MANCHESTER CITY COUNCIL

2019-20 Annual Report

Our 2019-20 Annual Report

Our Annual 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 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[1]. 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

[1] 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.

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[2]. 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.

[2] 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.

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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 £M
Revenue Funding	
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
Total Resources Available	**1,882.2**
Revenue Spending	
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
Total Revenue Spending	**1,882.2**

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 £M
Capital Funding	
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
Total Resources Available	**255.5**
Capital Spending	
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
Total Capital Spending	**255.5**

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 feeds 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^2	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 >30Mbits/s in 2019 (Ofcom)	94.2%	Down	Undesirable

Zero Carbon			
Measure	**Performance**	**Direction of travel**	**Desirable or undesirable change**
Our Direct CO_2 emissions change from 2009/10 baseline (MCC, 2018)	-47.9%	Down	Desirable
Manchester's CO_2 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)
Total Directorate budgets	**508.2**	**511.4**	**3.2**
Total use of resources	**628.1**	**630.5**	**2.4**
Net overspend	**0.0**	**0.5**	**0.5**

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)
Manchester City Council Total	**248.1**	**203.3**	**(44.8)**
Programme on behalf of Greater Manchester	70.0	52.2	(17.8)
Total	**318.1**	**255.5**	**(62.6)**

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
Medium Term Financial Resources - 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.
Access to ICT - 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.
Climate Change - 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.
Health and Social Care integration - 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 Original Budget £M	2019/20 Revised Budget £M	2020/21 Budget £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
Total Resources Available	**610.8**	**622.2**	**665.1**
Resources Required:			
Corporate Costs:			
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
Sub-Total Corporate Costs	123.2	133.8	135.0
Directorate Costs:			
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
Sub - Total Directorate Costs	487.6	488.4	530.1
Total Resources Required	**610.8**	**622.2**	**665.1**
Shortfall / (surplus)	**0.0**	**0.0**	**0.0**

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

Directorate	Cash Limit 2019/20 £M	Cash Limit 2020/21 £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
Total Directorate Budget	**474.6**	**508.2**

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 changes.
- 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 the reflect the reality or substance of the transaction and activities and underlying them
- Is free from deliberate or systematic bias
- Is free from material error
- Is complete within the bounds of materiality and
- Has been prudently prepared

c. Comparable: In 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 IFSR16 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 £M	Retained by Pool £M
Cheshire West and Chester	2.2	1.1	1.1
Cheshire East	2.7	1.4	1.3
Retained for the pool (less £21k administration costs)	**4.9**	2.5	**2.4**

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 £M	HRA £M	Total £M
Over / (Under)spend	**0.5**	**(14.6)**	**(14.1)**
Budgeted transfer (to) / from general reserves	0.2	9.6	9.8
Net transfer (to) / from general reserves	***0.7***	**(5.0)**	**(4.3)**
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
Deficit / (Surplus) per CIES	**26.2**	**(20.6)**	**5.6**

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 £M	31 March 2020 £M
Capital Reserves held for capital purposes including capital receipts and capital grants unapplied	142.3	203.3
Sub Total	**142.3**	**203.3**
Revenue 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
Sub Total	**306.4**	**348.7**
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**
Total	**600.6**	**694.6**

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 2019 £M	31 March 2020 £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)
	1,603.1	**1,902.2**

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		
Total	**4,403.6**	**Total**	**1,806.8**
	Net Worth of the Council		**2,596.8**

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		
Total	**5,176.9**	**Total**	**1,816.5**
	Net Worth of the Council's Group		**3,360.4**

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 £M	2019/20 £M
Long-term Borrowing	607,2	585,4
Short-term Borrowing	126.3	32,9
Total	**733.5**	**618.3**

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)

PFIs involve a private sector contractor building or improving buildings used in the provision of public services and operating and maintaining the asset for an agreed period of time.

As at 31 March 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

Further details on these schemes are shown in Note 13.

Private Public Partnership (PPP) Schemes

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

- Manchester Working – during 2006/07 the Council established a partnership arrangement with Morrison PLC for the provision of building maintenance services.
- 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.

Events after the Balance Sheet Date

Evens 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.