the Council was submitted on 6 November, and for 2020/21 includes an estimated £53.8m of additional costs. Directorates have identified savings and in-year mitigations to support the current position totalling £16.5m. In addition the recently announced emergency funding allocations provide additional resources to leave a balanced budget in 2020/21.

Alongside this in 2020/21 there is also a forecast loss of income on the Collection Fund , relating to the loss of Council Tax totalling £18.4m and Business Rates £24.6m (with the allocated share falling to other preceptors).

There is a significant financial shortfall projected in 2020/21 and beyond.

The impact on the Council's General Fund revenue budget will largely fall in 2021/22 because business rates and council tax reductions go through the Collection Fund and impact on the revenue budget is in the following financial year, rather than the year in which the income is (or is not) collected. Likewise the Council has an airport dividend reserve which means that a significant proportion of the income (£56m) is used a year in arrears. Finally bus lane and parking lane enforcement income impacts on the level of the reserves to fund future commitments.

**Note 59. Authorisation for Issue of the Statement of Accounts**

The 2019/20 Statement of Accounts was authorised for issue by Carol Culley, the Deputy Chief Executive and City Treasurer on 26 November 2020. 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.

| <b>Restated<br/>2018/19<br/>£000s</b> |   | <b>Note</b> | <b>2019/20<br/>£000s</b> |
|---------------------------------------|---|-------------|--------------------------|
|                                       | <b>Expenditure</b>  |             |                          |
| 26,517                                | Repairs and maintenance   |             | 26,317                   |
| 15,096                                | Supervision and management  |             | 14,610                   |
| 36                                    | Rents, rates, taxes and other charges   |             | 281                      |
| 33,986                                | Depreciation and impairment of non-current assets   | d,e         | 23,256                   |
| 28                                    | Debt management costs   |             | 25                       |
| 52                                    | Revenue expenditure funded from capital under statute   | f           | 48                       |
| <b>75,715</b>                         |   |             | <b>64,537</b>            |
|                                       | <b>Income</b>   |             |                          |
| (60,058)                              | Dwelling rents (gross)  |             | (59,944)                 |
| (407)                                 | Non-dwelling rents (gross)  |             | (392)                    |
| (1,877)                               | Charges for services and facilities   |             | (922)                    |
| (279)                                 | Contributions towards expenditure   |             | (243)                    |
| (23,600)                              | Private Finance Initiative Grant  |             | (23,586)                 |
| <b>(86,221)</b>                       |   |             | <b>(85,088)</b>          |
| <b>(10,506)</b>                       | <b>Net (Income) of HRA Services as included in the Council's Comprehensive Income and Expenditure Statement</b>         |             | <b>(20,551)</b>          |
| 98                                    | HRA services share of corporate and democratic core   |             | 98                       |
| 5                                     | HRA share of other amounts included in the Council's net cost of services but not allocated to specific services        |             | 54                       |
| <b>(10,403)</b>                       | <b>Net (Income) of HRA Services</b>   |             | <b>(20,399)</b>          |
|                                       | <b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b> |             |                          |
| (7,215)                               | (Gain) on disposal of HRA non-current assets  |             | (7,129)                  |
| 11,767                                | Interest payable and similar charges  |             | 11,990                   |
| 555                                   | Movement in the allowance for bad debts   |             | 111                      |
| (211)                                 | Interest and investment income  |             | (131)                    |
| 82                                    | Net interest on the net defined benefit liability   |             | 80                       |
| (583)                                 | Capital grants and contributions  |             | (4)                      |
| <b>(6,008)</b>                        | <b>(Surplus) for the year on HRA services</b>   |             | <b>(15,483)</b>          |

**Movement on the Housing Revenue Account Statement**

| <b>2018/19<br/>£000s</b> |   | <b>2019/20<br/>£000s</b> |
|--------------------------|---|--------------------------|
| <b>(99,940)</b>          | <b>Balance on the HRA at the end of the previous year</b>                   | <b>(104,452)</b>         |
| (6,008)                  | (Surplus) for Year on the HRA Income and Expenditure Statement              | (15,483)                 |
|                          | <b>Adjustments between accounting basis and funding basis under statute</b> |                          |
| 89                       | Capital expenditure funded by the HRA                                       | 151                      |
| 7,215                    | Gain on disposal of HRA non-current assets                                  | 7,129                    |
| 0                        | Transfer to short term accumulating absences account                        | 0                        |
| (237)                    | HRA share of contributions from the pension reserve                         | (167)                    |
| (16,988)                 | Impairment of non-current assets  | (5,149)                  |
| (52)                     | Amortisation of Revenue Expenditure Funded from Capital under Statute       | (48)                     |
| 10,886                   | PFI Charges   | 8,570                    |
| 583                      | Capital grants and contributions receivable                                 | 4                        |
| <b>(4,512)</b>           | <b>Net (Increase) in Year on the HRA</b>                                    | <b>(4,993)</b>           |
| <b>(104,452)</b>         | <b>Balance on the HRA at the end of the current year</b>                    | <b>(109,445)</b>         |

**Notes to the Housing Revenue Account****(a) Housing Stock**

The Council was responsible for managing an average of 15,767 dwellings during 2019/20.

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

|                      | <b>31 March<br/>2019</b> | <b>31 March<br/>2020</b> |
|----------------------|--------------------------|--------------------------|
| Houses and bungalows | 9,006                    | 8,877                    |
| Flats                | 6,762                    | 6,735                    |
| Others               | 77                       | 77                       |
|                      | <b>15,845</b>            | <b>15,689</b>            |

The change in stock is as follows:

|                       | <b>2018/19</b> | <b>2019/20</b> |
|-----------------------|----------------|----------------|
| Stock at 1 April      | 15,937         | 15,845         |
| Sales - Right to Buys | (181)          | (191)          |
| Demolitions           | (1)            | (1)            |
| Transfers             | (1)            | 0              |
| Other                 | 3              | 12             |
| New buildings         | 87             | 23             |
| Acquisitions          | 1              | 1              |
| Stock at 31 March     | <b>15,845</b>  | <b>15,689</b>  |

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

|                               | <b>31 March<br/>2019<br/>£000s</b> | <b>31 March<br/>2020<br/>£000s</b> |
|-------------------------------|------------------------------------|------------------------------------|
| <b>Operational</b>            |                                    |                                    |
| Council dwellings             | 550,384                            | 568,161                            |
| Other land and buildings      | 4,019                              | 5,039                              |
| Vehicles, plant and equipment | 884                                | 783                                |
| Infrastructure                | 2,026                              | 1,945                              |
|                               | <b>557,313</b>                     | <b>575,928</b>                     |
| <b>Non-operational</b>        |                                    |                                    |
| Surplus properties            | 576                                | 572                                |
| Assets under construction     | 97                                 | 2,091                              |
|                               | <b>557,986</b>                     | <b>578,591</b>                     |

**(b) Vacant Possession of Dwellings**

The vacant possession value of dwellings within the Council's HRA at 1 April 2019 was £1,363,630,000. 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**

|   | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|---|--------------------------|--------------------------|
| <b>Expenditure</b>                                    |                          |                          |
| Property, plant and equipment                         | 15,260                   | 18,898                   |
| Revenue expenditure funded from capital under statute | 52                       | 48                       |
|   | <b>15,312</b>            | <b>18,946</b>            |
| <b>Funded by</b>                                      |                          |                          |
| Revenue contributions                                 | 89                       | 151                      |
| Capital receipts                                      | 556                      | 197                      |
| Major repairs reserve                                 | 14,084                   | 18,594                   |
| Government grants                                     | 622                      | 0                        |
| External contributions                                | (39)                     | 4                        |
|   | <b>15,312</b>            | <b>18,946</b>            |
| <b>Receipts</b>                                       |                          |                          |
| Council dwellings                                     | 14,293                   | 14,591                   |
| Mortgage repayments                                   | 2                        | 1                        |
|   | <b>14,295</b>            | <b>14,592</b>            |

**(d) Depreciation**

|                                      | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|--------------------------------------|--------------------------|--------------------------|
| <b>Property, plant and equipment</b> |                          |                          |
| Council dwellings                    | 16,708                   | 17,822                   |
| Other land and buildings             | 107                      | 104                      |
| Vehicles, plant and equipment        | 98                       | 100                      |
| Infrastructure                       | 84                       | 81                       |
|                                      | <b>16,997</b>            | <b>18,107</b>            |

**(e) Impairment Charges**

|                                   | <b>Restated</b>          |                          |
|-----------------------------------|--------------------------|--------------------------|
|                                   | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
| Non-enhancing capital expenditure | 3,728                    | 117                      |
| Downward revaluation of assets    | 13,260                   | 5,031                    |
|                                   | <b>16,988</b>            | <b>5,149</b>             |

**(f) Revenue Expenditure Funded From Capital Under Statute**

Revenue expenditure funded from capital under statute of £48,000 (£52,000 in 2018/19) 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 and past service costs). The HRA share of the contribution from the pensions reserve in 2019/20 is £167,000 (£237,000 in 2018/19). The overall amount to be met from rent payers remains unchanged.

**(h) Rent Arrears**

|                     | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|---------------------|--------------------------|--------------------------|
| Arrears at 31 March | 8,216                    | 7,599                    |

|                                 | <b>2018/19<br/>£000s</b> | <b>2019/20<br/>£000s</b> |
|---------------------------------|--------------------------|--------------------------|
| Provision at 1 April            | 5,967                    | 6,263                    |
| Contributions in year           | 296                      | 93                       |
| <b>Provision as at 31 March</b> | <b>6,263</b>             | <b>6,356</b>             |



## 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.

| 2018/19<br>£000s |                |                |   | 2019/20<br>£000s |                |                |
|------------------|----------------|----------------|---|------------------|----------------|----------------|
| Business Rates   | Council Tax    | Total          |   | Business Rates   | Council Tax    | Total          |
| 0                | 187,647        | 187,647        | <b>Income</b>                           | 0                | 203,090        | 203,090        |
| 373,938          | 0              | 373,938        | Council Tax - net amount receivable     | 377,735          | 0              | 377,735        |
| 373,938          | 187,647        | 561,585        | Collectable from business ratepayers    | 377,735          | 203,090        | 580,825        |
|                  |                |                | <b>Expenditure</b>                      |                  |                |                |
|                  |                |                | Apportionment of Previous Year Surplus  |                  |                |                |
| 6,497            | 0              | 6,497          | - Central Government                    | 0                | 0              | 0              |
| 16,360           | 10,045         | 26,405         | - Manchester City Council               | 13,271           | 5,478          | 18,749         |
| 0                | 1,275          | 1,275          | - GMCA Police and Crime Commissioner    | 0                | 721            | 721            |
| 231              | 470            | 701            | - GMCA Mayoral and Fire and Rescue      | 134              | 281            | 415            |
|                  |                |                | Precepts and demands                    |                  |                |                |
| 321,572          | 149,626        | 471,198        | - Manchester City Council               | 329,567          | 159,030        | 488,597        |
| 0                | 19,690         | 19,690         | - GMCA Police and Crime Commissioner    | 0                | 23,006         | 23,006         |
| 3,248            | 7,676          | 10,924         | - GMCA Mayoral and Fire and Rescue      | 3,329            | 8,927          | 12,256         |
|                  |                |                | Business rates                          |                  |                |                |
| 1,380            | 0              | 1,380          | - Transitional protection payment       | 1,152            | 0              | 1,152          |
| 0                | 0              | 0              | - EZ Growth Disregard                   | 548              | 0              | 548            |
|                  |                |                | Charges to Collection Fund              |                  |                |                |
| 5,723            | 7,762          | 13,485         | - Write offs of uncollectable amounts   | 10,331           | 707            | 11,038         |
| 1,282            | (935)          | 347            | - Increase in Allowance for Impairment  | (455)            | 8,606          | 8,151          |
| 21,876           | 0              | 21,876         | - Contribution to Provision for Appeals | 21,638           | 0              | 21,638         |
| 1,131            | 0              | 1,131          | - Costs of collection                   | 1,124            | 0              | 1,124          |
| <b>379,300</b>   | <b>195,609</b> | <b>574,909</b> | <b>Total Expenditure</b>                | <b>380,638</b>   | <b>206,756</b> | <b>587,394</b> |
| (5,362)          | (7,962)        | (13,324)       | Movement on fund balance                | (2,903)          | (3,666)        | (6,569)        |
| 21,293           | 15,137         | 36,430         | Fund balance brought forward            | 15,931           | 7,175          | 23,106         |
| <b>15,931</b>    | <b>7,175</b>   | <b>23,106</b>  | <b>Fund Balance Carried Forward</b>     | <b>13,028</b>    | <b>3,509</b>   | <b>16,537</b>  |

**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). These rates are based on rateable values for properties set by the Valuation Office Agency which are multiplied by a uniform business rate set by central government. The multiplier for the year was set at 49.1p (48.0p for 2018/19) for smaller businesses and for larger businesses 50.4p (49.3p for 2018/19). The total business rates rateable value at 31 March 2020 was £906,661,850 (£902,975,768 at 31 March 2019).

**b Calculation of the Council Tax Base**

For 2019/20 there were 232,608 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 200,890 equivalent number of dwellings after taking account of discounts, exemptions and disabled relief. These equate to 154,904 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<br>Band | Total<br>Equivalent<br>Number of<br>Dwellings<br>after<br>Discounts,<br>Exemptions<br>and Disabled<br>Relief | Chargeable<br>Band D<br>Equivalents |
|-------------------|--|-------------------------------------|
| A                 | 112,389  | 74,896                              |
| B                 | 35,234   | 27,404                              |
| C                 | 30,528   | 27,136                              |
| D                 | 14,605   | 14,605                              |
| E                 | 5,036  | 6,155                               |
| F                 | 2,160  | 3,120                               |
| G                 | 864  | 1,440                               |
| H                 | 74   | 148                                 |
|                   | 200,890  | 154,904                             |

The number of chargeable Band D equivalents for 2018/19 was 151,652.

**(c) Share of Fund Balance**

The shares of the closing fund balances are shown in the tables below.

| Business Rates          | Surplus<br>2018/19<br>£000s | Surplus<br>2019/20<br>£000s |
|-------------------------|-----------------------------|-----------------------------|
| Manchester City Council | 15,772                      | 12,898                      |
| GMCA Fire and Rescue    | 159                         | 130                         |
| Total Surplus           | 15,931                      | 13,028                      |

| Council Tax                        | Surplus<br>2018/19<br>£000s | Surplus<br>2019/20<br>£000s |
|------------------------------------|-----------------------------|-----------------------------|
| Manchester City Council            | 5,894                       | 2,862                       |
| GMCA Police and Crime Commissioner | 924                         | 426                         |
| GMCA Mayoral and Fire and Rescue   | 357                         | 221                         |
| Total Surplus                      | 7,175                       | 3,509                       |

## 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<br>2018/19<br>Gross<br>Expenditure<br>£000s | Restated<br>2018/19<br>Gross<br>Income<br>£000s | Restated<br>2018/19<br>Net<br>Expenditure<br>£000s |  | Note | 2019/20<br>Gross<br>Expenditure<br>£000s | 2019/20<br>Gross<br>Income<br>£000s | 2019/20<br>Net<br>Expenditure<br>£000s |
|--|---|--|--|------|--|-------------------------------------|--|
| 245,499  | (55,222)  | 190,277  | <b>Continuing operations</b>   |      | 272,674                                  | (60,059)                            | 212,615                                |
| 31,673   | (20,338)  | 11,335   | Adult Social Care  |      | 36,318                                   | (24,491)                            | 11,827                                 |
| 558,948  | (401,684)                                       | 157,264  | Homelessness   |      | 567,681                                  | (386,914)                           | 180,767                                |
| 351,065  | (275,571)                                       | 75,494   | Children's Services  |      | 332,904                                  | (248,094)                           | 84,810                                 |
| 163,413  | (48,502)  | 114,911  | Corporate Core   |      | 173,851                                  | (52,433)                            | 121,418                                |
| 95,773   | (41,944)  | 53,829   | Neighbourhoods and Highways  |      | 86,058                                   | (42,468)                            | 43,590                                 |
| 6,170  | (4,278)   | 1,892  | Growth and Development   |      | 5,492                                    | (11,152)                            | (5,660)                                |
| 17,937   | 0   | 17,937   | Corporate Items  |      | 8,276                                    | 0                                   | 8,276                                  |
| 75,715   | (86,221)  | (10,506)   | Council-Wide Costs   |      | 64,537                                   | (85,088)                            | (20,551)                               |
| 9,608  | (17,866)  | (8,258)  | Housing Revenue Account  |      | 21,097                                   | (18,718)                            | 2,379                                  |
| 1,555,801  | (951,626)                                       | 604,175  | Destination Manchester Ltd   |      | 1,568,888                                | (929,417)                           | 639,471                                |
|  |   |  | <b>Cost of services excluding acquired services</b>  |      |  |                                     |  |
| 12,946   | (7,215)   | 5,731  | <b>Other operating expenditure</b>   |      | 52,586                                   | (7,129)                             | 45,457                                 |
| 69,097   | 0   | 69,097   | Loss on disposal of non-current assets   |      | 68,687                                   | 0                                   | 68,687                                 |
| 2,567  | 0   | 2,567  | Levies   |      | 2,553                                    | 0                                   | 2,553                                  |
| 84,610   | (7,215)   | 77,395   | Payments to government housing capital receipts pool   |      | 123,826                                  | (7,129)                             | 116,697                                |
| 182,070  | (151,685)                                       | 30,385   | <b>Total other operating expenditure</b>   |      | 167,171                                  | (175,334)                           | (8,163)                                |
| 22,107   | (658,408)                                       | (636,301)  | Financing and investment income and expenditure  | 6    | 44,150                                   | (712,691)                           | (668,541)                              |
| 1,844,588  | (1,768,934)                                     | 75,654   | Taxation and non-specific grant income and expenditure   |      | 1,904,035                                | (1,824,571)                         | 79,464                                 |
| 278,985  | (331,996)                                       | (53,011)   | <b>Deficit on provision of services</b>  |      | 309,586                                  | (331,464)                           | (21,878)                               |
| 448  | 0   | 448  | Share of operating results of joint venture  | 9    | 98                                       | 0                                   | 98                                     |
| 14,981   | 0   | 14,981   | Tax expenses of subsidiary   | 9    | 21,229                                   | 0                                   | 21,229                                 |
| 2,139,002  | (2,100,930)                                     | 38,072   | Tax expenses of joint venture  |      | 2,234,948                                | (2,156,035)                         | 78,913                                 |
|  |   |  | <b>Group Deficit on provision of services</b>  |      |  |                                     |  |
|  |   |  | <b>Items that will not be subsequently classified in Deficit on Provision of Services</b>                              |      |  |                                     |  |
|  |   | (103,611)  | (Surplus) on revaluation of non-current assets   |      |  |                                     | (76,583)                               |
|  |   | 6,682  | Impairment losses on non-current assets charged to the revaluation reserve   |      |  |                                     | 12,357                                 |
|  |   | 85,487   | Remeasurements of the net defined benefit liability  |      |  |                                     | (335,502)                              |
|  |   | 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                                |
|  |   |  | <b>Items that will be subsequently classified in Deficit on Provision of Services</b>                                  |      |  |                                     |  |
|  |   | (2,738)  | (Surplus) / Deficit from investments in equity instruments designated at fair value through other comprehensive income |      |  |                                     | 980                                    |
|  |   | (80,508)   | <b>Total other comprehensive income and expenditure</b>  |      |  |                                     | (290,142)                              |
|  |   | (42,436)   | <b>Total comprehensive income and expenditure</b>  |      |  |                                     | (211,229)                              |

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<br>Fund<br>Balance | Restated<br>Housing<br>Revenue<br>Account | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied | Major<br>Repairs<br>Reserve | Restated<br>Total<br>Usable<br>Reserves | Restated<br>Total<br>Unusable<br>Reserves | Restated<br>Council<br>Share of Group<br>Reserves | Restated<br>Total<br>Group Reserves |
|--|----------------------------|---|--------------------------------|--------------------------------|-----------------------------|---|---|---|-------------------------------------|
|  | £000s                      | £000s                                     | £000s                          | £000s                          | £000s                       | £000s                                   | £000s                                     | £000s   | £000s                               |
| Balance at 31 March 2018   | (306,512)                  | (99,939)                                  | (72,021)                       | (18,528)                       | (0)                         | (497,000)                               | (1,717,146)                               | (892,653)   | (3,106,799)                         |
| Movement in reserves during 2018/19  |                            |   |                                |                                |                             |   |   |   |                                     |
| Total comprehensive income and expenditure                                     | 26,798                     | (6,008)                                   | 0                              | 0                              | 0                           | 20,790                                  | (10,288)                                  | (52,938)  | (42,436)                            |
| Total adjustments between accounting basis and funding basis under regulations | (74,070)                   | 1,495                                     | (9,839)                        | (38,988)                       | (2,913)                     | (124,315)                               | 124,315                                   | 0   | (0)                                 |
| (Increase) / decrease in year  | (47,272)                   | (4,513)                                   | (9,839)                        | (38,988)                       | (2,913)                     | (103,525)                               | 114,027                                   | (52,938)  | (42,436)                            |
| Balance at 31 March 2019   | (353,784)                  | (104,452)                                 | (81,860)                       | (57,516)                       | (2,913)                     | (600,525)                               | (1,603,119)                               | (945,591)   | (3,149,235)                         |
| Movement in reserves during 2019/20  |                            |   |                                |                                |                             |   |   |   |                                     |
| Total comprehensive income and expenditure                                     | 21,059                     | (15,483)                                  | 0                              | 0                              | 0                           | 5,576                                   | (398,747)                                 | 181,942   | (211,229)                           |
| Total adjustments between accounting basis and funding basis under regulations | (49,070)                   | 10,489                                    | (14,989)                       | (46,538)                       | 485                         | (99,622)                                | 99,621                                    | 0   | 0                                   |
| (Increase) / decrease in year  | (28,011)                   | (4,994)                                   | (14,989)                       | (46,538)                       | 485                         | (94,046)                                | (299,126)                                 | 181,942   | (211,229)                           |
| Balance at 31 March 2020   | (381,795)                  | (109,445)                                 | (96,849)                       | (104,055)                      | (2,427)                     | (694,571)                               | (1,902,244)                               | (763,648)   | (3,360,464)                         |

\*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

| Restated<br>1 April<br>2018<br>£000 | Restated<br>31 March<br>2019<br>£000s |   | Note | 31 March<br>2020<br>£000s |                    |
|-------------------------------------|---------------------------------------|---|------|---------------------------|--------------------|
|                                     |                                       | <b>Non-current assets</b>   |      |                           |                    |
| 2,405,800                           | 2,504,744                             | Property, plant and equipment                                       | 11   | 2,558,703                 |                    |
| 598,592                             | 598,703                               | Heritage assets   |      | 604,821                   |                    |
| 414,985                             | 422,814                               | Investment properties   |      | 475,227                   |                    |
| 284                                 | 352                                   | Intangible non-current assets                                       |      | 324                       |                    |
| 1,019,976                           | 1,064,434                             | Long-term investment in joint venture / subsidiaries and associates | 12   | 887,440                   |                    |
| 7,973                               | 13,035                                | Other long-term investments   | 12   | 12,536                    |                    |
| 180,115                             | 283,245                               | Long-term debtors   | 13   | 293,824                   |                    |
| <b>4,627,725</b>                    | <b>4,887,327</b>                      | <b>Total non-current assets</b>                                     |      |                           | <b>4,832,875</b>   |
|                                     |                                       | <b>Current assets</b>   |      |                           |                    |
| 8,945                               | 9,017                                 | Short term investments  |      | 20,098                    |                    |
| 618                                 | 571                                   | Inventories   |      | 592                       |                    |
| 161,033                             | 272,788                               | Short-term debtors  | 13   | 172,096                   |                    |
| 135,306                             | 111,793                               | Cash and cash equivalents   | 14   | 141,825                   |                    |
| 10,414                              | 11,773                                | Short-term assets held for sale                                     |      | 9,474                     |                    |
| 481                                 | 344                                   | Intangible current assets   |      | 0                         |                    |
| <b>316,797</b>                      | <b>406,286</b>                        | <b>Total current assets</b>   |      |                           | <b>344,085</b>     |
| <b>4,944,522</b>                    | <b>5,293,613</b>                      | <b>Total assets</b>   |      |                           | <b>5,176,960</b>   |
|                                     |                                       | <b>Current liabilities</b>  |      |                           |                    |
| (51,948)                            | (126,283)                             | Short-term borrowing  |      | (32,904)                  |                    |
| (186,801)                           | (177,406)                             | Short-term creditors  | 15   | (224,865)                 |                    |
| (38,320)                            | (32,430)                              | Short-term provisions   |      | (31,570)                  |                    |
| (15,537)                            | (15,137)                              | Short-term deferred liabilities                                     | 16   | (11,453)                  |                    |
| <b>(292,606)</b>                    | <b>(351,256)</b>                      | <b>Total current liabilities</b>                                    |      |                           | <b>(300,792)</b>   |
| <b>4,651,916</b>                    | <b>4,942,357</b>                      | <b>Total assets less current liabilities</b>                        |      |                           | <b>4,876,168</b>   |
|                                     |                                       | <b>Long-term liabilities</b>  |      |                           |                    |
| (1,096)                             | (1,359)                               | Long-term creditors   |      | (1,243)                   |                    |
| (62,839)                            | (63,098)                              | Long-term provisions  |      | (73,159)                  |                    |
| (482,531)                           | (607,232)                             | Long-term borrowing   |      | (585,397)                 |                    |
| (151,789)                           | (149,536)                             | Long-term deferred liabilities                                      | 16   | (156,589)                 |                    |
| (41,581)                            | (19,290)                              | Capital grants receipts in advance                                  |      | (9,743)                   |                    |
| (805,281)                           | (952,607)                             | Pensions liability  |      | (689,573)                 |                    |
| <b>(1,545,117)</b>                  | <b>(1,793,122)</b>                    | <b>Total long-term liabilities</b>                                  |      |                           | <b>(1,515,704)</b> |
| <b>3,106,799</b>                    | <b>3,149,235</b>                      | <b>Net assets</b>   |      |                           | <b>3,360,464</b>   |
|                                     |                                       | <b>Financed by:</b>   |      |                           |                    |
| (497,000)                           | (600,525)                             | Usable reserves   |      | (694,571)                 |                    |
| (1,717,146)                         | (1,603,119)                           | Unusable reserves   |      | (1,902,244)               |                    |
| (892,653)                           | (945,591)                             | Group income and expenditure reserve                                |      | (763,649)                 |                    |
| <b>(3,106,799)</b>                  | <b>(3,149,235)</b>                    | <b>Total reserves</b>   | 17   |                           | <b>(3,360,464)</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<br/>2018/19<br/>£000s</b> |  | <b>Note</b> | <b>2019/20<br/>£000s</b> |
|---------------------------------------|--|-------------|--------------------------|
| (38,072)                              | Net deficit on the provision of services   |             | (78,913)                 |
| 252,586                               | Adjustments to net deficit on the provision of services for non-cash movements   | 19          | 251,506                  |
| (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>89,944</b>                         | <b>Net cash flows from operating activities</b>  |             | <b>97,874</b>            |
| (294,318)                             | Investing activities   | 22          | (87,929)                 |
| 180,861                               | Financing activities   | 23          | 20,087                   |
| <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<br/>£000s</b> |  | <b>Note</b> | <b>2019/20<br/>£000s</b> |
| 20,790                   | Deficit on the Authority's single entity Income and Expenditure Account for the year                                     |             | 5,576                    |
| 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>78,913</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.

### 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.



### **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).

Infrastructure is included in the Council's accounts at depreciated historical cost.

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. In undertaking this valuation specialised assets, such as airport terminals, have been valued at depreciated replacement cost using the modern equivalent asset method and income generating assets, such as car parks, have been valued at market value.

Infrastructure, such as runways and taxiways, are included in MAHL's accounts on the same basis as the Council's infrastructure assets (depreciated historical cost) and therefore no adjustment has been made to the valuation for group account purposes.

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. The Convention Centre and its car parks have been valued at market value.

The Valuer who has undertaken the valuation of the land and building assets of both MAHL and DML has stated that, due to the COVID-19 pandemic, at the valuation date they can attach less weight to previous market evidence, for comparison purposes, to form opinions of the value of property, plant and equipment where market value is a factor. The current response to COVID-19 means they are faced with an unprecedented set of circumstances on which to base a judgement. The valuations have therefore been reported on the basis of 'market valuation uncertainty' as per the RICS Red Book Global.

### **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 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<br>As reported to<br>Members<br>£000    | Restated<br>Adjustments to<br>arrive at net<br>amount<br>chargeable to the<br>group general<br>balances<br>£000 | Restated Net<br>expenditure<br>chargeable to<br>the group<br>general<br>balances<br>£000 | Restated<br>Adjustments<br>between<br>funding and<br>accounting<br>basis<br>£000 | Restated Net<br>expenditure in the<br>Comprehensive<br>Income and<br>Expenditure<br>Statement<br>£000 |   | As reported to<br>Members<br>£000 | Adjustments to<br>arrive at net<br>amount<br>chargeable to the<br>group general<br>balances<br>£000 | Net expenditure<br>chargeable to the<br>group general<br>balances<br>£000 | Adjustments<br>between<br>funding and<br>accounting<br>basis<br>£000 | Net expenditure in<br>the Comprehensive<br>Income and<br>Expenditure<br>Statement<br>£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   | 8,276  | 8,276   |
| (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   | 129,974  | 639,471   |
| (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  | 38,579   | 78,913  |
| Opening Group<br>General Reserves                |   | 1,040,219  |  |   | Opening Group General Reserves                |                                   |   | 1,074,722   |  |   |
| Surplus on Group<br>General Reserves in<br>year  |   | 34,503   |  |   | (Deficit) on Group General Reserves in year   |                                   |   | (40,334)  |  |   |
| Closing Group<br>General Reserves at<br>31 March |   | 1,074,722  |  |   | Closing Group General Reserves at 31<br>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<br>the 2018/19<br>CIES<br>£000 | Adjustments<br>between<br>internal<br>reporting<br>classifications<br>in the single<br>entity<br>£000 | As restated<br>2018/19<br>£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)                        |
| Total Net Cost of Services                             | 599,428                                       | 4,747   | 604,175                        |
| Financing and Investment Income and Expenditure        | 22,729  | 7,656   | 30,385                         |
| Taxation and Non-specific Grant Income and Expenditure | 636,301                                       | 0   | 636,301                        |
| <b>Total</b>   | <b>1,258,458</b>                              | <b>12,403</b>   | <b>1,270,861</b>               |

## Manchester City Council Annual Statement of Accounts 2019/20

|  |                  |               |                  |
|--|------------------|---------------|------------------|
| <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            |
| Total Net Cost of Services Gross Expenditure           | 1,551,054        | 4,747         | 1,555,801        |
| Financing and Investment Income and Expenditure        | 174,414          | 7,656         | 182,070          |
| Taxation and Non-specific Grant Income and Expenditure | 0                | 22,107        | 22,107           |
| <b>Total</b>   | <b>1,725,468</b> | <b>34,510</b> | <b>1,759,978</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)           |
| Total Net Cost of Services Gross Income                | (993,570)          | 0               | (993,570)          |
| Financing and Investment Income and Expenditure        | (151,685)          | 0               | (151,685)          |
| Taxation and Non-specific Grant Income and Expenditure | (636,301)          | (22,107)        | (658,408)          |
| <b>Total</b>   | <b>(1,781,556)</b> | <b>(22,107)</b> | <b>(1,803,663)</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.

|  | 2018/19<br>£000s | 2019/20<br>£000s | 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:

|                                | 2018/19<br>£000s | 2019/20<br>£000s |
|--------------------------------|------------------|------------------|
| 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:

|                                | 2018/19<br>£000s | 2019/20<br>£000s |
|--------------------------------|------------------|------------------|
| 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**

|                                | 2018/19<br>£000s | 2019/20<br>£000s |
|--------------------------------|------------------|------------------|
| 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<br/>£000s</b> | <b>2019/20<br/>£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<br/>£000s</b> | <b>2019/20<br/>£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:

|   | Restated           |                    |
|---|--------------------|--------------------|
|   | 2018/19            | 2019/20            |
|   | £000               | £000               |
| <b>Expenditure</b>                                    |                    |                    |
| Employee Benefit Expenses                             | 534,734            | 543,083            |
| Other Service Expenses                                | 862,828            | 871,091            |
| Business Rates Tariff                                 | 19,015             | 40,398             |
| Capital Charges including Depreciation and impairment | 212,577            | 172,822            |
| Interest Payments                                     | 35,355             | 56,154             |
| 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>2,139,002</b>   | <b>2,234,948</b>   |
| <b>Income</b>   |                    |                    |
| Fees, Charges and Other Service Income                | (194,255)          | (208,579)          |
| 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                   | (763,229)          | (777,399)          |
| 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>(2,100,930)</b> | <b>(2,156,035)</b> |
|   |                    |                    |
| <b>Deficit on the Provision of Services</b>           | <b>38,072</b>      | <b>78,913</b>      |



**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<br>£000s   |
|---|-------------------------------|--------------------------------------|--|-----------------------------------|------------------------------|---------------------------------------|----------------------------|------------------|
|   | Council<br>Dwellings<br>£000s | Other Land<br>and Buildings<br>£000s | Vehicles, Plant,<br>and Equipment<br>£000s | Infrastructure<br>Assets<br>£000s | Community<br>Assets<br>£000s | Assets Under<br>Construction<br>£000s | Surplus<br>Assets<br>£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<br>Total<br>£000s |
|---|---|--------------------------------------|--|-----------------------------------|------------------------------|---------------------------------------|----------------------------|----------------------------|
|   | Restated<br>Council<br>Dwellings<br>£000s | Other Land<br>and Buildings<br>£000s | Vehicles, Plant,<br>and Equipment<br>£000s | Infrastructure<br>Assets<br>£000s | Community<br>Assets<br>£000s | Assets Under<br>Construction<br>£000s | Surplus<br>Assets<br>£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>1 April<br/>2018<br/>£000s</b> | <b>31 March<br/>2019<br/>£000s</b> | <b>31 March<br/>2020<br/>£000s</b> |
|---|-----------------------------------|------------------------------------|------------------------------------|
| <b>Investments in organisations included in the group statements</b>    |                                   |                                    |                                    |
| Manchester Airports Holdings Ltd  | 1,008,081                         | 1,050,892                          | 874,913                            |
| <b>Investments in subsidiaries not included in the group statements</b> |                                   |                                    |                                    |
| Manchester Mortgage Corporation Plc Share Capital                       | 155                               | 149                                | 146                                |
| <b>Investments in associates not included in the group statements</b>   |                                   |                                    |                                    |
| National Car Parks (Manchester) Ltd Share Capital                       | 1,693                             | 1,693                              | 2,147                              |
| Eastlands Development Company Limited                                   | 1,300                             | 1,185                              | 1,155                              |
| Mayfield Developments   | 4,000                             | 4,000                              | 4,000                              |
| Matrix Homes Ltd  | 4,747                             | 6,515                              | 5,079                              |
|   | <b>1,019,976</b>                  | <b>1,064,434</b>                   | <b>887,440</b>                     |
| <b>Total other long-term investments</b>                                | <b>7,973</b>                      | <b>13,035</b>                      | <b>12,536</b>                      |
| <b>Total Long-Term Investments</b>                                      | <b>1,027,949</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<br/>2019<br/>£000s</b> | <b>31 March<br/>2020<br/>£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.

|                                      | 31 March<br>2019<br>£000s | 31 March<br>2020<br>£000s |
|--------------------------------------|---------------------------|---------------------------|
| <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**

|   | 31 March<br>2019<br>£000s | 31 March<br>2020<br>£000s |
|---|---------------------------|---------------------------|
| <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<br/>2019<br/>£000s</b> | <b>31 March<br/>2020<br/>£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<br/>£000s</b> | <b>Repaid in<br/>year<br/>£000s</b> | <b>Additions in<br/>year<br/>£000s</b> | <b>31 March 2020<br/>£000s</b> | <b>Short<br/>Term<br/>31 March<br/>2020<br/>£000s</b> | <b>Long Term<br/>31 March<br/>2020<br/>£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>1 April<br/>2018<br/>£000s</b> | <b>31 March<br/>2019<br/>£000s</b> | <b>31 March<br/>2020<br/>£000s</b> |
|---|-----------------------------------|------------------------------------|------------------------------------|
| <b>Usable Reserves</b>                            |                                   |                                    |                                    |
| Manchester City Council *                         | 497,000                           | 600,525                            | 694,571                            |
| <b>Unusable Reserves</b>                          |                                   |                                    |                                    |
| Manchester City Council *                         | 1,717,146                         | 1,603,119                          | 1,902,244                          |
| <b>Group Income and Expenditure Reserve</b>       |                                   |                                    |                                    |
| Manchester Airports Holdings Ltd - usable         | 632,112                           | 526,893                            | 459,850                            |
| Manchester Airports Holdings Ltd - unusable       | 265,353                           | 425,454                            | 300,838                            |
| Destination Manchester Ltd - usable               | 8,457                             | 2,764                              | 3,214                              |
| Destination Manchester Ltd - unusable             | (13,269)                          | (9,521)                            | (253)                              |
| <b>Total Group Income and Expenditure Reserve</b> | <b>892,653</b>                    | <b>945,591</b>                     | <b>763,649</b>                     |
| <b>Total</b>                                      | <b>3,106,799</b>                  | <b>3,149,234</b>                   | <b>3,360,464</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 from the Council of £17.157m at 31 March 2020 (£17.157m 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 Director 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<br/>2018/19<br/>£000s</b> | <b>2019/20<br/>£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                                | 72,468                   |
| 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   | (26,893)                              | 13,419                   |
| (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 / (decrease) in creditors (less capital)  | (11,332)                              | 50,821                   |
| Increase in interest creditors   | (5)                                   | (76)                     |
| <b>Total</b>   | <b>252,586</b>                        | <b>251,506</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<br/>£000s</b> | <b>2019/20<br/>£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<br/>£000s</b> | <b>2019/20<br/>£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<br/>£000s</b> | <b>2019/20<br/>£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>Restated<br/>2018/19<br/>£000s</b> | <b>2019/20<br/>£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 | (13,387)                              | (12,931)                 |
| Cash receipts of long and short-term borrowing  | 272,774                               | 69,215                   |
| Repayment of ex GMC debt  | (2,260)                               | (2,370)                  |
| <b>Total</b>  | <b>180,861</b>                        | <b>20,087</b>            |

## **Audit Status**

The City Council's accounts are subject to audit in accordance with the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

## **GLOSSARY OF FINANCIAL TERMS**

### **Actuarial Gains and Losses**

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

### **Agency Services**

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

### **Amortisation**

A charge to the 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).



## Manchester City Council Annual Statement of Accounts 2019/20

**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.

**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.

## Manchester City Council Annual Statement of Accounts 2019/20

**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 or financial asset 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.



# Annual Governance Statement 2019/20

## 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 continues to progress the delivery 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. The Council's Corporate Plan sets out its priority actions for delivering the strategy for the city. The Council has set a one-year budget and business plan for 2020/21, following the Government's decision to announce a one-year Provisional Local Government Finance Settlement for 2020/21, in contrast to previous multi-year settlements. The Council's five-year Capital Strategy (2020-2025) also forms a critical part of strategic and financial planning. Significant policy developments at city region level included the launch of the [Greater Manchester Local Industrial Strategy](#), which sets out long-term priorities to increase productivity in the region.
- 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 deliver 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.

### *Impact of the COVID-19 pandemic on the city and the Council, and governance of the initial response*

- 1.5 The national and international public health emergency caused by the COVID-19 pandemic led Manchester and Greater Manchester (GM) to declare a major incident on 20 March 2020. There have been substantial impacts for the Council, which include implications for provision of services, our workforce and our financial position. As a statutory Category One Responder under the Civil Contingencies Act 2004, the Council has worked with multi agency partners through the Greater Manchester Resilience Forum (GMRF), and it has been represented at the Strategic Coordinating Group (SCG) and Emergency Committee. The [COVID-19 Update on Response Phase](#) report to the Executive sets out in detail the governance and activities involved in the Council's initial response to date.

### *Governance of the COVID-19 recovery phase*

- 1.6 The Council is also now planning ahead for the longer term challenges that will begin to become clearer as we emerge from the lockdown period. This forward planning work will focus on planning for the city's recovery including its economy, residents and communities, as well as the impact on the Council including its services and finances. To oversee the coordination of the different recovery phases and the activities required, a COVID-19 Recovery Coordination Group has been established, which is chaired by the Deputy Chief Executive and City Treasurer. More information about this recovery planning work is provided in the [COVID-19 Forward Recovery Planning](#) report to the Executive. Monthly reports are prepared for the Council's Executive that provide an update on the recovery and response to COVID-19.

*Impact on our 2019/20 Governance Challenges, and our Action Plan for 2020/21*

- 1.7 COVID-19 has affected our work to improve our governance arrangements during 2019/20 in various different ways - for example, new or adapted approaches have been taken to some work programmes, whilst in other instances work has been paused or re-prioritised. An update on these changes is provided in Section 6 of this document: '*Progress in addressing the Council's governance challenges*'. It is clear that during 2020/21 and beyond, a sustained and effective approach to recovery from COVID-19 will be critical for the Council and the city. Therefore, coordination and delivery of this work is recorded as a key overarching governance challenge for the Council in the Action Plan for 2020/21 at the end of this statement.

*Impact on our Budget and Council Business Plan 2020/21*

- 1.8 The Council's one-year Budget, and Council Business Plan 2020/21 were approved in February 2020. Since this point, the substantial impacts of COVID-19 have necessitated a reset of the revenue Budget, and a review of the delivery of the Council Business Plan. The review of the Council Business Plan will recognise the changes that have been required to the delivery of many of the activities set out in the plan, which contribute to the achievement of our Corporate Plan priorities. The proposals for the revenue Budget reset will be reported to a meeting of the Executive on 29 July 2020.

## **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). The [Accounts and Audit \(Coronavirus\) \(Amendment\) Regulations 2020](#) makes provision for the deadline for the publication of local authority audited accounts to move from 31 July 2020 to 30 November 2020.

### 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 the city's 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. The Council's Corporate Plan sets out the Council's contribution to the Our Manchester vision. The objectives in Our Manchester and Our Corporate Plan 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 2019 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 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  |
| <b>Behaving with Integrity</b>   | <ul style="list-style-type: none"> <li>The Council's <b>Our Manchester</b> approach includes four central principles that underpin everything the Council does, including how it works with partners, how it makes decisions and how it serves local communities;               <ul style="list-style-type: none"> <li><b>Better lives</b> – it's about people</li> <li><b>Listening</b> – we listen, learn and respond</li> <li><b>Recognising strengths of individuals and communities</b> – we start from strengths</li> <li><b>Working together</b> – we build relationships and create conversations</li> </ul> </li> <li>"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.</li> <li>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.</li> </ul> | <p><a href="#">People Strategy - Our People</a></p> <p><a href="#">Counter Fraud Strategy</a></p> |

| 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   |
|  | <ul style="list-style-type: none"> <li>The Whistleblowing Policy, which was updated and reviewed by Standards Committee in November 2018, 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. Future revisions to the Policy will be reviewed by Audit Committee.</li> <li>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 were introduced. These ensure that all staff understand the part they will play in delivering the vision for the city set out in Our Manchester.</li> <li>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. Each Member's individual entry can be viewed from their webpage, accessed via the 'Your Councillors' webpage.</li> <li>The operation of the updated Member procedures for Gifts and Hospitality, Use of Resources and the Member Officer Relations Protocol was reviewed by Standards Committee in March 2019.</li> </ul> | <a href="#">Whistle Blowing Policy</a><br><br><a href="#">Our People – People Strategy Update</a><br><br><a href="#">Your Councillors</a><br><br><a href="#">Annual review of the operation of the Use of Resources Guidance for Members, the Gifts and Hospitality Guidance for Members and the Member / Officer Relations Protocol</a> |
| <b>Demonstrating Strong Commitment to Ethical Values</b>   | <ul style="list-style-type: none"> <li>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.</li> </ul>   | <a href="#">Standards Committee</a>  |

| 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   |
|  | <ul style="list-style-type: none"> <li>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 operation of the Code of Conduct is reviewed annually by Standards as part of the annual review of the Constitution.</li> <li>The Members' Update on Ethical Governance was updated and reviewed by Standards Committee in October 2019.</li> <li>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. The Member/Officer Relations Protocol (Constitution Part 6, Section F) governs the relationships between officers and members of the Council.</li> <li>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.</li> <li>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 will be reviewed, as part of efforts to continually seek improvements in the wider Register of Significant Partnerships process.</li> </ul> | <a href="#">Local Code of Conduct for Members</a><br><br><a href="#">Standards Committee Annual Report</a><br><br><a href="#">Members' Update on Ethical Governance</a><br><br><a href="#">Employee Code of Conduct, Member/Officer Relations Protocol</a><br><br><a href="#">Ethical Procurement Policy</a><br><br><a href="#">Partnership Governance Framework</a> |
| <b>Respecting the Rule of Law</b>  | <ul style="list-style-type: none"> <li>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.</li> </ul>   |  |

| 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  |
|  | <ul style="list-style-type: none"> <li>The Council uses its legal powers, including the '<a href="#">general power of competence</a>' to promote its values and priorities to the full benefit of the citizens and communities in Manchester.</li> <li>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.</li> <li>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.</li> <li>The Chief Finance Officer (Deputy Chief Executive and City Treasurer) has statutory reporting duties in respect of unlawful and financially imprudent decision making.</li> <li>The Council ensures that it complies with CIPFA's <a href="#">Statement on the Role of the Chief Finance Officer in Local Government (2016)</a>.</li> </ul> | <p><a href="#">Our Constitution (article 12.3(b))</a></p> <p><a href="#">Our Constitution (article 12.4(a))</a></p> |

| 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   |
| <b>Ensuring Openness</b>                                      | <ul style="list-style-type: none"> <li>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 about Council Tax, and Waste and Recycling can be accessed quickly and easily from the main page.</li> <li>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.</li> <li>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.</li> <li>The Council publishes a Register of Key Decisions to notify the public of the most significant decisions it is due to take. To make the Register accessible and transparent the format discourages the use of 'generic entries' for types of decision, and encourages decisions to be included in full.</li> </ul> | <p><a href="http://manchester.gov.uk/website">manchester.gov.uk website</a></p> <p><a href="#">Our Constitution (article 12.3(e))</a></p> <p><a href="#">Council Meeting Agendas and Reports</a></p> <p><a href="#">Online Videos of Council Meetings</a></p> <p><a href="#">Register of Key Decisions</a></p> |

| 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  |
|   | <ul style="list-style-type: none"> <li>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.</li> <li>The Council has an online residents' survey, which helps it to design services around residents' views and concerns about their local area and their public services.</li> <li>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 the Budget Consultation 2020/21, and a Northern Quarter consultation about plans which aim to make streets in this area safer, greener and better for everyone – on foot and by bike – as well as other transport users.</li> </ul> | <a href="#">Open Data</a><br><br><a href="#">Our Manchester Residents Survey</a><br><br><a href="#">Consultations and Surveys</a>                        |
| <b>Engaging Comprehensively with Institutional Stakeholders</b> | <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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, shining a light on areas where improvements may be required - so that these can then be addressed.</li> </ul>  | <a href="#">Our Manchester Forum</a><br><br><a href="#">Partnership Governance Framework</a><br><br><a href="#">Register of Significant Partnerships</a> |

| B. Ensuring openness and comprehensive stakeholder engagement          |  |  |
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| The Council's Commitment to Good Governance                            | The Council's Commitment to Good Governance  | The Council's Commitment to Good Governance  |
|  | <ul style="list-style-type: none"> <li>The Council supports different ways for residents to raise their individual and community's concerns to elected members, for example by contacting their Ward Co-ordinator.</li> </ul>  |  |
| <b>Engaging with Individual Citizens and Service Users Effectively</b> | <ul style="list-style-type: none"> <li>As part of Our Manchester, the Council focuses on a 'strengths based' approach to residents and communities. This means:               <ul style="list-style-type: none"> <li>Recognising that it's about people and better lives</li> <li>We listen, learn and respond</li> <li>Recognising strengths of individuals and communities – we start from strengths</li> <li>Working together, we build relationships and create conversations</li> <li>This approach is used consistently to inform the development of policy and strategy. One of the first examples of this was the Family Poverty Strategy.</li> </ul> </li> <li>The Council is developing some of the next steps to seek to improve how we undertake consultations and community engagement. Part of this involves a commitment to ensuring that our workforce have the skills to take an Our Manchester engagement approach to working with residents and communities, which forms part of the programme for the new Campaigning Engagement Framework (CEF).</li> <li>The Communications Service Plan Review provides an update on the delivery of the Communications Strategy for 2019/20. It outlines progress against the key delivery themes for Council communications of integrated working with partners, digital delivery, participation and engagement.</li> </ul> | <a href="#">The Family Poverty Strategy 2017/22</a><br><br><a href="#">The Council's approach to Consultation</a><br><br><a href="#">Our Manchester Campaigning Engagement Framework</a><br><br><a href="#">Communications Service Plan - Review</a> |



| 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  |
| <b>Engaging with Individual Citizens and Service Users Effectively</b> | <ul style="list-style-type: none"> <li>An 'Our Manchester' approach was taken for the Budget Conversation, to inform the 2017 to 2020 Budget. This resulted in significant engagement about what people value and why, as well as what they could do to support those things. We consulted again on our current budget for Council services, which will be for one year only, 2020/21. This builds on our existing priorities, which were determined by Manchester residents.</li> <li>Scrutiny Committees proactively invite local and national interested parties to contribute to their discussions.</li> <li>To promote transparency and wider engagement with Council decisions, residents can sign up for email e-bulletins and use social media to interact with the Council.</li> <li>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 for Members has been updated, but the planned review by Standards Committee has been delayed due to COVID-19.</li> <li>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.</li> <li>Our Integrated Annual Report gives an overview of funding, spending, activities and performance to show what was achieved in the financial year, as we worked towards the city's goals outlined in the Our Manchester Strategy.</li> </ul> | <a href="#">Budget 2020/21</a><br><br><a href="#">Scrutiny Committee news bulletins</a><br><br><a href="#">E-bulletins and Social Media</a><br><br><a href="#">Social Media Guidance for Members</a><br><br><a href="#">Joint Strategic Needs Assessment</a><br><br><a href="#">Integrated Annual Report</a> |

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|  | <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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 decision makers in the city and shape future services.</li> <li>• 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. The Annual Complaints and Enquiries Report is submitted to Audit Committee.</li> </ul> | <a href="#">Older People's Forum and Board</a><br><br><a href="#">Manchester Youth Council</a><br><br><a href="#">Annual Complaints and Enquiries Report (accessed via the supplementary Agenda)</a> |
|--|--|--|

| 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  |
| <b>Defining Outcomes</b>  | <ul style="list-style-type: none"> <li>An extensive consultation in 2015 led to a 10-year strategy for the city – the Our Manchester Strategy 2016-2025 – which included 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: <ul style="list-style-type: none"> <li>Thriving and Sustainable City</li> <li>Highly Skilled City</li> <li>Progressive and Equitable City</li> <li>Liveable and Low Carbon City</li> <li>Connected City</li> </ul> </li> <li>Our Corporate Plan sets out the Council's contribution to the Our Manchester vision. The Plan was updated for 2020/21, to reflect the city's zero carbon ambitions and declaration of the climate emergency. The priorities are; <ul style="list-style-type: none"> <li>Zero carbon Manchester</li> <li>Young people</li> <li>Healthy, cared-for people</li> <li>Housing</li> <li>Neighbourhoods</li> <li>Connections</li> <li>Growth that benefits everyone</li> <li>Well-managed Council</li> </ul> </li> <li>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.</li> </ul> | <p><a href="#">Our Manchester Strategy</a></p> <p><a href="#">Budget 2020/21</a></p> <p><a href="#">The Single Council Business Plan / refreshed Corporate Plan</a></p> |

| 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  |
|   | <ul style="list-style-type: none"> <li>The Council sets a Medium-Term Financial Plan, which sets out the financial assumptions and provides a set of goals for financial decision making for the planning period ahead.</li> <li>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.</li> <li>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 Strategy launched in October 2017; "The Greater Manchester Strategy – Our People, Our Place".</li> <li>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. 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.</li> <li>The Council has developed a School Governance Strategy to support and secure effective governance of schools in the city.</li> </ul> | <p><a href="#">Medium-Term Financial Plan</a></p> <p><a href="#">Performance Management Framework</a></p> <p><a href="#">Our People, Our Place</a></p> <p><a href="#">Annual Corporate Risk Management Report and Corporate Risk Register</a></p> <p><a href="#">The School Governance Strategy</a></p> |
| <b>Sustainable Economic, Social and Environmental Benefits</b>                            | <ul style="list-style-type: none"> <li>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.</li> </ul>   |   |

| 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   |
| <b>Sustainable Economic, Social and Environmental Benefits</b>                            | <ul style="list-style-type: none"> <li>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.</li> <li>Our Manchester demands an integrated approach to the deployment of revenue and capital spend against a clear set of priorities. The Council has a longer term five-year Capital Strategy, which forms a critical part of strategic service and financial planning. This has been updated for the years 2020-2025.</li> <li>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.</li> <li>The Council strives to ensure fair access to services and monitors the extent to which this is occurring through its regular 'Communities of Interest' publication. Future publications will be called 'Communities of Identity'.</li> <li>In July 2019, the Council declared a climate emergency recognising that urgent action needs to be taken to reduce the city's carbon emissions and mitigate the negative impacts of climate change.</li> <li>The target is for Manchester to become a zero carbon city by 2038 at the latest. The Council established a Zero Carbon Coordination Group (ZCCG) to drive forward the integrated activity required to ensure that the Council plays its full part in ensuring the city reaches its ambitious climate change commitments.</li> </ul> | <a href="#">Executive Reports</a><br><br><a href="#">Register of Key Decisions</a><br><br><a href="#">Capital Strategy</a><br><br><a href="#">Equality Objectives</a><br><br><a href="#">Communities of Interest</a> |

| 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   |
| <b>Sustainable Economic, Social and Environmental Benefits</b>                            | <ul style="list-style-type: none"> <li>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. The approach will be set out in the Manchester Climate Change Framework 2020-2025</li> <li>Our Manchester Industrial Strategy sets out Manchester's vision for developing a more inclusive economy that all residents can participate in and benefit from, which will support the delivery of the Our Manchester Strategy, and the Greater Manchester Local Industrial Strategy.</li> <li>Manchester collaborates with the other GM authorities to prepare the Greater Manchester Spatial Framework (GMSF). This document will provide a policy framework to guide development across the City Region up to 2037. An update setting out next steps following the consultation on the second draft GMSF in early 2019 is available online.</li> <li>To enable a coordinated approach to transport investment, the Council will work with other GM authorities, GMCA, the Local Enterprise Partnership and TfGM to deliver the Greater Manchester Transport Strategy 2040.</li> <li>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.</li> </ul> | <a href="#">Manchester Climate Change Framework 2020-2025</a><br><br><a href="#">Developing a More Inclusive Economy - Our Manchester Industrial Strategy</a><br><br><a href="#">Greater Manchester Local Industrial Strategy</a><br><br><a href="#">Greater Manchester Spatial Framework Consultation Responses - Update</a><br><br><a href="#">Greater Manchester Transport Strategy 2040: Draft Delivery Plan (2020–2025)</a><br><br><a href="#">Manchester Family Poverty Strategy 2017-2020</a> |

| 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  |
|   | <ul style="list-style-type: none"> <li>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.</li> <li>The Council considers Social Value and follows an Ethical Procurement Policy, which sets out ethical trade practices and the ethical core objectives that the Council will deliver through commissioning and procurement activities.</li> <li>In November 2019, the Council announced its successful accreditation as a Living Wage Employer by the national Living Wage Foundation (LWF).</li> </ul> | <a href="#">Strategic Education Partnership Board</a><br><br><a href="#">Social Value</a><br><br><a href="#">Living Wage Accreditation announcement</a> |

| 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  |
| <b>Determining Interventions</b>  | <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul> | <a href="#">Performance Management Framework</a><br><br><a href="#">Executive Reports</a><br><br><a href="#">Our Constitution (Part 3, Section F)</a> |

| 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  |
| <b>Planning Interventions</b>   | <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>The Council's Communication Strategy sets out its approach to engaging with stakeholders, to ensure their involvement in determining how services and interventions should be delivered.</li> <li>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 2018.</li> </ul> | <a href="#">Business Plans and Budgets</a><br><br><a href="#">The Manchester Partnership</a><br><br><a href="#">Performance Management Framework</a><br><br><a href="#">Communications Service Plan - Review</a><br><br><a href="#">Planning Protocol</a> |
| <b>Optimising Achievement of Intended Outcomes</b>  | <ul style="list-style-type: none"> <li>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, including both revenue and capital spend budgets. This includes a medium term financial plan.</li> </ul>   | <a href="#">Medium-Term Financial Plan</a>  |



| 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   |
|   | <ul style="list-style-type: none"> <li>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 approach can be seen in the major six-year restoration project – Our Town Hall.</li> </ul> | <a href="#">Social Value</a><br><br><a href="#">Our Town Hall – Social Value</a> |

| 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 |
| <b>Developing the Organisation's Capacity</b>   | <ul style="list-style-type: none"> <li>The Council's Our People Strategy articulates what its 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; <ul style="list-style-type: none"> <li><b>We work together and trust each other</b></li> <li><b>We're proud and passionate about Manchester</b></li> <li><b>We take time to listen and understand</b></li> <li><b>We 'own it' and we're not afraid to try new things</b></li> </ul> </li> </ul> | <a href="#">Our People</a>             |

| 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   |
|   | <ul style="list-style-type: none"> <li>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.</li> </ul>  |  |
| <b>Developing the Capability of the Organisation's Leadership and Other Individuals</b>                       | <ul style="list-style-type: none"> <li>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.</li> <li>The Council maintains an annually updated Scheme of Delegation, setting out which decisions and powers have been delegated to various Committees and Officers.</li> <li>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 Officer relations.</li> <li>Immediately following local elections, new Council Members receive an induction into the work of the Council and their role as local members. The format and content are reviewed annually with members. A new member induction programme was introduced in 2018, which spread increased content over two separate sessions and including an interactive session. In 2019, induction training was opened up to all members, and a number of other members attended induction sessions. The programme is subject to ongoing evaluation and review. The form and content of the induction is reviewed annually with Members. Member Development Strategy was considered at March 2019 Standards Committee. Planning is underway in respect of the programme for 2020/21, taking into account feedback from Members.</li> </ul> | <p><a href="#">Our Constitution (Part 3, Section F)</a></p> <p><a href="#">Our Constitution (Part 6, Section F)</a></p> <p><a href="#">Member Development and Training</a></p> |

| 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 |
| <b>Developing the Capability of the Organisation's Leadership and Other Individuals</b>                       | <ul style="list-style-type: none"> <li>• An Annual Members' Assurance Statement is compiled, to identify governance challenges relating to the roles of elected members.</li> <li>• As part of the Our People strategy, improved induction and appraisal processes ("About You") were introduced. These ensure all staff understand the part they will play in delivering the vision for the city in Our Manchester. A new induction approach was also developed.</li> <li>• Each year the Council listens to the views of its staff via the annual "BHeard" survey, and uses learning from this to make continuous improvements in the way that it operates and communicates. This feedback played a key part in the development of the Our People Strategy.</li> <li>• There are a number of tools in place to ensure staff are briefed effectively, for example via staff engagement events, such as "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.</li> <li>• Internal regular staff e-mail communications were re-launched with a new look and feel for 2019 onwards;             <ul style="list-style-type: none"> <li>• <b>The Buzz</b> – a dedicated channel for Chief Executive to connect with staff in an informative and engaging way.</li> <li>• <b>Team Talk</b> – a dedicated channel for all managers.</li> <li>• <b>The Forum</b> – an all-staff broadcast designed to include something for everyone.</li> </ul> </li> </ul> | <a href="#">Our People</a>             |

| 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 |
|   | <ul style="list-style-type: none"> <li>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.</li> <li>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. The strategy for Employee Health and Wellbeing in the Council is called 'Being Our Best Selves'.</li> <li>The Council has an open and welcoming approach to external and peer review and inspection and actively considers constructive feedback.</li> </ul> | <a href="#">Being Our Best Selves</a>  |

| 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  |
| <b>Managing Risk</b>   | <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>Risk training has been reviewed and refreshed, alongside the Our People and Our Manchester strategies. Two new e-learning packages; for risk management, and business continuity were launched in April 2020.</li> <li>Risk Management forms part of the Council integrated performance, finance and risk reporting to SMT, which includes a verification of the effectiveness of operational processes.</li> <li>Risk management is an integral component of the budget and business planning process. During 2019/20 there was Risk and Resilience Team scrutiny and assurance over Business Plan risk assessments.</li> <li>Council Heads of Service provide a self-assessment of the effectiveness of Risk Management within each Service, as part of their annual assessment of their Service's compliance with the Code of Corporate Governance.</li> <li>Risks are recorded at service, directorate and corporate level, as well as within major projects and programmes such as Our Town Hall, the Factory and ICT developments. The Risk Management team supports Directorate Management</li> </ul> | <p><a href="#">Annual Corporate Risk Management Report and Corporate Risk Register</a></p> <p><a href="#">Council Business Plan and Directorate Budgets</a></p> |

| 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   |
|  | <p>Teams by facilitating risk workshops when requested. There is scope for greater consistency in approach, and in the embedding of risk recording and reporting – this will remain a focus of the Risk and Resilience Service for 2020/21.</p> <ul style="list-style-type: none"> <li>The Council has a health and safety policy, supported by a three-year health and safety strategy. Key priorities are to strengthen leadership of health and safety, ensure managers focus on significant health and safety risks and improve employee participation within the risk assessment process. Health and safety has now been included in all corporate and directorate Joint Consultative Committees to improve collaboration with Trade Unions on the health, safety and welfare of Council employees.</li> </ul>  | <p><a href="#">Corporate Health and Safety Policy and Three Year Health and Safety Strategy</a></p>          |
| <b>Managing Performance</b>  | <ul style="list-style-type: none"> <li>The Council puts in place Key Performance Indicators (KPIs) to monitor service delivery whether services are internal or through external providers. An integrated report is provided to SMT every month. This brings together analysis of performance, finance, workforce intelligence and complaints - to support effective resource allocation, and to shine a light on any challenges so that they can be addressed.</li> <li>The Council has developed performance 'logic models' which give senior managers a clear picture of progress towards Our Corporate Plan priorities. This takes a holistic view of shared priorities across Services, and involves an understanding of the collective contribution required to make a difference. These models measure both internal and external factors that influence performance towards our priorities.</li> <li>As part of the Council's business planning process, service plans are reviewed and refreshed on an annual basis. These plans detail service priorities, which are aligned to corporate plan priorities, and they also set out any associated key performance metrics. The service plans are used to create the overall Council</li> </ul> | <p><a href="#">Performance Management Framework</a></p> <p><a href="#">Council Business Plan 2020/21</a></p> |

| 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  |
|  | <p>Business Plan. This is taken to Scrutiny Committees, before it is approved at Executive. The business planning process supports both performance management and efficient resource allocation at a service and corporate level.</p> <ul style="list-style-type: none"> <li>The Council ensures that external companies who deliver services have an understanding of expected contract performance, and monitoring takes place throughout the contract period.</li> <li>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.</li> </ul> | <p><a href="#">State of the City</a></p>  |
| <b>Effective Overview and Scrutiny</b>   | <ul style="list-style-type: none"> <li>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.</li> </ul>  | <p><a href="#">Scrutiny Committees</a></p>  |
| <b>Robust Internal Control</b>   | <ul style="list-style-type: none"> <li>The Council has robust internal control processes in place, which support the achievement of its objectives while managing risks.</li> <li>The Council's approach is set out in detail in both the latest Annual Corporate Risk Management report, and its Internal Audit Plan.</li> <li>The Council has an Audit Committee, in line with CIPFA's 'Position Statement: Audit Committees in Local Authorities and Police (2018)', which provides an independent and high-level resource to support good governance and strong public financial management. The Committee has two Independent Co-opted Members, and</li> </ul>                | <p><a href="#">Annual Internal Audit Plan</a></p> <p><a href="#">Annual Corporate Risk Management Report and Corporate Risk Register</a></p> <p><a href="#">Audit Committee</a></p> |

| 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 |
|  | <p>provides a mechanism for effective assurance regarding risk management and the internal control environment.</p> <ul style="list-style-type: none"> <li>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.</li> <li>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 <i>"Head of Audit and Risk Management Annual Opinion 2019/20"</i> section of this Annual Governance Statement.</li> </ul>  |  |
| <b>Managing Data</b>   | <ul style="list-style-type: none"> <li>The processing of personal data is essential to many of the services and functions carried out by local authorities. The Council complies with data protection legislation, which includes GDPR (General Data Protection Regulation) and the Data Protection Act 2018 (DPA 2018). This will ensure that such processing is carried out fairly, lawfully and transparently.</li> <li>The Council reviews and supplement its policies, and also keep its processing activities under review, to ensure they remain consistent with the law, and any compliance advice and codes of practice issued from time to time by the Information Commissioner's Office (ICO).</li> <li>The Council ensures that officers handling personal data are trained to an appropriate level in the use and control of personal data. It is made clear that all staff and Members are personally accountable for using the Council's information responsibly and appropriately. All staff must undertake protecting information e-learning training, and this forms part of the induction process for new staff. Data protection also forms part of the induction programme for new Members.</li> </ul> |  |



| 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  |
|  | <ul style="list-style-type: none"> <li>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.</li> <li>Information Governance is overseen by the Corporate Information Assurance and Risk Group (CIARG) chaired by the City Solicitor who is the Senior Information Risk Officer for the Council (SIRO).</li> <li>The Council complies with the Local Government Transparency Code 2015 by publishing accurate data within appropriate timeframes, 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.</li> <li>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.</li> <li>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. Data protection legislation, including the Data Protection Act 2018, provides individuals with various rights. The Council ensures that all valid requests from individuals to exercise those rights are dealt with as quickly as possible, and by no later than the timescales allowed in the legislation.</li> </ul> | <a href="#">Local Government Transparency Code</a><br><br><a href="#">Open Data</a><br><br><br><a href="#">Freedom of Information</a> |
| <b>Strong Public Financial Management</b>  | <ul style="list-style-type: none"> <li>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.</li> </ul>  | <a href="#">Medium-Term Financial Plan</a>  |

| 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   |
|  | <ul style="list-style-type: none"> <li>The Chief Finance Officer (Deputy Chief Executive and 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.</li> <li>The Financial Management Code (FM Code) sets out the standards of financial management expected for local authorities and is designed to support good practice and to assist local authorities in demonstrating their financial sustainability. The FM Code was launched in 2019, to be implemented from April 2020 with the commencement of a shadow year. It is expected that by 31 March 2021 Local Authorities can demonstrate that they are working towards full implementation of the code, with the first full year of compliance being 2021/22. The Council's preparations for this are set out in the Budget Overview 2020/21 report.</li> <li>Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer ('CFO') of the authority must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council CFO's detailed report in relation to these matters is set out in the Budget Overview 2020/21 report.</li> </ul> | <p><a href="#">Our Constitution (Part 5)</a></p> <p><a href="#">Budget Overview - The Council's Financial Strategy</a></p> <p><a href="#">Budget Overview - The Council's Financial Strategy</a></p> |

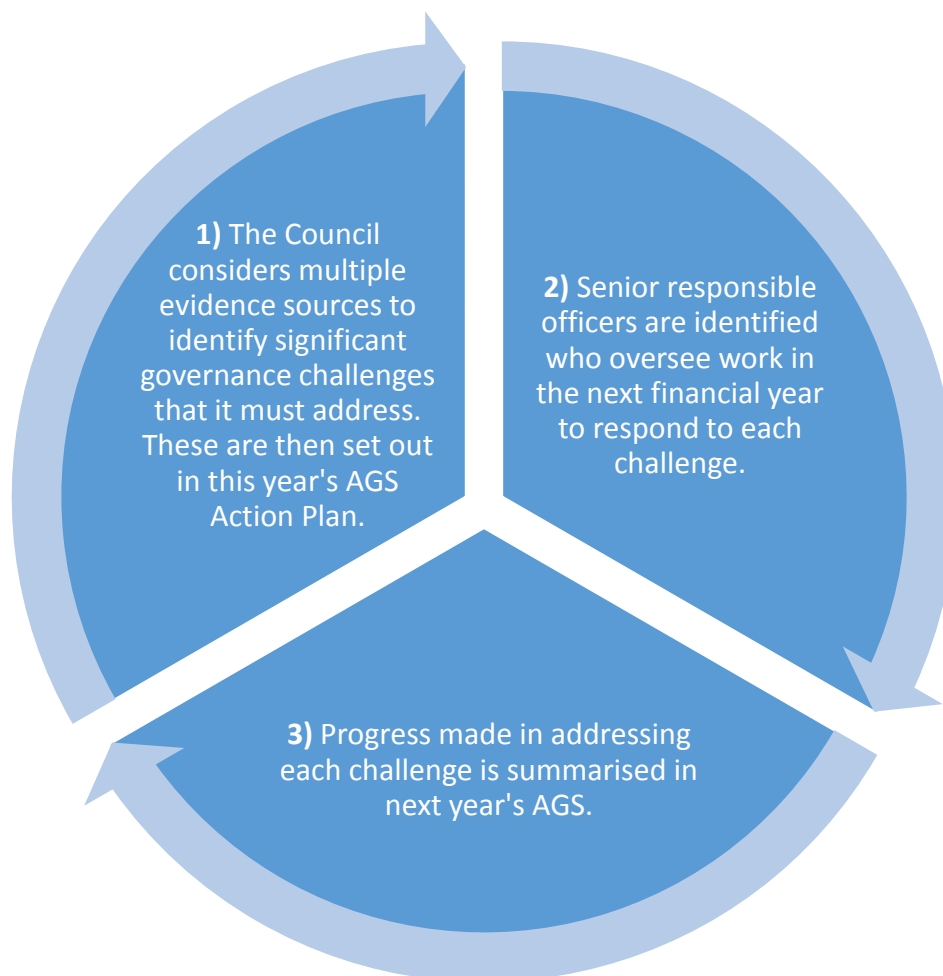
| G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability |  |  |
|--|--|--|
| The Council's Commitment to Good Governance  | How the Council meets these principles   | Where you can see Governance in action   |
| <b>Implementing Good Practice in Transparency</b>  | <ul style="list-style-type: none"> <li>The Council follows the Local Government Transparency Code 2015, which includes requirements and recommendations for local authorities to publish certain types of data.</li> <li>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.</li> </ul>   | <a href="#">Local Government Transparency Code</a><br><br><a href="http://manchester.gov.uk">manchester.gov.uk</a> website |
| <b>Implementing Good Practices in Reporting</b>  | <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul> | <a href="#">State of the City</a>  |
| <b>Assurance and Effective Accountability</b>  | <ul style="list-style-type: none"> <li>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 can be seen in the Ofsted report, which followed on from their recent focused visit to the Council's children's services.</li> </ul>   | <a href="#">Ofsted focused visit</a>   |

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## 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 the challenges set out in the Action Plan at the end of last year's AGS.

### *The governance improvement cycle*

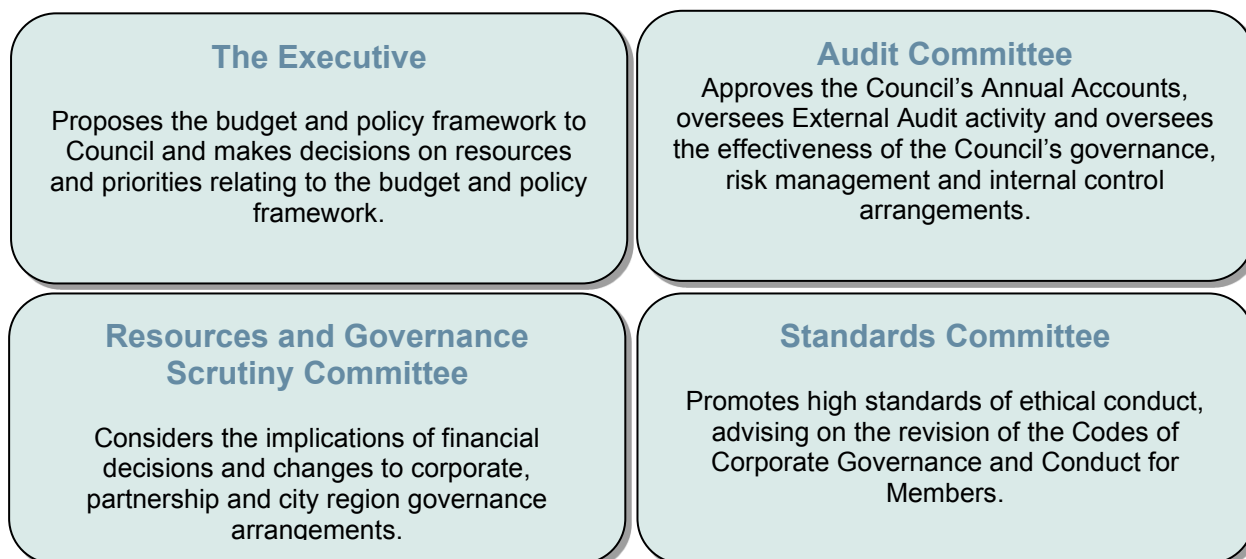


## Leadership of governance and internal control

- 5.3 Responsibility for governance and internal control lies with the Chief Executive and the Strategic Management Team (SMT), which meets 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 were set out in the Action Plan in the last AGS. Progress made is summarised in Section 6 of this AGS.

## 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;



## Identifying significant governance challenges which the Council will need to address in the next financial year (2020/21)

- 5.5 To identify significant governance challenges to be addressed during 2020/21, the Council considers a number of evidence sources, which include;
- Analysis of responses from Heads of Services to online annual governance questionnaires, which provide a self-assessment of compliance with the Code of Corporate Governance.
  - Significant governance challenges in Partnerships as identified by the Council's Register of Significant Partnerships assessment process.
  - A meeting of key Senior Officers with responsibility for Governance, to identify and discuss emerging governance issues
  - Consideration of risks identified in the Corporate Risk Register
  - Emergent challenges identified by the work of Internal Audit during 2019/20
  - Where appropriate, carrying forward elements of action points from 2019/20 if substantial further challenges and monitoring is required.

Key assurance processes listed above are set out in more detail below, and these lead to the identification of the governance challenges described in section seven. This sets out an Action Plan, which looks ahead to the main challenges where the Council will need to focus attention in 2020/21.

### Head of Audit and Risk Management Annual Opinion 2019/20

- 5.6 The Head of Audit and Risk Management audit opinion focuses on the year to March 2020, however it was evident in the last six weeks of the financial year that there would be likely significant UK-wide implications of the Coronavirus (COVID-19) outbreak and this would have an impact on the governance, risk and control systems across the Council. Planning was undertaken across the Council and with partners in anticipation of potential impacts and whilst the annual audit report is not intended to provide an assurance assessment of the full incident response and planned recovery activity, it is appropriate to acknowledge these matters and provide a high level commentary on the response to these unprecedented events. Whilst the risks and issues presented by COVID-19 are significant, they are well understood, are being mitigated where possible, and have been managed through effective governance arrangements. Therefore, as such they are not considered to impact adversely on the annual audit opinion.
- 5.7 On this basis, in terms of the year to March 2020, the Head of Audit and Risk Management provides **moderate** assurance that the Council's governance, risk and control framework was generally sound and operated reasonably consistently within the year. This is the same opinion as issued in the previous three years and reflects that overall governance, financial management arrangements and core systems and processes within the Council remained generally sound.
- 5.8 There are notable strengths in some areas and there have been improvements in some key systems however there have been issues identified as result of audit work and an assessment of other sources of assurance, which prevent a higher level of assurance. The key governance, risk and internal control strengths and issues of which the Head of Audit and Risk Management was made aware during the year and which impact on the overall opinion are described in the opinion report along with more details of the initial impact assessment in relation to COVID-19.

### External Auditor's Review of the Effectiveness of Governance Arrangements

- 5.9 The Council's external auditor is Mazars. Their [Annual Audit Letter](#) for the year ended 31 March 2019 was reported to Audit Committee in October 2019. The main conclusions of the Audit Letter regarding the key assessment areas were:

*Overall Value for Money Conclusion:*

*"Our audit report issued on 31 July 2019 reported an **unqualified** Value for Money conclusion for the 2018/19 financial year."*

*Audit of the financial statements:*

Mazars also issued an **unqualified** opinion on the financial statements.

- 5.10 The Council monitors the implementation of external audit recommendations. Assurance reports are regularly presented to Audit Committee and Mazars, 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 February 2020.

### **Annual Review of the role and responsibilities of the Chief Finance Officer**

- 5.11 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.
- 5.12 The 2019/20 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 the Council, given her role as the Council's Section 151 Officer, Deputy Chief Executive and City 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.

### **Annual Report of the Standards Committee**

- 5.13 The Council is committed to promoting the highest standards of conduct by members and has adopted a Code of Conduct for all members as part of its constitution. The Council has also established a Standards Committee, which is responsible for promoting and maintaining high standards of conduct by members of the Council. The [Annual Report](#) of the Standards Committee is one of the Council's sources of governance assurance.

### **Assessment of the robustness of corporate governance across services**

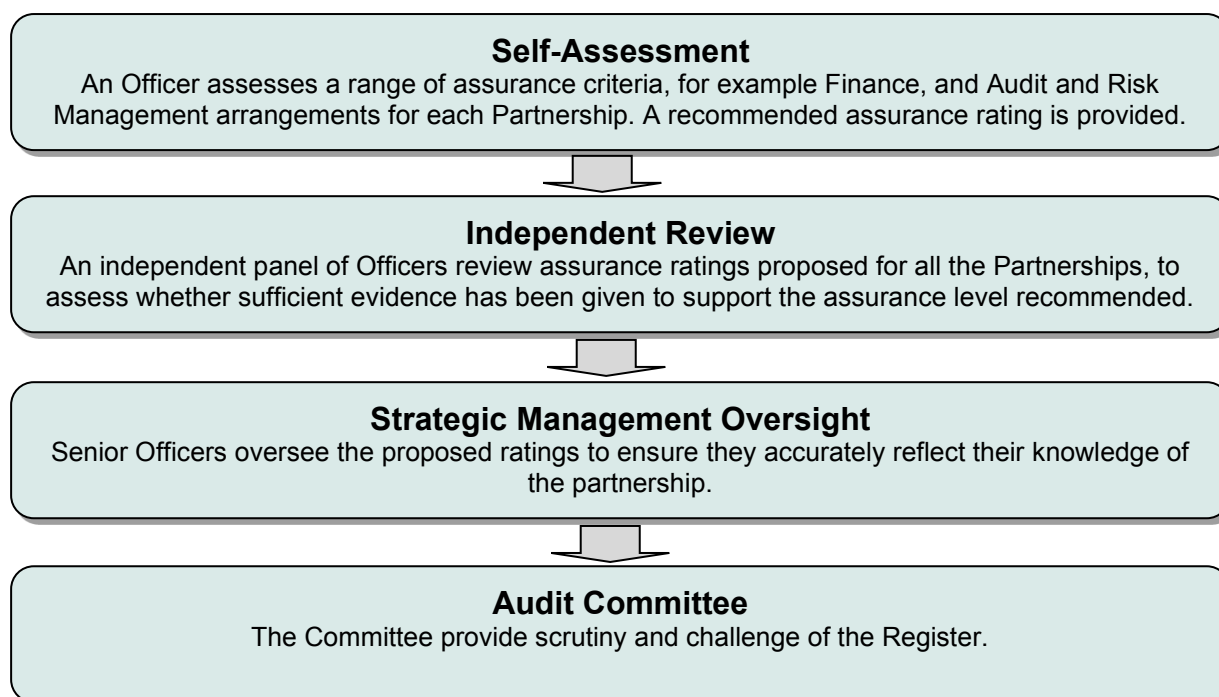
- 5.14 As part of the process of identifying any areas where governance may need to be strengthened across the organisation, Heads of Service each complete an annual online questionnaire. Services provide a set of assurance scores, based on their self-assessment of how effectively the good governance standards set out in the Code of Corporate Governance (the Code) have been implemented by their Service. The 2019/20 questionnaire was revised to reflect the update of the Code carried out in 2019.
- 5.15 Using a 'strengths-based' approach, services highlight and give more information about areas of strength and good practice in their questionnaire responses. These are then shared, so that good practice can be adopted across the organisation.
- 5.16 The analysis also identifies areas where improvement and support may be required. Any challenges experienced by multiple services, which are significant at



a corporate level form part of the evidence base used to identify the governance challenges which the Council will address in 2020/21 (Action Plan at Section 7).

### **Evaluation of the effectiveness of processes to gain assurance about the robustness of governance arrangements in the Council's Significant Partnerships**

- 5.17 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.
- 5.18 The annual self-assessment process has been developed to provide clear accountability, and robust scrutiny and challenge. It can be summarised as follows;



- 5.19 The Council works to continuously improve both governance in partnerships, and the assessment process. The assessment process is reviewed annually.

### **External inspection agencies**

- 5.20 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 last Children's Services focused visit took place in December 2019.
- 5.21 Mazars 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 for the 2019/20 financial year, which were set out in the Action Plan in last year’s AGS (2018/19). An interim update setting out progress earlier in the financial year was taken to [Audit Committee](#) in November 2019. Topics below are grouped together by particular governance themes.

Governance Area: Delivering Our Manchester

**Action 1) “Continuing progress with embedding Our Manchester priorities, behaviours and approach across 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. Supporting Services to move from ‘early’ and ‘developing,’ to ‘maturing’ and ‘mature’ in the Our Manchester Self-Assessment. Continuing to develop leadership and management capacity and capability.”**

There continues to be dedicated commitment to support how the Our Manchester (OM) approach is embedded throughout the Council, with the internally focused OM programme integrating with Organisational Development, ensuring that Our Manchester remains at the core of the Our People Strategy.

The response to COVID-19 has provided a catalyst for change for our residents and our workforce and has allowed us to reimagine what the workforce will look like in the coming months and beyond, with a workforce that is supported to excel and be well, working in a transformed way and delivering improved services.

Going forward into 2020/21, Organisational Development and Our Manchester will be an essential part of how we bring together the longer term aspirations of culture change and programmes such as Our Ways of Working (under Our Transformation), with the shorter term need to help our workforce adapt to more agile ways of working and the ‘new normal’ within the coming months. All of this must be underpinned by our organisational development approach, and Our Manchester - ensuring there is a clear, coherent and consistent plan for our workforce.

**Our People Strategy**

Our People strategy, agreed in January 2017, recognises the critical role the Council's workforce plays behind the vision of Our Manchester. In agreeing the Strategy, there was a recognition that the scale of change described would take time to achieve with its delivery timeline broadly aligned to the Our Manchester 2025 vision.

Our People strategy sets out a compelling vision for a future workforce and workplace where our systems, processes and cultures are fully aligned with Our Manchester behaviours and where people have the skills, opportunity and support to perform at their best. - This, in turn, will ensure the Council can achieve the Corporate Plan and play its full part in delivering on the vision for Our Manchester. During 2019 there has been continued activity to progress initiatives in support of the Our People strategy as well as the initiation of Our People Plan 2020/23, to articulate how we will continue to progress with Our People ambitions.

Work has commenced to consult widely with key stakeholder groups regarding Our People Plan 2020/23, the current draft was presented to HR Sub Committee on 24 February 2020, and will next be taken to Executive. Key stakeholders will be managers, staff groups including the staff networks and Trade Unions. The final version will also be informed by the Race Equality review, and the 'BHeard' Survey results.

Some of the key activity that supports embedding of the Our Manchester approach includes:

***Transforming our systems, policies and processes***

- A review of systems, processes and governance based on feedback from staff are now being progressed as part of Our Transformation Programme, which will provide staff with the right tools and time to deliver high quality services for our residents.
- To continue to support the Our Transformation Programme, Our Ways of Working is the opportunity to allow staff to work more flexibly across different locations and services in an agile way, and even more so as we move into our 'new normal'.
- A programme of partnership work has been developed to mobilise Bringing Services Together for People in Places which is Manchester's approach to place-based reform.
- Our Manchester in Health and Social Care which is establishing an agreed format and approach for the way in which Manchester Health Care Commissioning (MHCC), and the Local Care Organisation (MLCO) will operate to improve the experience for employees and for all people and communities across the city.
- Ongoing review of the Council's people management policies to support alignment with Our Manchester, including Code of Conduct, Pay Policy, Recruitment and Selection, plus others.

- The Council's overarching framework for learning and development provision ensures all providers are aware of Our Manchester, and are delivering the right messages when delivering training on behalf of the Council. Further work will discover how we transform our learning and development offer going forward into our recovery phase.

### ***Our Transformation***

Our Transformation is the work to modernise and digitise how the Council operates. Our Transformation is focused on five key work programmes:

- **Strengthening accountability** - Reviewing how we make decisions, creating accountability and empowering our managers.
- **Our Ways of Working** - Improving our working practices and culture, and making sure that we have the right tools (including ICT) to do our jobs.
- **Improving our Processes** - Understanding and improving the processes we follow and manage to get things done.
- **Designing our Future Core** - Understanding how we currently operate in the Corporate Core, identifying what needs to change and what the Core will look like after transformation.
- **Improving Resident & Business access to digital services** - Improving the user experience of interacting with the Council for our residents and businesses.

### ***Bespoke work and targeted offer***

- Through the Self-Assessments, nine services were receiving targeted support to develop their understanding of Our Manchester, and what it means to them and the roles they do. This is part of the work to support services to move from 'developing' to 'mature', and will continue as the offer develops.
- 131 OM 'Service Champions' continue to support their colleagues in their own services on their journey (1.8% of organisation).
- A focused strengths based development programme is now live, with roll out prioritised across the MLCO and the neighbourhood teams, with a cohort of over 300 staff having been through the programme.
- The refresh of the Council's leadership and management offer will be developed further to fully embed Our Manchester across both the Council's core leadership and management programmes.
- Wider development offer for senior leaders through engagement workshops and conferences, such as monthly Senior Leaders Group sessions and the annual Leadership Summit, which took place in October 2019. The Leadership Summit 2020 will be planned in line with the recovery phase of COVID-19.

### ***Delivering a universal offer to all***

- The Our Manchester Experience has welcomed over 4,000 Council staff along with 482 staff from partner organisations to date, and a target plan was agreed for a 7,000 staff target to be reached by September 2021, which will be reviewed in light of COVID-19.
- Our Manchester Experience 'Roadshow' was launched, making the Experience more flexible and adapted for certain staff groups, such as Facilities Management and Social Care. Further adaptations and delivery will be considered, as part of the new offer, in line with social distancing.
- Staff engagement events showcase Our Manchester as a way of doing things, and provide opportunity for staff to demonstrate the Our Manchester Behaviours. For example, Listening in Action evolved and gave staff the chance to hear from our senior leaders, as well as being listened to when discussing our Corporate Plan priorities.
- Behaviours Toolkits continue to be in circulation across the organisation and MHCC. Teams are creating and testing tools that suit their service, fully embedding the behaviours and how it works for them. New tools and formats will be considered, as part of our recovery and support plan for the workforce.

This activity forms part of an ongoing programme to fully embed Our Manchester into everything that we do, so that it is part of mainstream business and not a stand-alone 'thing' that we do. It has supported a continued improvement in organisational engagement levels as measured by the BHeard Survey, with the Council increasing by 14 points since the previous year, firmly placing us at the high end as a 'one-to-watch' company.

### ***Progress on Equality***

Numerous programmes of work have been either commenced or completed in 2019/20 which will further embed workforce equality in our systems, processes, governance and culture. These are long-term and ongoing pieces of work that will incrementally improve the representation, opportunities and experience of all identity groups in the workforce in the coming years. There is a particular focus on BAME and disabled employees, as these have been identified as priority groups.

The COVID-19 pandemic is causing numerous communities of identity both in Manchester generally and in the Council's specifically to experience adverse impacts to a disproportionate degree. Older, disabled and BAME people and those with ongoing health conditions have been particularly notably impacted, and the adverse impact of lockdown on the mental wellbeing of a number of Council staff is also notable; but the effects touch every identity group in some way. Understanding these impacts and responding to them throughout the recovery period is a Council priority and will help to fully embed equality and inclusion both in the recovery

response and in the Council's governance processes going forwards. This is dynamic, developing work and is not described in detail here. Rather, what follows is the position on the Council's non-COVID related workforce equality issues.

### *Equality Employee Network Groups*

- A refreshed approach to employee engagement on equality has been launched with a new Equality Employee Network Group framework.
- This has led to the re-establishment and growth in membership of the groups previously in operation (BAME, disability, LGBT+), as well as the development of new groups (women, mental health).
- The groups are employee-led and each works to its own work-plan, with support and input from HROD and the Equality, Diversity and Inclusion (EDI) Team as required.
- The groups give an opportunity for employees to access development and peer support as well as to influence programmes of Council work, and are a valuable source of lived experience and information for services to benefit from in developing services and policies.

### *Equality Impact Assessments*

- Work has begun to refresh our Equality Impact Assessment (EIA) framework, a key tool in ensuring that equality is considered in the development of our services and policies.
- This aims to make the range of identity groups assessed more representative of Manchester; the protected characteristics defined by the Equality Act 2010 will remain, but consideration will also be given to additional priority groups such as homeless people and ex-armed forces personnel.
- In addition, the training and support, quality assurance and governance arrangements in relation to EIAs is currently under review.
- Using the existing framework, equality analyses have been completed against several workforce policy reviews to mitigate the risk of adverse impacts on employees arising from these.
- In order to enable swift decision-making with due regard being maintained, a simplified COVID-19 EIA template has been developed, with an initial analysis undertaken of the Community Response Hub. The COVID-19 EIA template is being promoted to the wider workforce to ensure equalities-governance during the COVID response phase.

### *Workforce Race Review*

- An independent review of workforce race equality at the Council was commissioned and undertaken in 2019.

- The review has been completed and a final report of its findings has been received.
- An action plan is in development to respond to the report findings; this is being co-designed with BAME employees and other key stakeholders to best reflect BAME staff's experiences and needs.
- The implementation of the action plan and the achievement of its desired outcomes is a long-term programme of work, but aims to result in mainstreamed and sustainable improvements in the areas of representation, experience and progression.
- Regardless of the COVID-19 pandemic, this work remains a Council priority.

#### *Disability Development Programme*

- A parallel programme of work relating to disabled employees has been in development in 2019; this programme aims to achieve improvements in the same areas as the race review regarding representation, experience and progression as well as some specific areas such as reasonable adjustments, equipment and adaptations.
- Some elements of the programme have been introduced for trial such as the Access to Work Mental Health Support Service, and membership of the Business Disability Forum.
- Adoption of the broader programme of work will be considered in 2020/21.

#### *Learning and Development Review*

- A review of our equality-related learning and development tools was commenced in 2019; this aims to promote the use of the existing equality learning resources we have, and strengthen the offer.
- Work has commenced with our e-learning provider to develop a revised equality and diversity tool, which will form the core element of equality-related training from 2020 onwards.
- Our leadership and management development training is also looking to more proactively promote inclusive management practice.

### **Governance Area: Health and Social Care Integration**

***Action 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)"***



The Our Healthier Manchester locality plan is the key document that sets out the strategic ambitions for health and social care integration in the city - to improve health and care outcomes for the people of Manchester within a financially sustainable system.

Health and social care partners will develop a new, refreshed Locality Plan for the city, building on the unique experiences of COVID-19. This will start from the strategic ambitions of the existing plan. It will set out how partners will move from the incident response phase to recovery and transformation, which manages the profound impact that the pandemic has had on the city and its people. This work will take place during the first phase of the recovery period.

The governance for the refreshed Locality Plan will be through the Transformation Accountability Board, reporting to the Health and Well-Being Board. Connections with other aspects of the recovery work will be managed within the Council through the Recovery Coordination Group, chaired by the Deputy Chief Executive and City Treasurer. Recovery plans will be aligned between the Council, MHCC and MLCO through joint working on key priorities, for example, the wider contribution that health and social care can make to the economic recovery of the city, and the mutual importance of people's health and being in good quality work.

The strategic aims of Our Healthier Manchester are to:

- Improve health and well-being in Manchester
- Strengthen the social determinants of health and improve healthy lifestyles
- Ensure services are safe, equitable, and of a high standard, with less variation
- Enable people and communities to be active partners in health and well-being
- Achieve a sustainable system

Manchester Health and Care Commissioning (MHCC) was established in April 2017, as a partnership of the Council and the NHS Manchester Clinical Commissioning Group (CCG). MHCC is governed by a Board, which includes the Council Chief Executive, the Executive Director of Commissioning and Director of Adult Social Services (DASS), the Executive Member for Adult Services, and the Executive Member for Children and Schools. The Council and NHS Manchester CCG MHCC have agreed a pooled single commissioning budget for health, adult social care and public health, with a Section 75 Partnership Agreement and Financial Framework.

Manchester Local Care Organisation (MLCO) was established in April 2018, to deliver integrated out of hospital health and care, including Community Health, Primary Care, Mental Health and Social Care. MLCO is leading the delivery of Integrated Neighbourhood Teams (INTs) that bring together the workforce in the above services to deliver integrated care around residents' needs, taking Our Manchester approaches.

The integrated governance structure for MLCO is a Partnership Board and Partnering Agreement, signed by all key partners including the Council. The Council representatives on the Partnership Board are the Deputy Chief Executive and City Treasurer, and the Director of Policy, Performance and Reform.

The MLCO Executive includes the Executive Director of Adult Social Services, and other senior adult social care staff (including three Assistant Directors) are represented on the internal MLCO governance groups that sits beneath the MLCO Executive. These connections have been further strengthened through the Gold, Silver, Bronze command arrangements within MLCO for the COVID-19 response. Other governance groups are in place across the city to deliver the work required on the overall Locality Plan, and the enablers of integration such as health and social care workforce, finance, performance and ICT.

Work has largely been paused on the Adult Social Care Improvement Plan, although the principles of improvement and more effective ways of working through the programme have facilitated an effective and structured ASC operational response to COVID-19. The programme to date has led to a significant recruitment of additional social workers, introduction of a new strengths-based assessment process, improvements to technology enabled care, and a focus on reducing waiting lists for assessments and reassessments.

Wider work has been paused during the COVID-19 period such as the procurement process between MHCC and MLCO to agree a contract for the commissioning and provision of health services. Work has commenced to recommend ways to improve outcomes for children and young people in Manchester through more effective joint working between Children's Services and the MLCO.

The COVID-19 period has enabled partners to make practical progress on integration of health and social care for our residents, such as:

- Integrated discharge planning work has helped to expedite significant numbers of people from hospital into care

- Primary Care providing new and improved digital services to patients
- Partners working together to create the Nightingale North West hospital at Manchester Central very quickly
- Greater joint working on the challenges of residential and nursing homes in the social care market
- Daily social care provider health checks have provided clearer insight into organisational resilience of our providers
- Teams and managers have responded quickly and effectively to the challenges presented by personal and protective equipment, testing, and contacting citizens remotely for safe and well calls

There have also been challenges during this period including significant financial challenges relating to additional costs for social care provision across the city. The work to improve governance arrangements across the city undertaken during 2019/20 will also be re-examined in the light of learning from the COVID-19 situation.

#### Governance Area: Adults Services Governance

***Action 3) “Delivery of the Adults Improvement Plan to ensure effective triage at the front door, and the assessment and review of citizens’ needs in a timely, proportionate and consistent manner. This includes Adults Services governance oversight: operational compliance, quality assurance and the transition from Children’s to Adults Services provision.”***

The Adult Social Care Improvement Programme has been established to focus on ensuring the basics are in place for adult social care, to deliver high quality services for our residents, and to successfully deliver health and social care reform and integration.

The programme plan for this work was developed in late 2018, based on the outcomes of diagnostic work and the internal audits completed. As part of additional overall investment of £11.4m to meet increased need for adult social care, it was agreed by Executive in February 2019 that additional resources of £4.225m in 2019/20 rising to £4.8m for 2020/21 and 2021/22 be invested into the service to support the delivery of the improvement programme through increased capacity in front-line roles. This includes areas of the service where capacity has been met by temporary posts and short-term contracts as recurrent funding has not been in place.

A number of key priorities have progressed successfully including:

- Major recruitment campaign delivered - since April 2019 87.5 FTE social workers recruited into posts funded by the improvement programme, other externally funded posts and vacant mainstream positions

- Development of new strengths based approach to assessment and support planning - delivering improved outcomes and a more streamlined process - a significant change from the legacy process which had been in place for a decade
- Delivery of phase one of technology enabled care (TEC) programme transferring c.150 citizens from legacy provider, and operationalising TEC into business as usual
- Focused work on reducing waiting lists
- Introduction of enhanced communications and engagement with staff, boosting morale and buy-in including ASC forum and regular bulletins
- Development of new policies
- Progress on operational integration, including 12 neighbourhood social work managers in place
- Significant reductions in Deprivation of Liberty Safeguards waiting lists

In late 2019 through early 2020, a stock-take exercise was undertaken on delivery of the programme to date to ensure the programme continues to deliver improved outcomes. In order to address a number of the issues identified a revised portfolio structure has been designed - separating a 'core' programme from a wider set of transformational programmes, and positioning all of the programmes collectively into the Manchester Local Care Organisation wider portfolio. The transformation programmes include:

- Provider Services Review
- Learning Disability and Autism Programme (including transition from Children's to Adults provision)
- Urgent Care and Winter Programme
- Technology-enabled Care (TEC) Programme
- Integrated Commissioning and Contracting Programme

For 2020/21, the core ASC Improvement Programme is intended to include the workstreams as described below. The principles of improvement and more effective ways of working through the programme have facilitated an effective and structured ASC operational response to COVID-19. The programme itself has been largely paused during the COVID-19 response period from March 2020, and will recommence when service resources can be prioritised.

*Assessment and safeguarding function, including:*

- Front door pilot to test approach to better management of demand
- Active management and monitoring of the waiting lists
- Embedding of timeliness and strength-based practice standards
- Peer support and challenge process in teams to understand and act on strengths, issues and challenges

- Work to improve and embed end-to-end business processes
- Testing and evaluation of strength-based quality assurance framework
- Development of kitemark approach to further delegate decision making
- Development of team and service managers and review and embedding of core policies including supervision
- Implementation of social work career pathway
- Embedding performance management approach

*Commissioning and contracting including:*

- Development of approach to wider care market management
- Work to develop a brokerage function and improved business process following assessment
- Work to ensure effective contract management through appropriate function and the interface with MHCC
- Monitoring and management of contracts register, and effective procurement planning

## Governance Area: Information systems - delivery and governance

### ***Action 4) "Improving the resilience of ICT systems, including cyber security, and the Council's arrangements for disaster recovery."***

#### *Data Centre*

The Council's ICT delivery team continues to run the Data Centre Programme to deliver against the ICT Data Centre Strategy, which outlined the replacement of our legacy core infrastructure and single, Council owned, data centre site at the Sharp Project. The Programme will address single points of failure by replacing the Council's core infrastructure and moving to an entirely new data centre solution, hosted across two separate data centre facilities to support disaster recovery capability.

The replacement of the core infrastructure via the introduction of a new technology for virtual server hosting, and a new backup and storage solution was completed in November 2019. The next programme phase was to see the physical move and 'migration' of our IT services and applications on this new infrastructure to the two new data centres resulting in the closure of the data centre in Sharp.

The programme remained on plan and achieved the target of migrating 80% of our business applications and services (the servers and data storage that they use), to the two new data centres before the financial year end (March 2020). This provides the immediate benefit of provision of those services from two resilient data centres reducing the possibility of service outages. However, these services are still reliant upon the Sharp data centre for user access and internet connectivity until the Programme activities are complete.

The next phase of the plan, from April - June 2020, would have been to 'cut over' our network to the new data centres and migrate services such as the internet and remote access solutions and complete the remaining physical relocation of hardware where we had a reliance on third parties, namely our legacy BT telephony system. This plan would have enabled us to exit Sharp by June 2020.

The COVID-19 outbreak has inevitably disrupted this stage in the plan resulting in the dispersion of programme team resources, loss of some resource time to addressing critical IT incidents brought about by the change in our users interaction with technology, and our suppliers who have instigated their own business continuity plans. Access to the new data centres has been severely restricted.

The physical migration of our telephony systems in June 2020 has been cancelled, owing to the fact it will require a large team of Council and multiple supplier resources to complete the move, where social distancing is not possible.

Whilst it remains the priority of the programme to migrate all remaining services from Sharp to the new data centres, the focus has also been to prioritise what planned tasks can be brought forward and completed under current COVID-19 restrictions and planning for when restrictions are eased.

The focus has shifted to those services which are:

- Increasing resilience of remote access services to support Council staff working from home (whilst transitioning to additionally resilient services in the new data centres).
- Removing the dependency on Sharp.

Assuming the programme continues to make good progress, and key factors such as restrictions on working practices improve, it would be possible to have all services running from the new data centres and the programme could move to the decommissioning phase by October 2020.

*Cyber Security*

The Council recognises that one of the biggest risks to the organisation regarding Cyber Security remains with our end-users, this has been even more apparent recently during the COVID-19 pandemic which has seen a reported 400% rise in cyber related crime nationally. The Cyber Security team continues to promote the need for good Cyber hygiene through an active communications campaign, and also through our mandatory Cyber e-learning course. This multi-layered Cyber Security training and awareness programme is available to all staff and at its core, the training will provide a base level understanding of Cyber Security best practice that staff can utilise in both their professional and personal lives. Regular dialogue with all staff continues to raise awareness around all aspects of Cyber Security and we encourage everyone to remain vigilant especially at this time and to report anything suspicious to the ICT Service Desk.

The current COVID-19 lockdown situation has presented numerous operational challenges to the way we function as an organisation. Since lockdown was introduced, the Council has mobilised large amounts of our workforce and ICT has enabled them to work from home. This significant shift has been extremely challenging and has stretched our local resources and assets to make sure we continue to deliver our essential services. However, with some technical, operational and process changes, the Cyber security team continue to deliver and deploy software security updates, antivirus updates, malware protection and other protective security functions based on known, identified and evolving security vulnerabilities to all managed devices regardless of their operating location.

Recently the Cyber Security team has developed a 5-year Cyber Security Strategy, that will be published alongside the wider ICT strategy 2020-25. The Cyber strategy defines our strategic vision, and outlines our objectives based on three core themes (Defend, Deter and Develop).

***Action 5) - “Governance of delivery of proposed ICT systems essential to business operations and legal compliance, including the new social care system.”***

Good governance is critical for the ICT service as it enables the Council to:

- Demonstrate measurable results against Council business strategies and goals;
- Meet relevant legal and regulatory obligations, such as those set out in the GDPR;
- Assure stakeholders that they can have confidence in Council IT services;
- Facilitate an increase in the return on IT investment;

For the delivery of new services such as the new telephony platform, ICT uses two distinct processes. Initially, when a new service or product is required ICT follows 'The Open Group Architecture Framework' (TOGAF), this is an enterprise architecture framework that helps define business goals and align them with architecture objectives around enterprise software development. It helps businesses align IT goals with overall business goals while helping to organise cross-departmental IT efforts. TOGAF helps businesses define and organise requirements before a project starts, keeping the process moving quickly with few errors.

Once an initiative is considered a project, 'PRINCE2', a project management methodology developed by the UK government, and used widely in IT environments is employed to provide governance of project delivery. PRINCE2 makes use of the best-proven practices from a variety of industries and backgrounds. Documents with templates and clear decision points are characteristics of this methodology. All ICT Project Managers, Programme Managers, and Project Management Officers (PMOs) are qualified PRINCE2 Practitioners. This is coupled with 'ServiceNow' ITBM which is a governance and project management tool. This ensures that projects are governed and delivered following PRINCE2 best practice, and that stakeholders are provided with assurance over project delivery through the reporting functionality.

For live 'Business as Usual' (BAU) services such as Liquid Logic and SAP, the ICT Service Operations adheres to IT Infrastructure Library (ITIL). The IT Infrastructure Library (ITIL) is a library of volumes describing a framework of best practices for delivering IT services. ITIL's systematic approach to IT service management can help businesses manage risk, strengthen customer relations, establish cost-effective practices, and build a stable IT environment that allows for growth, scale, and change. The newest version of ITIL focuses on company culture and integrating IT into the overall business structure. It encourages collaboration between IT and other departments, especially as other business units increasingly rely on technology to get work done. ITIL 4 also emphasises customer feedback, since it's easier than ever for businesses to understand their public perception, customer satisfaction, and dissatisfaction.

In order to ensure effective Portfolio, Programme and Project assurance, ICT utilises P3O. P3O stands for 'Portfolio, Programme and/or Project Offices' and is a framework of principles, processes, and techniques to facilitate effective Portfolio, Programme and Projects management through its enablement, challenge and support structures. P3O guidance is aligned fully to PRINCE2, Managing Successful Programmes, and Management of Portfolios products, and brings together in one place a framework for best practice. Utilising P3O the ICT Project Management Officers (PMOs), all of whom are P3O practitioners, assist the bridging of the gap between strategy and policy makers, and the delivery arm of the Council from an IT perspective.

Change is effectively managed within the Council, using all the above frameworks in conjunction with our governance approval forums; IT Board, Design Authority Group, and the Change Assurance Board.

*Telephony and Contact Centre Project*



The current core telephony and contact centre systems become end of life March 2020 due to the manufacturer withdrawing support, a support contract is in place until March 2021 but this still represents a high risk to the Council. ICT has undertaken a tender exercise for a replacement telephony system. The contract was signed with a new provider in March 2020. Immediate engagement with the supplier has commenced, detailed planning is underway for the rapid deployment of contact centre services for the Covid Hub, Social Care and ICT Service Desk, to enable significantly more staff to work from home. Once these services are in place, planning will resume for full deployment of the contact centre functionality and telephony services across the rest of the Council. Prior to COVID-19 the estimated go live date was March 2021, however this date cannot be confirmed until the contact centre services are in place and the detailed planning of the wider project has taken place, to understand the effects on timescales of COVID-19 and the resulting change in approach.

#### *'Liquidlogic' Programme*

The 'Liquidlogic' suite of systems has now been operational for over six months (since July 2019). The Council are now in 'component two' of the change programme, with system implementation now complete (component one). Business change activity is ongoing across Children's Social Care (CSC) and Adult Social Care (ASC). From an ICT perspective, the systems are stable, this is an improvement on the Micare system, which encountered unplanned outages and was subject to performance issues. Good progress is being made, but there remain a number of challenges to resolve. Children's Services will be ready to move to business as usual in late February or early March 2020. The timeline for ASC will be longer, with the need to learn from the implementation to date, and the establishment of a brokerage function that will enable some of the current challenges to be resolved. The leadership of the Deputy Director of ASC, aligned to the ASC Improvement Programme is driving substantive progress. The change management approach, and any financial implications of a longer timeline for ASC moving to BAU will be identified as part of the work outlined.

#### *LAN / WiFi*

The Network Refresh Programme work will be carried out throughout 2020/21, and is critical for the ongoing performance and resilience of the networks operating within the Council. The programme is currently at procurement phase. As a result of COVID-19, the decision was made to extend the procurement phase of this programme by ten weeks to mitigate any impact on quality of responses and their evaluation. The programme consists of the following projects:

- Wide Area Network (WAN) Refresh - this provides the connectivity between Council buildings
- Local Area Network (LAN) and Wi-Fi Development Project;
  - LAN provides connectivity to Council systems within Council buildings

- Wi-Fi provides wireless connectivity within Council buildings, comprising; New Public Wi-Fi where required; 'GovRoam' (a network providing staff with roaming internet access across multiple public sector locations. GovRoam phase one connectivity for the Town Hall Extension and Bridgewater House has been delivered); Corporate and Guest Wi-Fi

### *Prioritisation*

In light of COVID-19, ICT has conducted a detailed planning and re prioritisation exercise to determine the initiatives and projects ICT will deliver over the next twelve months, ensuring the best use of available resources and optimum balance of risk against achievability under the current circumstances. This process has taken into consideration not just the current situation, but that immediately following the end of lockdown and the ensuing months. Therefore ICT's current priority projects and initiatives are (not in rank order);

- Microsoft Office 365 Programme
- Alexandra House Refurbishment (Corporate offices in Hulme)
- Application rationalisation (FLARE replacement)
- Data Centre Facilities and Delivery
- Network Provision to the new Data Centres
- Early Years & Education system (EYES) Implementation
- End User Compute - Phase 2
- Replacement C,P & C system
- Income Management (PARIS replacement with CIVICA Pay )
- LAN and Wi-Fi Programme
- Social Care System Phase 2
- Making Tax Digital
- Telephony & Contact Centre

These priority projects have been agreed with SMT and communicated to key stakeholders across the Council.

### **Governance Area: Finance and Savings**

***Action 6) "Changes to the local government finance system, and delivery of continued significant savings."***

### *Changes to Local Government Finance system*

The 2020/21 spending round announcement and subsequent settlement on 6 February 2020 set out the funding for 2020/21, which informed the budget proposals approved by budget Council on 6 March 2020.

The government funding commitments are for one year only, and considerable uncertainty remains for longer-term planning. Even prior to COVID-19 there were significant medium term risks around the levels of public spending overall (to be determined in the 2020 spending review), the distribution of funding across local government (through the Fair Funding review) and the impact of anticipated business rates reforms and reset (the update of the current business rates baseline).

The longer term spending review was deferred from 2019/20 to 2020/21, and is now anticipated to take place in late summer. This should give some high level figures for the Local Government sector. The planned changes affecting business rates and funding reform were also deferred until 2021/22, as notified last year. Following the COVID-19 outbreak, they have now been deferred further until 2022/23. The financial impact of these reforms is unknown and could be considerable.

In relation to Business Rates Reform, 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 to March 2021. With the deferral of the full system reform, the pilot may now be extended until 2021/22.

The Council was already engaging with central government and other interested bodies through formal consultation responses and working groups to ensure the impact of the potential changes on local government - and particularly cities - is recognised. This included numerous Fair Funding and Business Rates redesign workshops and consultations, as well as contributing to papers considered by the Fair Funding Technical working group. The last formal response submitted was the budget representation to HM Treasury, on 7 February 2020.

Following the COVID-19 outbreak and associated financial impact, these discussions have been focussed on ensuring the costs and income losses incurred by the Council are recognised, and that appropriate support measures are in place. A government update on this is expected in late July 2020.

### *Delivery of continued significant savings*

The 2019/20 budget process identified £14.798m of savings and budget reductions to be delivered in 2019/20.

Each saving has been monitored and reported throughout the year. The table below shows where savings have, or have not, been achieved in 2019/20 across each of the Directorates. The position on the deliverability of the savings moving forward was taken into account as part of the 2020/21 budget setting process.

| Directorate                 | Savings Target 2019/20 |              |               |                            |                       |
|-----------------------------|------------------------|--------------|---------------|----------------------------|-----------------------|
|                             | Achieved               | Not achieved | Total         | Non recurrent / Investment | Net Total as per MTFP |
|                             | £000                   | £000         | £000          | £000                       | £000                  |
| Children's Services         | 2,466                  | 187          | <b>2,653</b>  | 392                        | 3,045                 |
| Adults Social Care          | 3,908                  | 4,000        | <b>7,908</b>  | (5,915)                    | 1,993                 |
| Homelessness                | 0                      | 440          | <b>440</b>    | 0                          | 440                   |
| Corporate Core              | 3,349                  | 0            | <b>3,349</b>  | 0                          | 3,349                 |
| Neighbourhoods              | 4,951                  | 0            | <b>4,951</b>  | 0                          | 4,951                 |
| Growth and Development      | 1,020                  | 0            | <b>1,020</b>  | 0                          | 1,020                 |
| <b>Total Budget Savings</b> | <b>15,694</b>          | <b>4,627</b> | <b>20,321</b> | <b>(5,523)</b>             | <b>14,798</b>         |

#### *Budget 2020/21 and beyond*

The 2020/21 budget reflected changes arising from the Spending Round announcements, the Final Local Government Finance Settlement 2020/21, forecast pay awards, notifications from GMCA and a robust review of all Council service spend to realign budgets and identify savings options. In total, savings and efficiency options of £7.5m were identified for 2020/21, which net to £2.8m after pressures have been met. These are being found through a combination of efficiencies, income generation and innovation and should not impact on frontline services to residents. In recognition of the challenges faced by Adults and Children's Social Care and

the Homelessness Service, any efficiencies identified in these areas will be used to help achieve a balanced budget in 2020/21, with a focus on stabilising the position and preparing for possible changes from 2021/22 onwards.

All proposals were presented to the relevant Scrutiny Committees in January and February 2020 for comment, and approved by Council 6 March 2020. The table below summarises these by Directorate.

### Net Efficiency Options 2020/21

|                                 | 2020/21 Efficiency / Income<br>Options Identified | 2020/21 Pressures/ Priorities<br>Identified | Net efficiency options<br>supporting budget |
|---------------------------------|---|---|---|
|                                 | £'000   | £'000                                       | £'000                                       |
| Homelessness                    | (1,000)   | 1,000                                       | 0   |
| Corporate Core                  | (3,449)   | 2,872                                       | (577)                                       |
| Neighbourhood Services          | (2,324)   | 754   | (1,570)                                     |
| Growth and Development          | (690)   | 0   | (690)                                       |
| <b>Total Efficiency Options</b> | <b>(7,463)</b>                                    | <b>4,626</b>                                | <b>(2,837)</b>                              |

The Council is continuing to collate details of the additional expenditure and estimated loss of income arising from COVID-19, and report to MHCLG each month. Current government funding allocations are insufficient to meet the identified pressures particularly in relation to the anticipated loss of income, which will crystallise further as the financial year progresses. This is a national issue, which has been widely reported by all types of Local Authorities across the sector.

As part of the Council's recovery from the COVID-19 outbreak, a financial resilience workstream has been established. To support the viability of the 2020/21 revenue budget all directorates have been requested to undertake a line by line review of their 2020/21 revenue budget, and look for immediate cost reductions and efficiencies. This will be reported to Executive 29 July 2020 for consideration. The report will contain a proposal for a reset revenue budget, including the funding for the Health and Social Care Pooled Budget. There will also be the headline implications for 2021/22.

The position for 2020/21 is expected to be manageable through immediate additional savings and the use of reserves, however the financial position in 2021/22 becomes much more challenging based on current information.

The Council is working with the LGA, Core Cities, GMCA and MHCLG to seek an urgent, decisive response to the position of local government. Key to this will be providing greater long-term certainty to support sound financial planning alongside work to compensate the additional immediate costs to the system.

By early Autumn there will be a report setting out any further corrective actions for 2020/21 and the implications of setting the budget for 2021/22 and beyond. Inevitably, this work will also be dependent on further announcements from Government regarding funding and flexibilities, as well as the latest guidance on the approach to tackling and living with COVID-19 including any associated costs and income losses.

Despite the uncertainty around COVID-19 and government funding, it is recognised that longer term planning is essential. Therefore, work is in progress to formulate indicative budgets and scenarios for a five-year period. Alongside the COVID implications, this is in the context of considerable changes to Local Government Funding including the outcome of the Spending Review, a review of local authorities relative needs and resources (also known as the Fair Funding Review), reform of the Business Rates Retention scheme, and the government proposals on the future of Adult Social Care funding and interaction with the NHS ten year long term plan.

### Governance Area: EU Exit Preparations

***Action 7) “Planning and implementation of changes required to mitigate potential negative impact of Brexit on budget and other assumptions for the Council, partners and residents of the City.”***

*Extension to Article 50, and EU exit*

Since the last Brexit update when the UK was preparing for EU Exit on the 31 October 2019, Parliament was unable to agree a deal and requested a further extension to Article 50 to 31 January 2020. This was agreed by European Council, and all EU Exit preparations stood down. A General Election was then announced, and took place on the 12 December 2019 - which the Conservative Party won.

Under the new UK Government and the terms of the Withdrawal Agreement Bill, the UK left the European Union on 31 January 2020. Since then the Government has continued negotiations with the EU to try to secure a comprehensive partnership and trade

deal, before the transition period ends on 31 December 2020. We will need to track progress of these negotiations, and the way in which the pandemic may impact on them, as this could lead to new arrangements for trade, travel and business.

We will also need to be aware of the risks of disruption if these negotiations are not successfully concluded. The end of June 2020 is the deadline by which the Government would need to ask for an extension of the Transition Period. If an extension is not requested by then, and the Government has said that it has no intention of making such a request, a no deal exit, with the risks and potential disruption this could bring, is a possibility unless an agreement can be reached in the meantime.

### *Governance*

The Council's response to the risks and uncertainties associated with EU Exit Transition has been coordinated by the Brexit (now EU Exit) Preparedness Group which is chaired by the Strategic Director - Neighbourhoods. A Greater Manchester Preparedness Group is chaired by the Chief Executive of the GMCA, to focus on issues and civil contingencies at a city region level. The group includes representatives from Health, Greater Manchester Police, Greater Manchester Fire and Rescue, Transport for Greater Manchester, Manchester Growth Company and Manchester Airport.

### *Council EU Exit Preparedness Group*

Council EU Exit Preparedness Group ('MCC Group') have stood down meetings, which were scheduled to start again in January 2020 following national stand down in October 2019. However, officers will continue to assess the situation through engagement with the LRF and participation in planned monthly GM Brexit meetings.

The Government's Transition bulletins continue to be shared with the MCC Group and it is likely that meetings will reconvene later in the year if progress on the negotiations is stalled or there is likely to be a no deal exit.

If no extension is requested, the Transition Period ends on 31 December 2020. There is a risk of this period expiring without a trade and cooperation deal having been concluded. Negotiation of a comprehensive trade deal by this date will be challenging, therefore preparing for the types of 'no deal' risks we have previously considered will be relevant as we approach the end of December 2020.

### *Risk and Resilience*

In line with Government guidance the EU Exit Preparedness Group oversaw the development and update of a Corporate Impact Assessment with all Directorates covering the following areas:

1. Fuel Supplies
2. Civil Unrest
3. Loss of EU National Staff
4. Equipment & Materials
5. Medical Supplies
6. Food Supplies
7. Finance
8. Events
9. Payment of Benefits & Poverty
10. Partnerships & Suppliers
11. Statutory & Regulatory

#### *The approach relating to Council employees*

The Council's strategy in relation to the workforce has, to date, focused in three areas:

- **Informing** all employees of the potential implications for EU nationals in the workforce and signposting to relevant information and guidance.
- **Supporting** any individuals or managers who have identified specific concerns, signposting them to relevant support and providing guidance where appropriate.
- **Monitoring** any emerging risks or issues in either the employed workforce or agency provision.

Work has been undertaken with PricewaterhouseCoopers (PWC) to create a package for employees which distils Government information into a format suitable for mobile devices. The package is being used across Greater Manchester by the majority of local authorities, and is automatically updated with the most up to date Government guidance and deadlines.

#### *Wider Communication*

The Council Communications Team has developed an overall strategy for informing residents and businesses about the implications of EU Exit and fed into the wider Greater Manchester plan.



Residents have been signposted to [www.gov.uk](http://www.gov.uk) website for information, and there has been a particular focus on communicating information, support services and Government advice on applying for EU Settled Status.

For businesses, messaging has signposted people to [The Business Growth Hub](#) and [Greater Manchester Chamber of Commerce](#). These local hubs have simplified the information available from Government, and provided useful overviews and summaries for technical guidance notes so that businesses can see at a glance if they are relevant and what action they need to take.

### *Financial implications*

A number of potential financial implications across a range of areas are being considered. These include:

- Impact of COVID-19 recovery
- Increases in the cost of goods and services e.g. care services, buildings and construction, food and fuel.
- Business rates reductions as a result of higher costs to businesses, or issues caused by import and export tariffs.
- National changes such as changes to interest rates, state aid and OJEU tendering.
- Impact on the Airport Dividend.
- EU Grant funding including risk to existing projects and lack of clarity on UK replacement funds.

### *Impact Monitoring and Mitigation*

The EU Exit Preparedness Group has developed a series of key indicators on a cross departmental basis that will enable any emerging impacts to be identified, monitored and any appropriate mitigating actions taken. These will be further refreshed and updated in 2020/21 as details of the proposed future relationship with the EU and potential impacts of EU Exit emerge.

### *Detailed report to Economy Scrutiny Committee*

The update in this report is intended as a brief high-level overview of the governance arrangements relating to this challenge only. A more detailed report - [The Impact of Brexit on the Manchester Economy](#) - was taken to Economy Scrutiny Committee on 5 September 2019.

### *Regional Reporting*

Monthly GM meetings continued to be held from January, but were stood down recently in light of the pandemic. It is expected that these meetings will start again as business as usual commences. It is likely that the frequency of these meetings will then be scaled-

up, based on trade and cooperation negotiations around Summer until December 2020 and beyond, depending on risk and issues analysis and national reporting requirements. A meeting of Local Resilience Forum (LRF) Chairs took place on the 19 December 2019 and 8 January 2020, and no immediate issues were raised.

Although all other reporting has been stood down, the North West has been asked by the Department for Business, Energy & Industrial Strategy (BEIS) to provide a return (initially monthly) about the economic health of the region. BEIS are trying to get a 'real-time' understanding on general trends and any specific issues in the run up and aftermath of EU Exit and any potential economic shocks. GMCA are undertaking this work on behalf of the North West, and each local authority has been asked to feed into this reporting with immediate effect.

#### *EU Settlement Scheme*

It is estimated that around 300,000 EU citizens in the UK have yet to apply for settled status, which most will need to remain in the country long-term after EU Exit. Home Office statistics for March 2020 show that just over 3.4 million EU citizens and their family members have applied for settled status. So far, 58% of applicants have been granted settled status, and 41% granted pre-settled status, which allows people to stay in the UK for a further five years. The figures underline a huge take-up of the scheme, which was launched nationally in March 2019, but also show the scale of the task that still lies ahead.

It is assumed that local authorities will be asked to continue to work to encourage registration, and the Council will continue to do this, alongside our role in ensuring that all looked after children who are EU citizens apply for settled status. We will also continue to engage with Home Office communications.

#### *Risk Indicators*

Whilst meetings of the MCC Group have been stood down, work being undertaken by the Risk and Resilience Team on EU Exit risk indicators and refreshing the Corporate Impact Assessment will continue. This work has paused over the last three months but the proposed actions over the next 3-6 months are as follows.

- A review of Directorate and Service risk registers and business continuity plans will be completed as scheduled in quarter four 2019/20. As part of this, the Brexit Impact Indicators document will be updated. The focus of the team will be on supporting services and core support functions (including ICT, Commissioning and Procurement, Finance, HROD) on development of practical, appropriate mechanisms for monitoring and reporting on potential impacts.
- The key areas of focus for indicators will remain workforce; contracts and supply chain; ICT / information governance; finance and funding; customer / resident demand; care and safeguarding for vulnerable adults and young people; and community cohesion.

## Governance Area: Highways Infrastructure

***Action 8) “Development, design and delivery of major infrastructure projects across Highways, maintenance, and governance of response to the reporting of road issues, linking with strategic development plans, to time, quality standards and on budget.”***

The Highways service now has six major projects on site including Hyde Road, Medlock Street roundabout, A6 Stockport Road, Royce Road Chorlton, Great Ancoats Street, and the schools crossings improvements programme. Consultation has just finished for the cycling and walking route between Piccadilly and Victoria train stations, that was positively received. The final designs are being completed for the Chorlton cycling and walking scheme, and there are also schemes being progressed at Fallowfield Loop, Rochdale Canal, Northern Gateway, Levenshulme and Beswick. The five year planned maintenance programme has progressed well, and is now in year four. Additional works funded by a Department for Transport grant of £5m has also been added into the schedule.

Despite the significant impact of COVID-19, major works have continued and in some cases the highways teams have been able to take advantage of low traffic flows by accelerating the programme.

There has been a major focus on managing the city’s emergence from lockdown, including creating additional space for pedestrians in areas of high footfall such as the city centre. This work has included widening pavements on key routes including Princess Street, the pedestrianisation of Deansgate between Blackfriars and King Street West, and working with Transport for Greater Manchester and bus operators to ensure that the city’s public transport is safe for workers.

The Highways service previously reported to the committee that it had approval to appoint a permanent Highways Development Specialist to drive forward the strategic infrastructure plans, but recruitment was unsuccessful and so the post is being advertised again after a market supplement was applied to the salary. The vacancy has meant a slight delay in progressing our strategic infrastructure development pipeline.

The service has appointed a new Head of the Programme Management Office who is responsible for developing a standard approach to project management, procedures and reporting.

Governance is now embedded and functioning well, with the service regularly reporting to the Neighbourhoods Scrutiny committee.

## Governance Area: Commissioning, Procurement and Contract Management

### ***Action 9) “Strengthening the Council’s approach to commissioning, procurement and contract management.”***

2019/20 saw two important developments for the Council in relation to social value and ethical procurement. The first is that the Council has been accredited as a Living Wage Employer. As part of this, the Council has committed to work with its supply chain to promote and embed the payment of the Real Living Wage. The Council has updated its tender documentation accordingly, and will be working with contracts leads over the year to ensure Real Living Wage is included in contract discussions with suppliers.

The second development relates to the Climate Emergency declared by the Council in July 2019:

- The Integrated Commissioning and Procurement (ICP) and City Policy teams have accordingly developed new questions and wording that will be included in tender documentation.
- The Council has been trialling an additional 10 percentage point weighting in the evaluation specifically in relation to carbon reduction, on top of the existing minimum 20 percentage points in relation to social value. For example, Highways have piloted this on some recent tenders and early indications are that bidders have responded positively.
- The Council also continues to work with wider partners, including the Centre for Local Economic Studies (CLES), to learn from each other and promote carbon reduction in procurements. This was a particular focus at the annual ‘Power of Procurement Event’ held on 14 February 2020.

In terms of wider commissioning and contract management, the Commissioning and Contracts Leads group is now well established, with good representation from across the Council. In quarter three, for example, the group has co-developed arrangements to drive better forward planning, held a dedicated session with City Policy on the climate emergency and the implications for contracts and market development, and reinforced corporate priorities including social value key performance indicators and the real living wage.

Over the financial year, the Integrated Commissioning and Procurement Team launched two e-learning packages on contract management and social value which are promoted (in the Forum and the Buzz emails to staff), and the numbers accessing them are tracked regularly. A certificated course in contract management was also commissioned; this has been temporarily paused due to COVID-19 and the Integrated Commissioning and Procurement Team are working with the provider to run virtual training sessions.

COVID-19 has had a significant impact on the Council's supply chain and a number of supplier relief arrangements have been put in place, consistent with the government's procurement guidance. Council staff and schools were provided with guidance on actions needed to help identify and mitigate risk of supplier failure due to COVID-19, and the Integrated Commissioning and Procurement Team have been liaising with contract managers across the council to advise on specific matters. The Head of Commissioning and Procurement also regularly engages with central government and local government forums (e.g. National Advisory Group), both to advise on national guidance, and to ensure that the latest policy positions are quickly disseminated. Supplier relief arrangements are recorded on a single register.

The vast majority of procurements in March 2020 went ahead as planned, and market interest in opportunities has not abated. The major new area of procurement in March related to Personal Protective Equipment (PPE), in which the Council established a dedicated procurement team for the supply of PPE, working alongside the health and safety team in the Council and health partners in MHCC, as well as the Greater Manchester Health and Care Partnership.

Looking ahead to 2020/21, the main risks relate to COVID-19 and the impact it could have on recommissioning plans, particularly in relation to health and social care services where a number of staff have been temporarily redirected to the COVID response. There is also the indirect budgetary impact of COVID-19, which will require commissioners and the market to look at innovative approaches for delivering services at reduced cost. The Integrated Commissioning and Procurement Team is part of the council's Financial Resilience Group, which is working on solutions to deliver a financially sustainable budget.

#### Governance Area: Workforce Policy

***Action 10) "Continued development and coordination across Services of the governance, communication, implementation and monitoring of workforce policy and associated guidance. This includes ensuring strong messages around compliance and accountability, and a planned programme of work to identify and tackle areas of non-compliance."***

Responding to the challenges presented by COVID-19 has been a significant focus for the HROD team in the later part of 2019/20, and into 2020/21. Immediate policy reviews were required in order to agree positions in relation to pay, annual leave carry forward and the redeployment approach. In addition detailed data gathering exercises have been undertaken, to obtain workforce

intelligence about deployment, COVID-19 impacts including identification of specific employee needs in relation to underlying health conditions, caring responsibilities and requirements for home working adaptations. During this period some business as usual activities have been temporarily suspended, such as employee casework, however, recovery plans are now in place for the resumption of this activity.

### *Recruitment and selection*

Launched in October 2018, the revised Recruitment and Selection (R&S) policy and guidance is now embedded into the recruitment process. Encouraging managers to 'Hire with their Head', the policy now enables managers to tailor the recruitment process to their roles and services - to get the best possible candidates in a way which is fair, inclusive and consistent across the organisation. Since its launch, the mandatory e-learning module has been completed by 1,226 individuals who are involved in the recruitment process.

Further work is underway during 2020 to review our recruitment and selection process, and to get a better understanding of the manager and applicant journeys. We will also be engaging with residents, staff and managers about their recruitment experience. This work will be linked to the BAME review, and wider protected characteristics.

We also have a new approach to Role Profiles in development, highlighting more strongly our commitment to flexible working and supporting applicants who have a disability, simplifying the language used, and ensuring that our roles are more specific in their descriptions.

### *Disclosure and Barring Service (DBS) Framework*

Over the last year the Directorate Lead counter-signatories, with support from the HR team, has refreshed the DBS policy, audited the list of posts that require clearance, and made system improvements (and planned others) that improve records. The internal audit team completed an inspection of new arrangements and gave a conclusion of moderate assurance (a notable improvement on the limited assurance findings from the last audit in 2015). The arrangements incorporate recommendations that have been acted on during 2019, to further improve the assurance relating to the Council's DBS Framework. In addition, the Council has recently joined a GMCA contract for the provision of a new electronic system (e-Bulk system) for the processing of DBS checks on behalf of the Council.

### *Induction*

Our new approach to induction launched in 2019 and helps our new starters to understand their role, how the Council works, and ensures they get off to the best start. A programme of change for management induction is also underway.

#### *Using Workforce Intelligence*

The Workforce Assurance Dashboard remains a valued platform for managers to obtain key workforce performance data, with more than 500 managers across the Council regularly accessing the quarterly reports. This online product is fully accessible on PC, tablet or mobile enabling managers to access data at any location and at any time. The site now also contains interactive self-service pages specifically containing data on agency spend and absence, allowing managers to draw out even more pertinent data for their services. These quarterly reports continue to be shared with the Trade Unions, as an overview on workforce performance.

While the Workforce Assurance Dashboard remains the most widely used source of workforce intelligence, the team also engages in frequent bespoke analysis work with directorates and services in an attempt to understand more specific challenges, and to provide a greater understanding of these areas. Insights from one such project with Children's and Education services contributed to the recently revised 'Recruitment and Retention Strategy' for the directorate.

## 7. Action Plan: Governance Challenges for 2020/21 Onwards (draft)

The review of governance arrangements has identified the main areas where the Council will need to focus its efforts during 2020/21, 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 2021.

| Action | What action is to be addressed   | Who is responsible for delivery                          |                               |
|--------|--|--|-------------------------------|
|        |  | SMT Leads  | Directors or Heads of Service |
| 1      | Effective response to COVID-19 through Council leadership, support to our workforce and organising an effective incident response and recovery. It is recognised that this will impact on the capacity and | Chief Executive, Deputy Chief Executive & City Treasurer | -                             |

| Action | What action is to be addressed  | Who is responsible for delivery  |  |
|--------|---|--|--|
|        |   | SMT Leads  | Directors or Heads of Service              |
|        | ability of the Council to respond fully to all of the other identified challenges and risks. The governance around the response will need to ensure effective decision making is maintained, and that critical parts of the organisation's business as usual continue to be delivered.  |  |  |
| 2      | Continuing to embed the Our Manchester behaviours necessary to support the delivery of Our Corporate Plan, across both the Council's leadership and the wider workforce. This includes delivery of the updated Our People Strategy.   | Deputy Chief Executive & City Treasurer, City Solicitor                    | Director of HROD                           |
| 3      | Our Transformation - ensuring effective governance of all the programmes involved in strengthening and transforming how we work.  | Deputy Chief Executive & City Treasurer, City Solicitor                    | -  |
| 4      | Carbon reduction - ensuring that we have robust and effective governance of strategies, which will enable delivery of the 2038 zero carbon targets.   | Deputy Chief Executive and City Treasurer                                  | Director of Policy, Performance and Reform |
| 5      | Support the integration of health and social care by ensuring effective governance of integrated teams and activity, including the operation of the partnership arrangements with MHCC commissioning function, and the Local Care Organisation (LCO). Ensuring there is progress made with developments that will deliver positive outcomes within the system resource envelope.  | Director of Adult Social Services, Deputy Chief Executive & City Treasurer | -  |
| 6      | Delivery of the Adults Improvement Plan and integration of Health and Social Care, through the governance arrangements of MLCO and MHCC, whilst ensuring that the Chief Executive can be fully assured on statutory responsibilities, particularly around safeguarding. Ensuring effective integrated neighbourhood team arrangements, triage at the front door, and the assessment and review of citizens' needs in a timely, proportionate and consistent manner. This includes Adults Services governance oversight: operational compliance, quality | Director of Adult Social Services  | -  |



| Action | What action is to be addressed  | Who is responsible for delivery                         |   |
|--------|---|---|---|
|        |   | SMT Leads   | Directors or Heads of Service           |
|        | assurance and the transition from Children's to Adults Services provision.  |   |   |
| 7      | Improving the resilience of ICT systems; including continuing to strengthen cyber security to ensure an effective response to the evolving external environment, and the Council's arrangements for disaster recovery via delivery of the data centre.  | Deputy Chief Executive & City Treasurer                 | Director of ICT                         |
| 8      | Governance of delivery of proposed ICT infrastructure and systems essential to business operations and legal compliance, including the new social care system. Mitigation of delivery timescale risks, and effective prioritisation where there is an interdependence between business critical programmes (e.g. telephony).  | Deputy Chief Executive & City Treasurer                 | Director of ICT                         |
| 9      | Planning and implementation of changes required to mitigate potential negative impact of EU Exit on budget and other assumptions for the Council, partners and residents of the City.   | Chief Executive   | -                                       |
| 10     | Strengthening the consistency of and accountability involved in the Council's approach to commissioning, procurement and contract management. This includes; improving supply chain resilience, building in carbon reduction requirements and reducing reliance on waivers.   | Deputy Chief Executive & City Treasurer                 | Head of Strategic Commissioning         |
| 11     | Continued development and coordination across Services of the governance, communication, implementation and monitoring of workforce policy and associated guidance. This includes ensuring strong messages around compliance and accountability, and a planned programme of work to identify and tackle areas of non-compliance. Focus is needed on; the Accountability Framework - to support understanding of decision making, and the operation and efficacy of the Member / Officer Relations Protocol, and the Member Code of Conduct. | Deputy Chief Executive & City Treasurer, City Solicitor | Director of HROD, Deputy City Solicitor |

## 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.

# Audit Completion Report Draft to Audit Committee

Manchester City Council  
Year ending 31 March 2020

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6. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor's report

Appendix C – Independence

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Audit Committee  
Manchester City Council  
Mount Street  
Manchester  
M30 2LA

19 November 2020

Dear Members

### **Audit Completion Report – Year ended 31 March 2020**

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks, key audit matters and other areas of management judgement, was outlined in our Audit Strategy Memorandum (ASM) which we presented to Audit Committee on 11 February 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our sincere thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07721 234043.

Yours faithfully

Karen Murray, Partner  
Mazars LLP

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861.  
VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Manchester City Council ('the Council') and its Group for the year ended 31 March 2020, and forms the basis for discussion at the Audit Committee meeting on 26 November 2020.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 3 and 6 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 3 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control;
- Valuation of Property, Plant & Equipment (land & buildings and investment properties);
- Valuation of Defined Benefit Pension Liability;
- Group Financial Statements consolidation process; and
- Valuation of Manchester Airport Holdings Limited land & buildings for group consolidation.

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

Subject to the satisfactory completion of the remaining audit procedures, we anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

### Whole of Government Accounts (WGA)

The timetable for the Council's WGA submission has recently been published by MHCLG, and NAO issued auditors with their group instructions in early November. We will complete the required work to the MHCLG timetable as soon as possible.

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have not received any questions or objections relating to 2019/20.



# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding. We will provide the Audit Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

| Audit area  | Status | Description of outstanding matters   |
|---|--------|--|
| Valuation of Property, Plant & Equipment and Investment Properties  | ●      | We are completing elements of our testing of the Council's valuation of its land and buildings including work that our consulting valuer is completing on the Council's valuer methodology and assumptions       |
| Testing of journal transfers  | ●      | We have received all requested information relating to our testing, but the final elements of our work are still to be completed   |
| Testing of expenditure items  | ●      | Final elements of our testing on some areas of expenditure are still to be completed   |
| Collection Fund   | ●      | Agreeing the Council Tax and NNDR property numbers to the third party Valuation Office reports   |
| Provisions, Contingent Assets & Contingent Liabilities              | ●      | We are completing our testing on the compliance of the disclosed provisions and contingent assets & liabilities with accounting standards  |
| Consolidation of group accounts                                     | ●      | We require confirmation of any events after the balance sheet date from the auditors of Manchester Airport at the end of the audit.  |
| Review and closure procedures                                       | ●      | Completion of audit closure procedures, including: <ul style="list-style-type: none"> <li>• review of the final version of the financial statements; and</li> <li>• final manager and partner review.</li> </ul> |
| Signed final statements and signed Management Representation Letter | ●      | We will complete our final review of the financial statements to confirm all expected changes have been made, upon receipt of the signed version of the accounts and letter of representation                    |

### Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

## Misstatements and internal control recommendations

Section 4 sets out the internal control recommendations that we make, together with an update on any prior year recommendations. Section 5 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.

## 2. AUDIT APPROACH

### Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum (ASM) in February 2020. We have not made any significant changes to our audit approach since we presented our Audit Strategy Memorandum.

### Materiality

We set materiality at the planning stage of the audit at £36.8 million for the Group financial statements and £31.4 million for the Council financial statements, using a benchmark of around 2% of gross expenditure at the Surplus/Deficit at Net Cost of Services level.

Our final assessment of materiality, based on the final 2019/20 financial statements and qualitative factors is unchanged from that at the planning stage for both the Group and Council financial statements. Our final materiality levels and trivial thresholds are set out in the table below. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee, at £1,105k for the Group and £945k for the Council based on 3% of overall materiality.

| Materiality element                                | Group materiality | Council single-entity materiality |
|--|-------------------|-----------------------------------|
| Overall materiality                                | £36,829,000       | £31,489,000                       |
| Performance materiality                            | £25,780,000       | £22,042,000                       |
| Trivial threshold for reporting to Audit Committee | £1,105,000        | £945,000                          |

We confirm that there were no qualitative factors which we considered when setting the level of materiality for the Group or the Council.

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that misstatements of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We set specific materiality for the following items of account/disclosures:

| Item of account/disclosure              | Specific materiality |
|---|----------------------|
| Officer remuneration bandings (Note 19) | £5,000 *             |

- Reflecting movement from one salary band to another

### Key summary of audit approach and findings

We have summarised the key information regarding our approach, risks and significant findings for the Comprehensive Income & Expenditure Statement and Balance Sheet in the tables over the page. Further information on the findings are provided in section 3.





## 2. AUDIT APPROACH (CONTINUED)

### Comprehensive Income & Expenditure Statement

| Account area                     | Material misstatement risk | Risk description | Key Audit Matter | Changes to audit approach | Control deficiencies | Significant audit findings |
|----------------------------------|----------------------------|------------------|------------------|---------------------------|----------------------|----------------------------|
| Net Cost of Services             | Standard                   | -                | No               | None                      | ●                    | Work not yet complete      |
| Other Operating Expenditure      | Standard                   | -                | No               | None                      | ●                    | None                       |
| Financing & Investment I&E       | Standard                   | -                | No               | None                      | ●                    | Adjustment made            |
| Taxation and non-specific grants | Standard                   | -                | No               | None                      | ●                    | None                       |
| Other comprehensive I&E          | Standard                   | -                | No               | None                      | ●                    | Adjustments made           |

### Balance Sheet

| Account area                  | Material misstatement risk | Risk description                                     | Key Audit Matter | Changes to audit approach | Control deficiencies | Significant audit findings |
|-------------------------------|----------------------------|--|------------------|---------------------------|----------------------|----------------------------|
| Property, plant and equipment | Significant                | Valuation of Land, Buildings and Investment Property | Yes              | None                      | ●                    | Work not yet complete      |
| Long term investments         | Standard                   | -  | No               | None                      | ●                    | None                       |
| Short term debtors            | Standard                   | -  | No               | None                      | ●                    | None                       |
| Cash and cash equivalents     | Standard                   | -  | No               | None                      | ●                    | None                       |
| Short term creditors          | Standard                   | -  | No               | None                      | ●                    | None                       |
| Borrowings                    | Standard                   | -  | No               | None                      | ●                    | None                       |
| Provisions                    | Standard                   | -  | No               | None                      | ●                    | Work not yet complete      |
| Pension Liabilities           | Significant                | Valuation risk                                       | Yes              | Yes                       | ●                    | Adjustments made           |
| Reserves                      | Standard                   | -  | No               | None                      | ●                    | Adjustments made           |

Key for Control Deficiencies

● High-priority control deficiency noted

● Medium-priority control deficiency noted

● Low-priority control deficiency noted

● No control deficiency noted / not evaluated



## 2. AUDIT APPROACH (CONTINUED)

### Overview of our group audit approach

The Council's Group financial statements for 2019/20 includes two entities, the Council's 35.5% share of Manchester Airport Holdings Limited and the Council's wholly-owned subsidiary, Destination Manchester Limited.

Our Audit Strategy Memorandum provided details of our intended group audit approach. As highlighted earlier in this report we confirm that we have made no changes to our approach previously outlined.

In addition to understanding and testing the Council's group consolidation process, the table below confirms the approach we have taken to auditing the Council's consolidated group financial statements.

| Entity  | Nature of entity audit | Auditor    | Description of audit procedures undertaken on the component  | Changes to audit approach |
|---|------------------------|------------|--|---------------------------|
| Manchester City Council (parent)                    | NAO Code audit         | Mazars LLP | A full audit of the Council financial statements and consolidation process   | None                      |
| Manchester Airport Holdings Limited (Joint Venture) | Statutory audit        | KPMG LLP   | <p>Because of the size and complexity of the organisation we concluded that this is a significant group component and that we would require the company auditor to complete work on our behalf as a component auditor.</p> <p>We issued group audit instructions to the auditor, held frequent discussions through their audit, and reviewed their audit file to document and conclude for our group audit purposes, their audit work, findings and conclusions.</p> <p>We summarise the key findings relevant to the Council's oversight of its Group in section 3.</p> | None                      |
| Destination Manchester Limited                      | Statutory audit        | KPMG LLP   | <p>We concluded that this component is not significant on the basis of its relative size and complexity.</p> <p>Consequently our audit approach was to undertake desktop group analytical procedures on the financial information prepared for group reporting purposes.</p>   | Yes                       |

The Council has applied a consideration of materiality in determining which of its subsidiaries, associates and joint ventures to consolidate into its Group financial statements. The result of this consideration, as disclosed in Note 12 to the Group financial statements is that five Council interests are not consolidated:

- Eastlands Development Company Limited
- National Car Park (Manchester) Limited
- Matrix Homes (GP) Limited
- Mayfield Development Limited
- Manchester Mortgage Corporation Limited

The Council's consideration of the material impact of these interests on its Group financial statements is in accordance with the applicable financial reporting framework.



### 3. SIGNIFICANT FINDINGS

Set out on the following pages are the significant findings from our audit. These findings include:

- our findings on key audit matters, including:
  - why the matter was considered to be one of the most significance in the audit and therefore determined to be a key audit matter;
  - how the matter was addressed in the audit including a summary of our response;
  - where relevant, key observations arising with respect to each matter; and
  - a clear reference to the relevant disclosures in the financial statements
- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 13 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified key audit matters and significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new key audit matters and significant risks have arisen and how we intend to respond to these risks. As reported earlier we have not identified any new significant risks or key audit matters.

### 3. SIGNIFICANT FINDINGS (CONTINUED)

#### Key audit matters

##### Valuation of Land & Buildings and Investment Property (Council)

##### Description of the key audit matter

The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle. The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value. In addition, as the valuations are undertaken through the year there is a risk that the fair value as the assets is materially different at the year end. Council Dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing (EUV-SH). The Social Housing adjustment factor is prescribed in MHCLG guidance, but this guidance indicates that where a valuer has evidence that this factor is different in the Council's area they can use their more accurate local factor. There is a risk that the Council's application of the valuer's assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence.

##### How we addressed the key audit matter

We have:

- Obtained an understanding of the skills, experience and qualifications of the valuer, and considered the appropriateness of the instructions to the valuer from the Council;
- Obtained an understanding of the basis of valuation applied by the valuer in the year;
- Obtained an understanding of the Council's approach to ensure that assets not subject to revaluation in 2019/20 are materially fairly stated;
- Obtained an understanding of the Council's approach to ensure that assets revalued through 2019/20 are materially fairly stated at the year end;
- Sample tested the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations;
- Used relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2020;
- Compared the valuations of a sample of revalued assets to our external valuation expert's estimate of the valuation;
- Obtained an understanding of the valuer's consideration of RICS guidance on material uncertainty relating to valuations, and considered whether there was evidence of material uncertainty; and
- Tested the accuracy of how valuation movements were presented and disclosed in the financial statements.
- Tested a sample of items of capital expenditure in 2019/20 to confirm that the additions are appropriately valued in the financial statements.

##### Audit conclusion

We are still finalising our work on this area although there are no matters arising from the work completed to date.

### 3. SIGNIFICANT FINDINGS (CONTINUED)

#### Valuation of Defined Benefit Pension Liability (Council)

#### Description of the key audit matter

The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2019. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.

In addition our work focused on two issues that emerged through 2020. In July 2019, MHCLG consulted on the proposed remedy for the 'McCloud' case, an estimate of which was included in the Council's liability in 2019/20. The proposed remedy indicates that the actuarial estimate of the liability for 2019/20 was likely to be overstating the pension fund liability but not materially. A second emerging issue this year is the 'Goodwin' case which also relates to groups of pension fund members suffering discrimination. Although the impact of 'Goodwin' is still being clarified the Council's actuary have provided evidence to support their assessment of the impact on the Council's liability. They conclude that the impact is not likely to be material. In both issues, we engaged with the Council's actuary and reviewed the evidence provided by the pension fund and the Council's actuary in order to conclude on the material accuracy of the liability.

#### How we addressed the key audit matter

We have:

- Obtained an understanding of the skills, experience and qualifications of the actuary, and considering the appropriateness of the instructions to the actuary from the Council;
- Obtained confirmation from the auditor of the Greater Manchester Pension Fund that the controls in place at the Pension Fund are operating effectively. This included the controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation of the gross asset and liability is complete and accurate;
- Reviewed a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets, and evaluating whether the outcome of their work would affect our consideration of the council's share of Pension Fund assets. The Pension Fund auditor work included comparing the asset values used for the actuarial valuation to those subjected to audit by the Pension Fund auditor;
- Reviewed the actuarial allocation of Pension Fund assets to the Council by the actuary, including comparing the Council's share of the assets to other corroborative information;
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuations for the Council. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and
- Agreed the data in the IAS 19 valuation reports for the Council provided by the actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

### 3. SIGNIFICANT FINDINGS (CONTINUED)

#### Valuation of Defined Benefit Pension Liability (Council)

#### Audit conclusion

Our work is complete and our audit procedures provided the planned assurance relating to the valuation of the Council and the Group's defined benefit pension liability.

The Council obtained an updated actuarial report to incorporate the estimate of the proposed 'McCloud' remedy and have amended the financial statements to reflect this updated estimate as reflected in Section 5. In concluding on this we note that the Council has included disclosure in Note 9.7 of the material uncertainty, disclosed in the Greater Manchester Pension Fund accounts, relating to the valuation of the Pension Fund property investment assets. The valuation of the Council's share of the Pension Fund property investment assets as disclosed in Note 45 is £130m. We intend to reference to this disclosure in our audit report but conclude that our audit opinion is not modified in respect of this matter.

#### Management override of controls (Council)

#### Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

We are still finalising our work on the accounting estimates and journal transfers as highlighted on page 4. There are no matters arising from the other areas of our work completed against this risk.

### 3. SIGNIFICANT FINDINGS (CONTINUED)

#### Areas of management judgement

| Group Financial Statements consolidation process (Group) | Description of the management judgement  |
|--|--|
|  | <p>The Council has made judgements around which of its group entities it consolidates into its Group Financial Statements, and how it consolidates the transactions and balances into the Group.</p>   |
|  | <p><b>How our audit addressed this area of management judgement</b></p>  |
|  | <p>Our approach to auditing the Group Financial Statements has been detailed in section 2.</p> <p>We will complement this work by our review of the Council's Group consolidation process. In particular we will review the Council's judgements relating to the entities that are consolidated into the Group Financial Statements, and we will review and test the method of consolidation of those group entities into the Group Financial Statements.</p>  |
|  | <p><b>Audit conclusion</b></p>   |
|  | <p>Our work for the Council's consolidation of group entities is almost complete with final elements to be completed identified in section 1.</p> <p>We have concluded that the Council's judgements relating to which entities to consolidate into its group financial statements are appropriate and consistent with the requirements of the CIPFA Code.</p> <p>We have completed our review of the work of the component auditor of the Council's joint venture, Manchester Airport Holdings Limited (MAHL). There were no matters to report to the Council in relation to this work.</p> <p>The component auditor reported to the company a range of audit adjustments and internal control recommendations. All of the adjustments were made by MAHL management except one, which was for a trivial value of £0.7m. The Council consolidated on the basis of the final audited MAHL accounts and the consolidation incorporates the adjustments made by MAHL.</p> <p>None of the component auditor's internal control recommendations were material or significant to the Council's group financial statements or their oversight of group reporting.</p> |

### 3. SIGNIFICANT FINDINGS (CONTINUED)

#### Areas of management judgement

| Valuation and ownership of Manchester Airport Land & Buildings for Group consolidation (Group) | Description of the management judgement   |
|--|---|
|  | <p>The Council's joint venture, Manchester Airport Holding Limited's (MAHL) accounts are prepared in accordance with IFRS and their land &amp; buildings are valued at cost. In consolidating their share of the MAHL accounts the Council must align the accounting policies of the company with their own. Consequently for the group consolidation exercise the Council engages an external valuer to value the Manchester Airport land &amp; buildings consistent with the Council's accounting policies.</p> <p>Most of the airport land is owned by the City Council and the other nine GM Metropolitan Councils so the valuer must remove the value of this land from that owned by the Airport directly to avoid double-counting.</p>   |
|  | <p><b>How our audit addressed this area of management judgement</b></p> <p>We have:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the skills, experience and qualifications of the valuer, and considered the appropriateness of the instructions to the valuer from the Council;</li> <li>• Obtained an understanding of the basis of valuation applied by the valuer in the year;</li> <li>• Obtained an understanding of the valuer's approach to removing the valuation of land owned by the GM Councils from their valuation;</li> <li>• Sample tested the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations;</li> <li>• Compared the Council's valuations to our external valuation expert's estimate of the valuation; and</li> <li>• Obtained an understanding of the valuer's consideration of RICS guidance on material uncertainty relating to valuations, and considered whether there was evidence of material uncertainty.</li> </ul> |
|  | <p><b>Audit conclusion</b></p> <p>We are still finalising our work on this area although there are no matters arising from the work completed to date.</p>  |

#### Valuation methods

We are required by International Standard on Auditing 260 to report to the Audit Committee the methods of valuation the Council has adopted in its financial statements and whether there have been any changes in those valuation methods. We have set out in this section the valuation methods for the Property, Plant & Equipment, Investment Property, the Pension Liability and the valuation of the MAHL land & buildings. There are no changes in the valuation methods from the previous year. The other balance sheet categories have been valued in accordance with the CIPFA Code of Practice on Local Authority Accounting and applicable International Financial Reporting Standards. There are no changes in those valuation methods from the previous year.



### 3. SIGNIFICANT FINDINGS (CONTINUED)

#### Qualitative aspects of the Council's accounting practices

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting (the Code). We have considered the appropriateness of the use of the going concern assumption and have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 30 July 2020, ahead of the revised government deadline for draft financial statements and were of a good quality. Good quality supporting working papers have been made available in a timely manner and these have assisted our audit progress. Council finance officers have been very helpful in promptly answering our detailed audit queries.

#### Significant matters discussed with management

The significant matters we discussed with management through the audit included:

- The impact of COVID-19 on the Council's financial statements, including potential impact on risks of material misstatement. We concluded that there were no additional risks of material misstatement in 2019/20.
- The valuation of the Council's land & buildings and investment property. The outcome of this work is reported earlier in the report.
- The valuation of the MAHL land & buildings for consolidation of the Council's group financial statements. The outcome of this work is reported earlier in the report.
- The accounting treatment of the Council's investment in the new Manchester Airport car park company. The Council has disclosed its classification of this investment as being designated at Fair Value through Other Comprehensive Income.
- The Council's actuary, Hymans Robertson's consideration of the impact of past legal cases on the Council's pension liability, details of which are set out earlier in this section.

The impact of the Covid-19 pandemic has had a significant impact on the Council, not only in relation to normal operating practices and service delivery, but also in terms of additional requirements for the distribution of business grants and rate relief. Whilst the financial impact on the Council is much more significant in the 2020/21 and future financial years, we have specifically considered the potential impact on the significant risks in relation to property valuations and the pension liability valuation, as outlined below and earlier in this report.

In addition our testing of income and expenditure around the year end, in order to conclude that they are recognised in the correct financial year has also considered the timing of the additional income the Council received from central government between March and July including the business support funds which flowed through the Council. We have not identified any material issues in relation to this testing, subject to the completion of the work outlined on page 4.

The Council's response to relevant legal cases which impact on the valuation of certain pension liabilities included as set out earlier in this section:

- The proposed remedy for the 'McCloud' case; and
- The 'Goodwin' case, which emerged in 2019/20.

The Council obtained an updated actuarial report to incorporate the impact of the government's proposed remedy for the 'McCloud' case, and have amended the accounts as detailed in section 5 of this report. The Council have not obtained an updated report for the impact of the 'Goodwin' case, but based on the information provided by the Council's actuary, the Council do not expect the impact of this case to be material. Our work has not identified any issues to report with this conclusion, although we note that the Council's Pension Liability does not include an estimate of the impact.

### 3. SIGNIFICANT FINDINGS (CONTINUED)

#### Significant matters discussed with management (continued)

In addition, as a result of independent quality reviews of audit suppliers' work, in particular by the Financial Reporting Council, we have increased the level of work we carry out on defined benefit pension schemes and the valuation of property, plant and equipment. This and other issues emerging during the year have had an impact on the level of work and time required to complete the audit and we will discuss any fee variation request with management on completion of our audit work and update the Committee. All fee variation requests are subject to approval from PSAA.

#### Significant difficulties during the audit

The impact of the COVID-19 pandemic on the audit was significant. Although we have had the full co-operation of the financial team and Council management through the audit, the remote working of ourselves and the Council's officers meant that the audit work took significantly longer to complete and finalise than would ordinarily be the case. Our audit issues were resolved through the dedication of and, excellent support from, the Council, but have delayed the audit significantly.

In addition we experienced difficulty in auditing the information relating to the revaluation of some land & buildings as a result of the Council's valuers experiencing difficulties in locating the land and floor areas to support their valuations for a number of assets, and we have included an internal control recommendation relating to this matters in section 4.

#### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have not received any questions or objections during our audit from electors.

## 4. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

| Priority ranking  | Description  | Number of issues |
|-------------------|--|------------------|
| <b>1 (high)</b>   | In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately. | 0                |
| <b>2 (medium)</b> | In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.   | 1                |
| <b>3 (low)</b>    | In our view, internal control should be strengthened in these additional areas when practicable.   | 0                |

## 4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

### Other recommendations on internal control – Level 2

#### Issue 1

##### Description of deficiency

The Council's valuer experienced significant difficulty in locating information on land and floor areas for a number of revalued assets. The land and floor areas are a key source of information for the valuations.

##### Potential effects

The valuer not retaining an adequate audit trail to support the valuation calculations leaves the Council exposed to the risk that it is not able to confirm that those valuations are materially correct, to support the assertions in the Statement of Responsibilities that the statement of accounts gives a true and fair view of the financial position of the Council.

##### Recommendation

The Council should ensure through contractual discussions with its valuer that an adequate audit trail of key source information is maintained for all asset valuations.

##### Management response

At future inception meeting that are held once Jacobs have been commissioned the following matters will be specified / clarified:

1. For all valuations requiring floor areas, a schedule of floor areas will be checked with staff within the Corporate Estates Team to check and confirm the floor areas are correct. In this way there is a record and audit trail for the figures provided and used in the valuations.
2. To ensure that Jacobs retain an adequate audit trail to support the valuation calculations, the source of all data to be used will need to be verified. This will be expressly mentioned in the instructions to Jacobs and their fee proposal
3. An early meeting with the auditor, Jacobs the instructing Council valuer and a representative from Finance at the outset of the commission where the requirements of the auditors can be clarified and a direct dialogue between the auditor and the valuer undertaking the asset valuations will be encouraged

### Follow up of previous internal control points

Our audit work in 2019/20 confirmed that the Council had implemented all the internal control recommendations from 2018/19.

## 5. SUMMARY OF AUDIT ADJUSTMENTS

We set out below the items identified for adjustment during the course of the audit, above the level of trivial threshold of £1,105k (Group) and £945k (Council).

### Unadjusted audit differences 2019/20

The Council have adjusted all the audit differences identified as summarised on the table below.

### Adjusted audit differences 2019/20

|   | Comprehensive Income and Expenditure Statement |            | Balance Sheet |            |
|---|--|------------|---------------|------------|
|   | Dr (£'000)                                     | Cr (£'000) | Dr (£'000)    | Cr (£'000) |
| <b>1 Changes to the Council pension liability</b>   |  |            |               |            |
| Dr: Pension Liability   |  |            | 26,321        |            |
| Cr: Pension Reserve   |  |            |               | 26,321     |
| Dr: Movement in Reserves Statement  | 26,321   |            |               |            |
| Cr: Remeasurement of Pension Liability  |  | 16,254     |               |            |
| Cr: Council-wide costs  |  | 10,067     |               |            |
| <i>The Council obtained an updated actuarial report to include the proposed remedy to the 'McCloud' case. The impact of the new reports were that the Group Pension Liability reduced with the negative Group Pension Reserve also reducing by the same amount. This adjustment also impacts on the Group Pension entries to the same degree.</i>                 |  |            |               |            |
| <b>2 Changes to Taxation and Non Specific Grants</b>  |  |            |               |            |
| Dr: Taxation and Non-Specific Expenditure   | 44,150   |            |               |            |
| Cr: Taxation and Non-Specific Income  |  | 44,150     |               |            |
| <i>The disclosure on the face of the Comprehensive Income and Expenditure Statement requires the gross expenditure and gross income to be disclosed, consistent with Note 16 to the accounts.</i>   |  |            |               |            |
| <b>3 Changes to Heritage Assets balance</b>   |  |            |               |            |
| Dr: Heritage Assets   |  |            | 62,454        |            |
| Cr: Revaluation Reserve   |  |            |               | 62,454     |
| <i>The Council previously disclosed that Heritage Assets with a value under £100k were excluded from the accounts. The insurance value of these assets totalled a material amount, and the Council has therefore amended the balance to include the value of those assets. This omission affected the prior year with £60.4m added to the prior year balance.</i> |  |            |               |            |

## 5. SUMMARY OF AUDIT ADJUSTMENTS (CONTINUED)

### Disclosure amendments

In addition to the adjustments outlined on the previous page, the Council has made a number of amendments to the disclosures in the financial statements. Among these adjustment were contextual or presentational adjustments made to:

- Include a third balance sheet column for the position at 1 April 2018 in the Council and Group financial statements, which is a requirement where prior period adjustments impact on the opening balance sheet.
- Including an additional prior period adjustment in Note 5 relating to the adjustment of Taxation and Non Specific Grants as set out on the previous page.
- Include disclosure in Note 7.1 of the going concern considerations relating to DML which were not available from DML at the time the draft accounts were published Note 7.1.
- Include disclosure in Note 9.2 of the material valuation uncertainty relating to Investment Properties.
- Include disclosure in Note 9.7 of the material valuation uncertainty relating to the Greater Manchester Pension Fund Property Investments.
- Include disclosure of gross income and gross expenditure in Note 15 to match the disclosures in the main statements.
- Adjust the minimum lease payments from operating leases in Note 30 to remove income relating to two leases for which income is no longer received.
- Include the amounts owed to and from related parties in Note 49.

## 6. VALUE FOR MONEY CONCLUSION

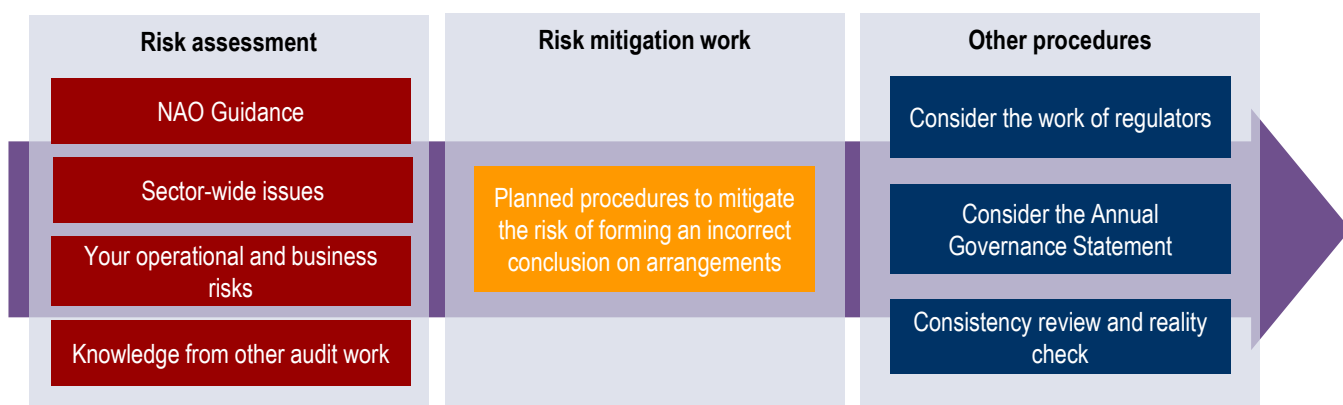
### Our approach to the Value for Money conclusion

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

A summary of the work we have undertaken is provided below.



### Significant Value for Money conclusion risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk relating to the financial sustainability of the Council in the medium term.

Since issuing our Audit Strategy Memorandum the COVID-19 pandemic has impacted significantly on the Council operationally and financially. We have considered the impact of COVID-19 on the significant risk for our Value for Money conclusion. In doing this we have considered the Council's arrangements in place up to the 31 March 2020, and we are satisfied that there are no new significant risks to our Value for Money conclusion for 2019/20 arising from COVID-19.

The work we carried out in relation to the significant risk is outlined overleaf.

### Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.



## 6. VALUE FOR MONEY CONCLUSION (CONTINUED)

| Risk   | Work undertaken and findings  | Conclusion   |
|--|---|--|
| <p><b>Financial sustainability</b></p> <p>2019/20 is the final year of the Councils three year strategy (2017-20), a period which has seen considerable budget cuts. The 2019/20 budget is balanced following an increase in Council Tax of 3.49% but requires the achievement of £15m savings.</p> <p>The continuing challenges the Council faces are not new and are not unique to Manchester City Council. The challenges do, however, present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financially sustainability.</p> | <p><b>Work undertaken</b></p> <p>We reviewed the arrangements the Council had in place throughout 2019/20 for ensuring financial resilience.</p> <p>Specifically we reviewed whether the medium term financial plan took into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. We also reviewed the arrangements in place to monitor progress delivering the budget and related savings plans.</p> <p>In addition to considered the Council's arrangements in place in 2019/20 in the context of the emerging impact of the COVID-19 pandemic.</p> <p><b>Findings</b></p> <p>The Council set balanced budgets for 2019/20 and 2020/21. The budget for 2019/20 was set with assumptions of utilising significant levels of earmarked reserves and required significant levels of savings from the previous year. At the same time the budget increased the resources available relating to the increase in some demand-led services. The outturn reported results for the year show a very small overspend against the budget (£0.5m) and delivery of £15m savings as planned. This enabled the Council to not have to rely on utilising additional reserves in 2019/20 to support the spending, and this has meant the General Fund balance is £21m and Usable Earmarked Reserves for revenue purposes (excluding schools) are £349m as at 31 March 2020.</p> <p>The Council's monitoring of its 2019/20 budget has been through detailed 'officer-led' monthly monitoring, with regular reporting to Council members in the Executive. The reporting provides a timely and detailed report of the current position and the projected position at the year end. The review of the monitoring in year identifies that the Council undertakes a robust review and regular reporting. The in year monitoring has been largely accurate and has predicted the level of overspending through the year, enabling timely mitigating decisions to be taken.</p> <p>(continued overleaf)</p> | <p>We conclude that for 2019/20 the Council has made proper arrangements to deliver financial sustainability in the medium term.</p> |



## 6. VALUE FOR MONEY CONCLUSION (CONTINUED)

| Risk  | Work undertaken and findings   | Conclusion |
|---|--|------------|
| <b>Financial sustainability (continued)</b> | <p><b>Findings (continued)</b></p> <p>The financial position for 2020/21 is significantly more challenging. The Council agreed its budget for 2020/21 before the COVID-19 pandemic. And even before the impact of COVID-19 on the Council's financial position, the 2020/21 budget presented a significant challenge to the Council's long term financial sustainability balancing the increased costs from demand-led services with increasingly stretched resources.</p> <p>The Council is continuing to refine its assessment of the impact of COVID-19 on 2020/21 and future years and has recently commenced a consultation on reshaping the Council to ensure it remains financially sustainable in the medium term. What is certain is that there are significant additional cost pressures, particularly in delivering Adult &amp; Children's Social Care, and very significant levels of lost income relating to the loss of the dividend from Manchester Airport, reduced fees and charges and the impact on the Collection Fund.</p> <p>The Council does have significant levels of earmarked reserves as at 31 March 2020, but these are not sufficient to sustain the Council's financial position over the medium term given the current projected impact and will not insulate the Council from making difficult decisions to deliver the medium term financial sustainability.</p> |            |

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

To be provided to us on client headed note paper

Date

Dear Karen

Manchester City Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Manchester City Council ('the Council') and its Group for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Deputy Chief Executive and City Treasurer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council, Executive and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council 's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that, despite the disclosure of material valuation uncertainties in the Council's financial statements, the valuations of the Council's Property, Plant & Equipment, Investment Properties, and Pension Fund assets are appropriate.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no undisclosed contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Deputy Chief Executive and City Treasurer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

**Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

**Future commitments**

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

**Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

**Covid-19**

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.

**Going concern**

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

**Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. All uncorrected misstatements are included in the Appendix to this letter.

Yours faithfully

Carol Culley  
Deputy Chief Executive and City Treasurer

To be included

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

We also confirm that we have received confirmation from our external experts regarding their independence.

## CONTACT

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