



MANCHESTER  
CITY COUNCIL

# Annual Accounts 2019/20

Overview of the Accounts and Key Issues

# Accounts Timetable

- Year End 31 March
- Timeline for 2019/20 amended by Accounts and Audit (Coronavirus) (Amendment) Regulations 2020
- April to July – directorate closedown and corporate consolidation (previously end May)
- 27 July – accounts submitted to External Auditors (revised deadline end August)
- 28 July – unaudited accounts to Audit Committee
- 30 July to 10 September – members of public can inspect accounts and question external auditor
- Before end November – audited accounts submitted to Audit Committee for approval
- By end November – audit opinion issued and audited accounts published on website (previously end July)

# Narrative Report

Puts the numbers into context

Articulates:

**City Council's strategic objectives and achievements...**

**.....within its available resources**

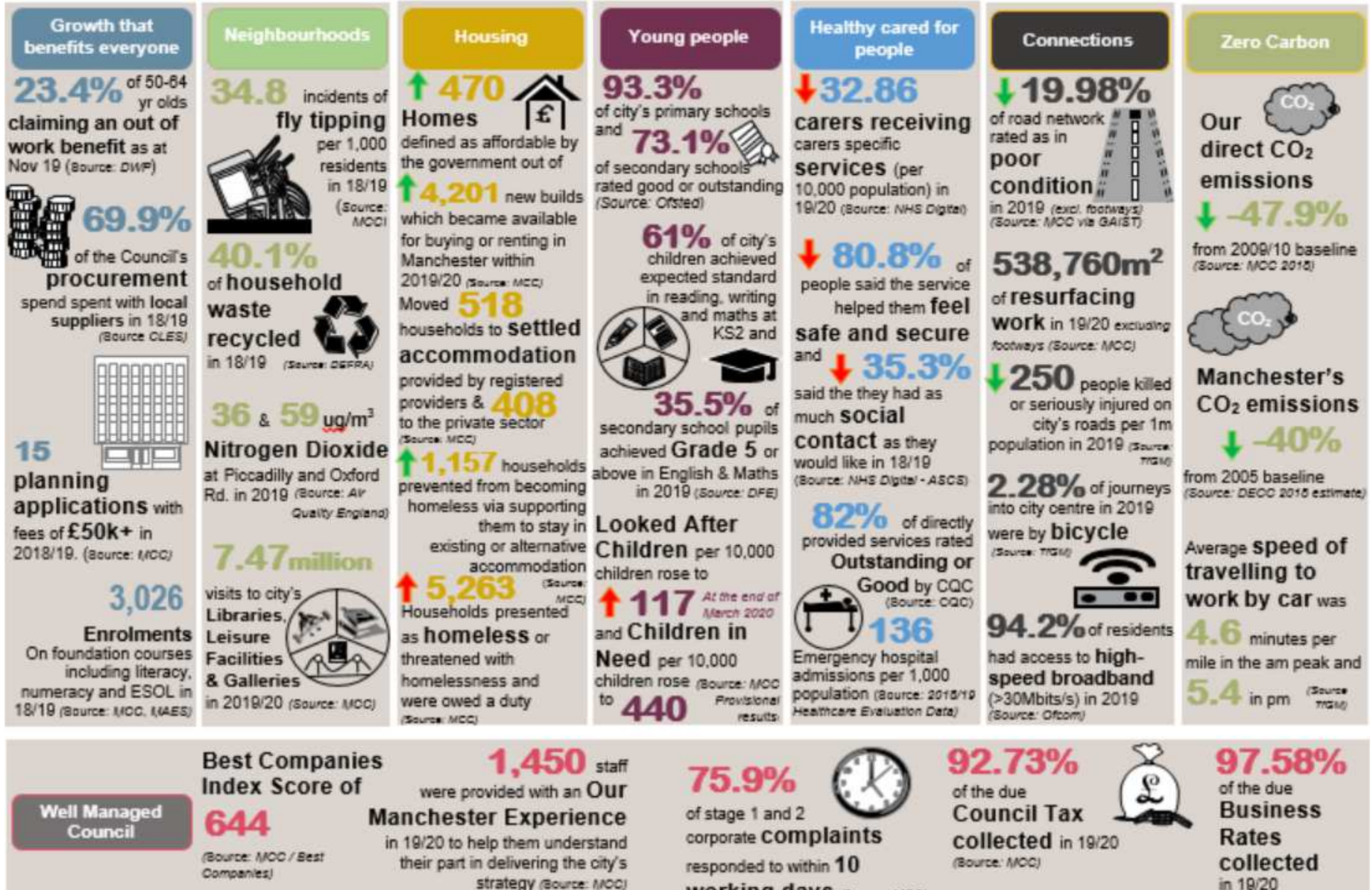
**.....including how it has applied those resources**

**.....and the Governance (decision making and assurance)**

- Our Council
- Our City
- Our Strategy and objectives
- Our Funding and Spending 2019/20
- Our Performance (what is achieved through our investment in public services)
- Our Financial Performance
- Our Risks and Outlook
- The Financial Statements
- The Basis of Preparation of the Annual Statement of Accounts

# Narrative Report

## Summary of performance in 2019/20



# Narrative Report

Financial Performance Section includes:

- Net Revenue Budget 2019/20 – net revenue budget compared to outturn and key reasons for variations
- Capital Outturn 2019/20 compared to budget, details of spend for key projects and summary of how capital expenditure was funded

# General Fund Revenue Outturn 2019/20

- Overspend of £0.527m against latest budget.
- General Fund Reserve as at 31 March 2020 = £21.353m.
- Further details in Accounts Narrative Report and Revenue Outturn Report to 3 June Executive

	Revised Budget	Outturn	Variance
	£000	£000	£000
<b>Total Available Resources</b>	<b>(628,091)</b>	<b>(630,030)</b>	<b>(1,939)</b>
<b>Total Corporate Budgets</b>	<b>119,852</b>	<b>119,085</b>	<b>(767)</b>
Children's Services	120,869	122,491	1,622
Adult Social Care	198,324	205,222	6,898
Homelessness	14,111	14,235	124
Corporate Core	69,679	66,814	(2,865)
Neighbourhoods	99,321	97,256	(2,065)
Growth and Development	5,935	5,454	(481)
<b>Total Directorate Budgets</b>	<b>508,239</b>	<b>511,472</b>	<b>3,233</b>
<b>Total Use of Resources</b>	<b>628,091</b>	<b>630,557</b>	<b>2,466</b>
<b>Total forecast over / (under) spend</b>	<b>0</b>	<b>527</b>	<b>527</b>

# 2019/20 - Key Variations from budget

**Available Resources £1.939m underspend** – Additional income from car parking, photovoltaic feed in tariff, investment estate income from Arndale Centre and Manchester Central events income.

**Corporate Budgets £0.767m underspend** – Lower than expected carbon reduction charge and small levies; and reduction in former education pension costs.

**Children's Services £1.622m overspend** – Overspends on residential placements of £1.387m; Special Guardianship, Adoptions Allowances and Child Arrangement Orders of £0.653m; recharge for Children's Legal Services of £1.267m; Leaving Care service and placement of £0.586m; Education Services of £435k and other overspends of £429k; partly offset by underspends on Fostering of £1.378m; Children's social care workforce, commissioning and strategic leads budgets of £0.685m; Early Years of £153k; the Regional Adoption Agency management fee of £78k and No Recourse to Public Funds (NRPF) £0.841m.

**Adults Social Care £6.898m overspend** - In-house Learning Disability Supported Accommodation overspend of £3.887m from ongoing and rising needs for care and support; savings not delivered of £4.0m, offset by other variations totalling a net underspend of £0.771m, along with £218k underspend on services outside the MHCC pool.

**Homelessness £124k overspend** - Overspend consists of £350k Dispersed Accommodation, Bed and Breakfast Accommodation £151k which is partly offset by an underspend on staffing of £377k.

**Corporate Core £2.865m underspend** - £2.643m on Corporates Services due to employee savings on vacant posts, running costs and income; £222k on Chief Execs mainly due to staffing.

**Neighbourhoods and Highways £2.065m underspend** – Neighbourhoods Services £1.054m underspend mainly due staffing and running costs and over achievement of income in Bereavement and pest control offset by markets income. Highways underspend of £1.011m due to overachievement of income in Highways Capital Programme, Highways Maintenance and increased income in pay and display car parks.

**Strategic Development £481k underspend** – Underspend mainly made up of Investment Estates of £476k due to rental income on land; Licensing income of £120k and staff savings of £390k offset by overspends of £0.505m from increased utility costs, security and repairs and maintenance.

# Housing Revenue Account (HRA) Outturn 2019/20

- Includes:
  - Costs of owning and maintaining properties which are let to tenants (15,767 dwellings).
  - Rental income from Council owned houses including those managed under a Private Finance Initiative (PFI) contract.
- Outturn position is an underspend of £14.586m. Transfer of £4.993m to reserves against a budgeted call on reserves of £9.593m
- Main variations:
  - Funding set aside for fire safety measures through the installation of sprinkler system within council tower blocks in 2020/21 - £13.161m
  - Reduced PFI costs - £1.518m
  - Higher depreciation - £0.828m
  - Reduced bad debt provision - £0.438m
  - Reduced insurance contribution - £0.3m



# Capital Outturn 2019/20

- 2019/20 capital expenditure included in the accounts is £255.5m (MCC £203.3m, GM £52.2m)

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	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>

- Details can be found in:
  - Accounts Narrative Report
  - Capital outturn report - 3 June Executive
  - Note 32 to the accounts on capital expenditure and financing

# Capital spend and financing 2019/20

The following table shows how we funded our **capital spending of £255.5m** in 2019/20 from the different types of income received.

	2019/20 £m	
	MCC	For GM
Borrowing	95.0	36.0
Government Grants such as Basic Need funding from the Department for Education to fund additional school places	42.8	0.0
External Contributions such as contributions from Transport for Greater Manchester to support transport initiatives	28.1	0.0
Capital Receipts from the sale of Council properties and loan repayments	3.4	16.2
HRA Major Repairs Reserve	18.6	0.0
Revenue Contributions by the Council	15.4	0.0
<b>Total</b>	<b>203.3</b>	<b>52.2</b>

The Greater Manchester programme was hosted by the Council, but managed by the GM Combined Authority which also monitors the projects.

# Effects of COVID-19 on 2019/20 Accounts

The challenges associated with COVID-19 have had a significant effect on the Council's financial activities and position at the end of 2019/20 and predominantly into 2020/21. As a result additional disclosures have been included in the 2019/20 annual accounts.

These include:

- Assumptions around going concern particularly group entities
- Detailed post balance sheet event on financial implications known at date of issuing the accounts
- Additional allowance for non payment of debt particularly council tax and business rates
- Less certainty about estimates - particularly property, plant and equipment and pension liability.

# Comprehensive Income and Expenditure Statement (CIES)

Table below shows General Fund overspend and HRA underspend as reported in the Outturn report and how this links to the notional deficit in the CIES.

	General Fund £m	HRA £m	Total £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>
Net transfers (to) all general fund reserves*	(28.7)	0.0	(28.7)
Other income and expenditure classifications	5.1	(5.1)	0.0
Notional accounting adjustments including depreciation and impairment	59.1	(10.5)	48.6
<b>Deficit / (Surplus) per CIES</b>	<b>36.2</b>	<b>(20.6)</b>	<b>15.6</b>

\*Details in note 42 - includes transfer to COVID reserve £18.2m for use in 2020/21

# Usable Reserves

## **Context:**

Reserves are important to manage risk and allow the flow of funds across financial years.

Local Authorities are statutorily required to balance budgets on an annual basis and cannot borrow to support the revenue budget position, and the reserves can assist with this requirement, but they can only be used once.

For Manchester, whilst the balance sheet may look relatively strong the actual level of available reserves to provide additional support eg in response to COVID-19 is very limited as most of the reserves are fully committed and earmarked for other purposes.

## **In general:**

- Usable reserves – Can be used to fund capital/revenue expenditure.
- The majority of the Council's reserves are earmarked for specific purposes.
- The General Fund (GF) balance is the only non earmarked reserve (c£21m). Fully depleting the GF reserve would leave the council in an extremely vulnerable position and unable to manage in-year risks
- The reserves enable the Council to smooth investment, including facilitating the spread of one-off government funding to support expenditure over 2 to 3 years
- The reserves provide some resilience for future risks and budget pressures
- Overall the position on reserves over the next 5 years is forecast to reduce significantly by 1 April 2025, including £53m of reserves already committed for COVID-19 impact. The remaining useable reserves by the end 2024/25 (including Insurance and Statutory Reserves) is estimated to reduce to £98.5m.
- The HRA is a ring-fenced reserve with a significant commitment to future capital expenditure and cannot be used to support the Council's General Fund budget.
- School reserves are not available to the Council

The movement in reserves since last year is mainly due to increases in the reserves set aside to fund capital expenditure in future years as part of the planned capital programme which includes capital receipts, capital grants unapplied and other capital reserves to fund capital schemes for both the general fund and HRA.

# Usable Reserves

Reserve	£m	Use
<b>Capital Reserves</b>		
<b>Capital Reserves to fund capital</b> (capital receipts, unapplied capital grants)	<b>203.3</b>	Funding the planned capital programme
<b>Earmarked Revenue Reserves</b>		
Statutory reserves	25.0	The use of these is set out in legislation, such as the On Street Parking Reserve
Private Finance Initiatives (PFI) reserves	2.1	To fund future expenditure on the scheme.
Reserves to smooth risk	117.8	These reserves help manage the risk of annual fluctuations in income and include the Airport dividend reserve - historically applied in arrears for prudence (£56m), insurance fund reserve to meet self-insured risks (£19m), Adult Social care reserve (£11m) and budget smoothing reserve (£11m)
Business rates reserve	25.5	To manage volatility around this increasingly vital income stream
Revenue reserves to support capital	116.8	Capital fund to fund future major capital schemes and capital financing reserve to fund increased borrowing costs due to increased capital investment
Reserves held for economic growth / public sector reform	30.8	To fund elements of the Town Hall project and to smooth government funding over future years eg on care and support for vulnerable people, investment in youth services, action on family poverty, tackling homelessness and litter/fly tipping
Small specific reserves	4.3	All reserves which are individually less than £0.5m
Grants used across more than one year	26.4	Includes COVID funding received in 2019/20 of £18.2m and Manchester Adult Education Service £2.6m
<b>Total revenue general fund earmarked reserves</b>	<b>348.7</b>	The reserves will reduce significantly over the next 5 years. It is estimated that by 1 April 2025 they will fall to £98.5m including statutory reserves and the insurance fund.
<b>Ringfenced Revenue Reserves</b>		
HRA reserves	109.4	The 30-year HRA business plan currently forecasts that the reserves will be exhausted by 2045/46. Work is ongoing to ensure that reserves are kept at a sufficient level for risks and future investment needs. Capital investment funded from this reserve is estimated to be £75m over the next two years.
Schools reserves	11.7	This is not available for the general use of the Council. This is held by schools under delegated schemes.
<b>General Fund Reserve</b>		
<b>Unearmarked reserve - General Fund reserve</b>	<b>21.4</b>	This is the only un-earmarked reserve for the Council.

# Balance Sheet

- Shows the total assets, liabilities and reserves (net worth) of the Council
- Improvement of £365m in net worth – agrees to CIES

	2018/19 £m	2019/20 £m	Change £m	
Assets	4,278	4,341	63	Mainly relates to increased valuations including council dwellings, other land and buildings and investment properties less reduced debtors due to loans made on behalf of GMCA being transferred
Liabilities	(2,135)	(1,833)	302	Mainly relates to reduction in pension liability and reduced borrowing following transfer of debt relating to housing investment loans
Net worth	2,143	2,508	365	Increase in usable reserves and unusable reserves