STOCKPORT METROPOLITAN BOROUGH COUNCIL STATEMENT OF ACCOUNTS AUDITED

2019/20

CONTENTS

PART 1

STOCKPORT METROPOLITAN BOROUGH COUNCIL STATEMENT OF ACCOUNTS

CORPORATE DIRECTOR – CORPORATE AND SUPPORT SERVICES (SECTION 151 OFFICER) NARRATIVE REPORT

I am pleased to present the Council's 2019/20 Statement of Accounts.

The Statement of Accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom. The Statement of Accounts play a vital role in providing Stockport residents, Council Members and other interested parties with an understanding of the Council's financial position, providing assurance that public resources have been used and accounted for in an appropriate manner. It aims to ensure the readers of the Statement of Accounts can:

- Understand the overarching financial position of the Council and the 2019/20 financial outturn position;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for appropriately; and
- Be assured of the robustness of the Council's financial standing.

To provide Local Authorities with greater flexibility over the production of their Annual Statement of Accounts to support the response to the COVID19 pandemic, Government introduced new accounts and audit legislation in April. The new legislation relaxed the timelines for the production of the 2019/20 Statement of Accounts, with the draft accounts having to be produced no later than 31 August rather than 31 May. Despite this and the challenges posed by COVID19 pandemic, the hard work and dedication of colleagues within the Finance Service and across the Council has ensured the timely preparation of the Council's Statement of Accounts has continued this year. The draft accounts were produced and handed to the Council's External Auditors on 19 June. This has enabled the Council to report on its financial position for 2019/20 whilst dealing with the impact of the COVID19 pandemic and now allows the Finance Team to move its focus to the important task of dealing with the financial impact as part of the Council's response and recovery plan.

The Council has made a robust response to the COVID19 pandemic framed by the Government's advice and guidance during the national lockdown and recovery. This advice and guidance has been interpreted by Senior Council Officers to ensure clear and responsive communications have been and continue to be provided by the Council to support and assist its employees, the residents of Stockport and Stockport businesses. Further detail on the financial impact and financial response is provided in the main changes to the core financial statements and significant events and transactions section of this Narrative Report. In summary the Council's response to the pandemic has included a number of key programmes of work:

- Humanitarian Aid;
- Voluntary and Community Response;
- Food Aid;
- Workforce Health and Wellbeing;
- Mortality Management;
- Financial Impact and Response;

- Out of Hospital Support – Adults and Disability and Personal Protective Equipment (PPE);
- Contact Testing and Tracing;
- Children and Education; and
- Economic Resilience.

During the year there have been a number of announcements and events nationally (in addition to COVID19 pandemic) which have impacted on Local Government funding leading up to the announcement by Government that the 2020/21 Local Government Finance Settlement would be one-year funding settlement. As a result, uncertainty about the Government's intentions for the future direction of Local Government funding remains. Prior to the COVID19 pandemic this was going to be informed by the Government's planned multi-year spending review and completion of reforms linked to the Fairer Funding Formula and Business Rates Retention, both of which will determine the distribution of national funding to Local Authorities going forward. Whilst the delay to these reforms is welcomed in terms of allowing the Council to focus on the immediate public health challenges posed by the COVID19 pandemic and its recovery plans, further delay presents the Council with further uncertainty about its future funding.

Despite this the Council remains committed to its Medium-Term Financial Plan (MTFP) Strategy to address the significant financial challenge ahead. This provides the Council with a framework which it can use to think differently about the services it delivers and how it delivers them to avoid short-term service cuts which over the long term result in additional costs and adversely impact Stockport residents. Linked to this is the Council's COVID19 recovery plan and the opportunity to 'Build Back Better'. However, this will all need to be set in the context of the financial impact (additional costs and income losses) of COVID19 as well as the increasing costs as a result of increasing demand for services particularly social services support provided to vulnerable residents and inflationary cost pressures which were evident prior to the pandemic. The Finance Team will continue to work with colleagues across the Council within the framework of the strategy to address the significant financial challenge ahead. This will ensure the Council's revenue budget, capital budget and MTFP are robust on a recurrent basis to provide a foundation on which to address and deal with the uncertainty at a national level.

It is pleasing to report that despite the uncertainty and volatility of the financial landscape during the year, the Council has continued to meet its financial challenge. The Council has identified £4.225m of savings in 2019/20 through transformation, efficiencies and income generation which contributed to setting a balanced budget for 2020/21 in February. This process has been supported by the financial management provided by the Finance Service during the year which has enabled the Council to identify and deliver the service transformation needed based on a robust understanding of its financial position and future financial challenge. Key to this is the budget monitoring during the year and annual budget setting cycle which ensures budget pressures are identified and mitigated. The robust financial position presented in these statements demonstrates this. In addition, the Council's Capital Strategy, Treasury Management and Annual Investment Strategy and Reserves Policy provides further robustness to the Council's investment plans and use of available resources to meet corporate and strategic priorities. However, it is also recognised that the financial impact of the COVID19 pandemic is unprecedented with an estimated adverse impact (additional costs and income loss) of £30.5m (this is net of £16.3m of Government COVID19 support funding to date) for the Council in 2020/21. Whilst the strong financial management foundation that has been built at the Council will be more important than ever to provide confidence in its financial resilience to mitigate this impact, further Government support is clearly needed. Alongside Local Authorities nationally, the Council is lobbying Government to provide further support.

The Finance Service vision continues to be a service which is innovative, providing excellent financial leadership, and enabling colleagues across the organisation to effectively manage the finances of the Council. As a vital support service, continuous improvement is important to ensure the service is fit for the future and meets the expectations of its customers both internal and external to the Council. During the year the Finance Team has introduced CivicaPay a new income receipting and allocation system which will reduce the administration required to manage money coming into the Council and the allocation of this to services and customer accounts. In addition, prior to COVID19 the Finance Team were in the final stages of introducing an early supplier payment scheme with Oxygen Finance, to enable the prompt payment of suppliers to support their cash flows in return for a small rebate for the Council. Due to the COVID19 pandemic the scheme has been put on hold and will be stepped up as part of the Council's recovery plan when appropriate to do so.

Through a culture of continuous improvement, the Finance Team continues to look at ways in which digital solutions can be used to support its work and challenge the business process linked to financial transactions across the Council to make them more efficient and cost effective, and importantly aligned to residents' expectations of how they want to financially interact with the Council. This will be important as the Finance Service alongside the rest of the Council aims to recover on a 'Build Back Better' basis.

The following Narrative Report provides information about Stockport. It highlights the key issues affecting the Council and its Statement of Accounts and includes a summary of the Council's financial position as at 31 March 2020.

Michael Cullen
Corporate Director – Corporate and Support Services (Section 151 Officer)

INTRODUCTION TO STOCKPORT

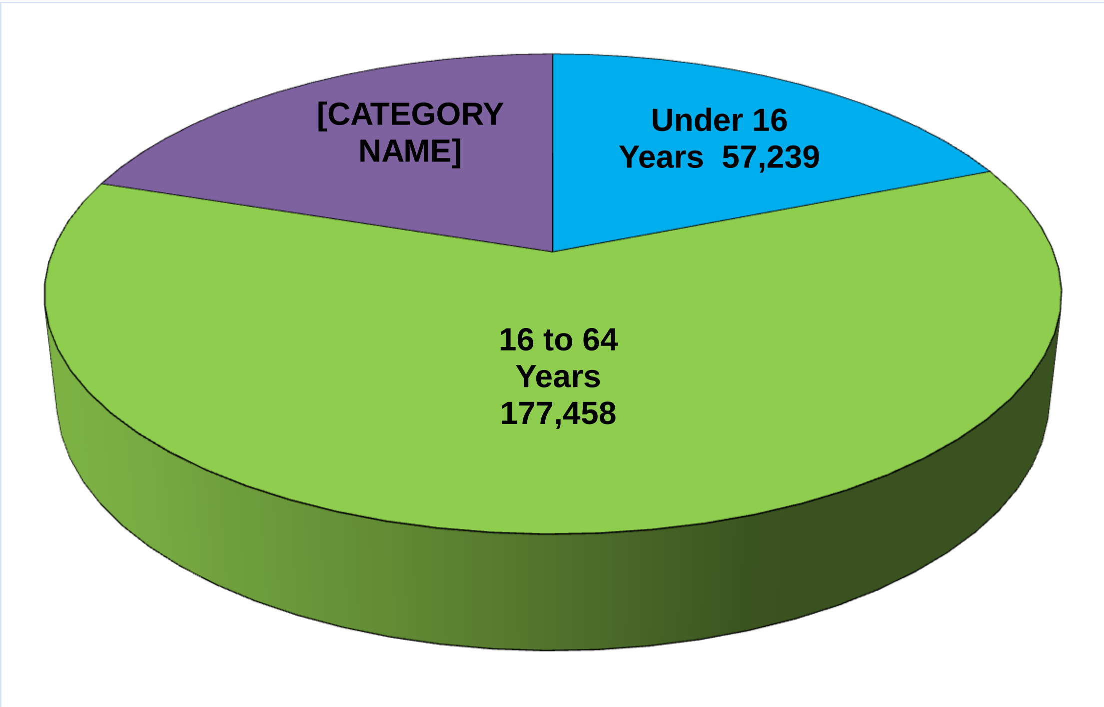
Stockport Council is one of ten local authorities in the Greater Manchester region. It is situated in between the Peak District, the Cheshire Plain and one of the UK's fastest growing cities, Manchester. Stockport is a Borough of independent shops, great schools, thriving businesses and strong communities making it a place where people want to live, work and spend their leisure time.

Similar to many other local authorities across the country however, the Council faces significant financial challenges whilst operating in an environment which is increasingly uncertain and volatile. Despite this the Council recognises the need to transform itself and ensure it is a sustainable organisation fit for the future. The Council's approach has been twofold, developing a medium-term strategy to review the services it provides to residents and how it provides these services to ensure they are delivered in the most efficient and cost effective way, and through its growth and reform strategy investing in projects which support the economic growth and regeneration of our Town and Local Centres. In doing this the Council is working hard to address these challenges and build a better future for the Borough.

KEY FACTS ABOUT STOCKPORT

Population

The Office for National Statistics 2019 mid-year population estimates report Stockport's total population as 293,423. The age profile of the population is shown below:



The working age population (age 16 to 64 years) as a proportion of the total population, is slightly lower than the regional and national averages, whilst those over 65 represent a higher proportion of the population than regional and national averages, with over 85's representing 2.8% of the population compared to 2.5% nationally. The population of those Under 16 is in line with regional and national averages. The population is expected to increase over the medium term with a high proportion of this increase coming from those residents aged over 65 years. The population aged over 85 years is also forecast to increase, with resulting increases in demand for health and social care services expected.

Local Economy

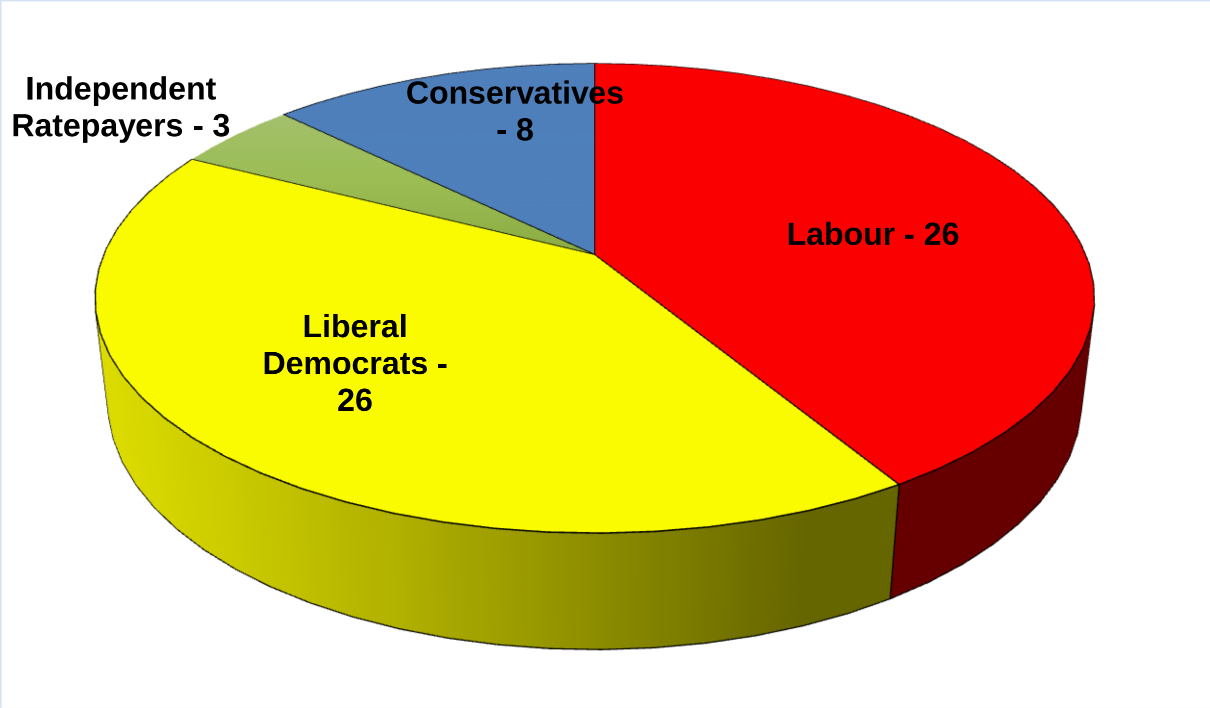
Historically, Stockport has experienced low levels of unemployment relative to regional and national averages. This reinforces the strength of the Borough's economy to deliver employment for its residents. Employment levels are expected to increase steadily up to 2026, reflecting similar trends across Greater Manchester, the North West and the UK.

Stockport's knowledge driven economy, combined with its high quality of life, is reflected in the range of occupations held by its resident population. A high proportion of residents are employed in management and professional occupations, which make up around a third of the total number in employment. A higher proportion of residents tend to be employed in skilled or highly skilled occupations in comparison to the North West and UK. In addition, a high proportion of residents are self-employed when compared to regional and national averages.

The strength of Stockport's economy is supported by its strategic location, range of business premises, prosperous residential areas and excellent connectivity all of which contributes to a thriving and diverse economy, including many high growth business start-ups and headquarters of both national and international firms. The Borough is occupied by nearly 13,345 businesses and has the third largest workforce in Greater Manchester, with 135,000 people employed in the Borough. This strength is further illustrated by Stockport's employment rate of 76.7% and economic activity rate of 80.6%, both of which continue to exceed regional and national averages.

Political Structure

The Borough of Stockport is made up of twenty-one wards with three Councillors representing each ward. During 2019/20 the political make-up of the Council was:



The Cabinet is the main decision-making body of the Council and is responsible for the strategic management of Council Services. The Cabinet consists of the Cabinet Leader and seven Cabinet Member Councillors, each of whom holds a Cabinet Member Portfolio.

The Cabinet Member Portfolios and their Cabinet Members during 2019/20 were:

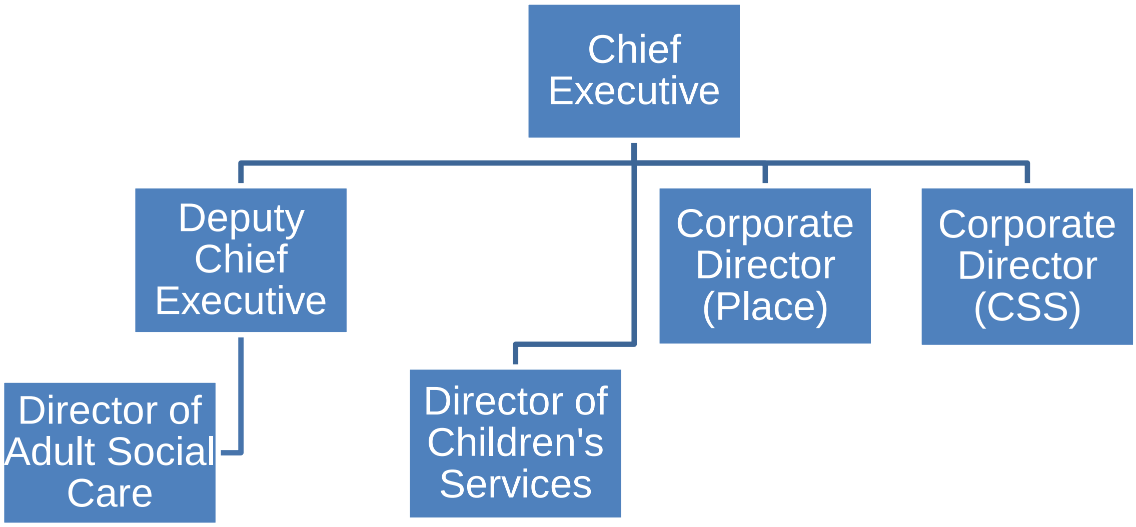
- Devolution – Councillor Elise Wilson (Council Leader)
- Resources, Commissioning and Governance - Councillor Tom McGee (Deputy Leader)
- Sustainable Stockport – Councillor Sheila Bailey
- Citizen Focus and Engagement – Councillor Kate Butler
- Children, Family Services and Education – Councillor Colin Foster
- Economy and Regeneration – Councillor David Meller
- Inclusive Neighbourhoods – Councillor Amanda Peers
- Adult Care and Health – Councillor Jude Wells

Corporate Leadership Team Structure

The Council's Corporate Leadership Team (CLT) supports the work of the Councillors. During the year the CLT was headed by the Council's Chief Executive, Deputy Chief Executive, two Corporate Directors, Director of Adult Social Care and Director of Children's Services. CLT is responsible for the delivery of Council Services, directing improvements and the future plans for the Borough. The Team provides managerial leadership and supports Councillors in:

- Developing the Council's strategies;
- Identifying and planning resources for the Council;
- Delivering Council plans; and
- Reviewing the Council's effectiveness in delivering excellent services to the residents of Stockport.

During the year CLT was structured as follows:



Council Employees

At the start of April 2019, the Council employed 2,391 full time equivalents (FTEs) excluding school-based employees. By March 2020 this had increased slightly to 2,397 FTEs. The longer-term trend, however, shows a significant reduction in the Council's workforce from 2,978 FTEs in 2012.

The Council recognises the importance of its employees in building an organisation fit for the future. Responding to the financial challenges faced by the Council will require a transformed organisation and different ways of working. The Council's aim is to build solid foundations which enable it to achieve its ambitions with the support of a bold, resilient and talented workforce, integrated and designed to focus on outcomes with the right skills, shared values and commitment to Stockport residents. This ensures the Council has officers in the right place with the right skills and the right tools to do their jobs, whilst prioritising limited resources efficiently in order to retain and attract talent.

Council Values

The Council's values and behaviours were launched in September 2018. These values run through everything the Council and its Officers do regardless of the challenges faced; 'the Stockport Way of doing things'.

The Council's values and behaviours are:

Stockport	Team	Ambition	Respect
• We are ambassadors for Stockport and the Council; • We do what we say, taking responsibility for our actions; and • We involve and listen to people when designing our services.	• We work together to achieve shared goals; • We are committed and positive, working to the best of our ability; and • We feel empowered to give and receive feedback.	• We encourage new ideas to make better use of our resources; • We have courage and confidence to challenge how we do things; and • We are prepared to take risks and learn from our mistakes.	• We support each other and celebrate success; • We care about diversity and everybody's wellbeing; and • We work with people, being open and honest.

Council Plan

The Council Plan sets out Stockport Council's ambitions for the next 12 months, framed by the shared outcomes of our Borough Plan. At the heart of this plan are the people, place and communities of Stockport. Enabling improved outcomes for all our citizens and communities and ensuring that they can be resilient, independent and lead happy, healthy lives is a fundamental part of our ambition, what we do, why we do it and how we work.

These outcomes continue to shape our aspirations for the Borough, working across our key delivery programmes with local partners and across Greater Manchester;

- People are able to make positive choices and be independent;
- People who need support get it;
- Stockport benefits from a thriving economy;
- Stockport is a place people want to live; and
- Communities in Stockport are safe and resilient.

The Council Plan sets out the framework for delivering these outcomes and also incorporates the key principles identified by Cabinet, underpinned by an inclusive vision for growth and reform. The Greater Manchester Strategy priorities continue to be integrated into the Plan. The strategic narrative for the Council Plan builds upon these but also incorporates the MTFP strategy and its five key themes.

These are central to the Council Plan and its organisational delivery. In particular, the Council Plan identifies a number of more focussed and specific priorities, including supporting the development of the social care market, improving greater community collaboration, and a continuing focus on inclusive growth.

The Council has already started to engage with residents and partners as part of 'Our Stockport Conversation' in order to refresh priorities for the Borough for the next ten years. This work builds upon the progress and renewed collective aspirations for Stockport, reflecting the changes the Council is undertaking to reshape the way it works with citizens and how it delivers services that are effective and sustainable. Whilst this work has inevitably been paused during the Covid-19 pandemic, long-term changes to the way we live and work make these aspirations even more relevant.

Capital Strategy

CIPFA's Prudential Code for Capital Finance in Local Authorities was revised in December 2017 to include a requirement that Local Authorities produce a Capital Strategy each year to demonstrate that its capital investment plans have due regard to service objectives, stewardship of assets, value for money, prudence, sustainability and affordability. This is the second year the Council has produced its Capital Strategy in line with the revised Code. Through a formalisation of other plans, strategies and policies that the Council already has in place, the Capital Strategy provides a robust governance framework for the Council's capital investment decisions. It provides a high-level overview of how the Council's capital investment decisions contribute towards the provision of services. It sets out the long-term context in which capital expenditure and investment decisions are made, ensuring consideration of both risk and reward, and impact on the achievement of the Council's priorities. The Council recognises that the management of its capital resources is fundamental to achieving the priorities set out in the Council Plan and realising local and regional ambitions. In doing this, the Capital Strategy provides a framework for optimising and managing the Council's capital resources and understanding the implication of capital investment decisions on the future sustainability of the Council.

The adoption of the Capital Strategy was approved by the Council on 27 February 2020 and focuses on:

- **Capital Expenditure** – provides an overview of governance processes for approval and monitoring of capital expenditure, provides a long-term view of the Council's capital expenditure plans and an overview of its asset management planning, and provides detail of any restrictions to borrowing or funding linked to these plans.

- **Debt, Borrowing and Treasury Management** – provides projections of the capital financing requirement (i.e. unfunded capital expenditure requiring external borrowing) and provides details of the required provision for repayment of debt over the life of the underlying asset (minimum revenue provision).
- **Commercial Activity** – provides details of the Council's approach to commercial investment activities, including ensuring effective due diligence and risk appetite and the requirements for independent and expert advice.
- **Knowledge and Skills** – provides details of the knowledge and skills required both internally by Officers and externally by external advisors.
- **Affordability and Risk** – ensures the Chief Finance Officer reports explicitly on the deliverability, affordability and risk associated with the Capital Strategy.

Greater Manchester Devolution and Partnership Working

The Greater Manchester (GM) Devolution agreement with Government has provided the opportunity to better integrate policies and decision-making at a local level. This has led to innovation and new models of local service delivery, as well as better co-ordination of interventions to drive productivity growth. Most importantly, as highlighted by the GM Combined Authority, outcomes for residents across the city region have been improved. The GM Strategy has provided the vision and aims for the region, agreed between the public sector, businesses and the voluntary, community and social enterprise sector, and implemented through local and national Government working in partnership. This integration is vital for not only improving services but driving productivity and prosperity across Greater Manchester.

GM Devolution is continuing to shape a new way of working across the region on the important issues facing Greater Manchester. The past twelve months have seen further emphasis on investment and inclusive economic growth, for example through the establishment of the first GM Mayoral Development Corporation in Stockport, and joining up public services, such as through the ongoing developments across the GM Health and Social Care Partnership. Stockport is well placed to shape and benefit from these opportunities and in particular will lead two strategic GM priorities through identified Greater Manchester Leaders and Chief Executives Portfolios:

- The Leader of the Council was the GM Portfolio lead on Employment, Skills and Digital during the year; and
- The Council's Chief Executive was the Chief Executive lead on the Ageing Well priority during the year.

More broadly, the Council and local partners will need to continue to work closely on how we contribute and engage in ongoing devolution developments. The vision for the Future of GM has been set through the GM Spatial Framework, a new Transport Delivery Plan, a Housing Vision and Infrastructure Framework. The Combined Authority with the support of the each of the GM Authorities are developing the next steps for this agenda through:

- The GM Local Industrial Strategy, being developed between the city region and Government departments;
- A White Paper on Unified Public Services, which has been developed collaboratively with the Greater Manchester Authorities, other public services and the Voluntary, Community and Social Enterprise Sector. This provides the vision for GM model on place-based integration; and
- A Prospectus for Health & Social Care, which sets out the proposed next steps for developing the unique devolved health and care model in GM.
- A Five-Year Environmental Plan has been launched which will to inform a range of local and regional core strategies, including the Clean Air and Transport Plans.

Locally the Council continues to work on both the Stockport Local Plan and the GM Spatial Framework including the coordination of house building and improving transport infrastructure across the region. Other examples of partnership working and integration include North West Adoption Agency, working with health colleagues to support the integration of health and social care services across Stockport and continuing work with other Public Services within Stockport and GM to identify and assess new ways of working which will support the sharing of services across organisations in the future.

Since mid-March, the Combined Authority and GM Health & Social Care partnership have also been at the forefront of co-ordinating and developing a regional response to the Covid-19 pandemic.

2019/20 FINANCIAL PERFORMANCE OF THE COUNCIL

2019/20 Revenue Budget and Capital Programme

On the 26 February 2019, the Council approved the 2019/20 Revenue Budget and Capital Programme.

The revenue budget was set at £240.520m, with £180.130m Cash Limit budgets and £60.390m Non-Cash Limit budgets. The Council approved the Council Tax Resolution with a 2.75% increase on Council Tax (including a 1% increase on the Adult Social Care Precept) for 2019/20. The three-year Capital Programme was approved on 26 February 2019, with £164.755m in resources being allocated to capital schemes in 2019/20.

Revenue Budget and Capital Programme Monitoring

The Revenue Budget and Capital Programme are monitored on a quarterly basis throughout the year. Progress reports are presented to the Council's Cabinet and relevant Scrutiny Committees. In addition, the Council's Treasury Management performance highlighting the performance of the Council's investments and capital borrowing is reported to the Cabinet and the Corporate Resources Management and Governance Scrutiny Committee on a quarterly basis.

2019/20 Revenue Outturn Position

The Council's 2019/20 revenue outturn position is shown in the table below:

Portfolio	Original Budget £000	Revised Budget £000	Final Outturn £000	(Surplus)/ Deficit £000
Adult Care and Health	89,436	90,438	90,527	89
Children, Family Services and Education	39,600	39,698	39,886	188
Citizen Focus and Engagement	5,369	5,642	5,598	(44)
Economy and Regeneration	1,842	1,981	2,016	35
Inclusive Neighbourhoods	453	420	243	(177)
Resources, Commissioning and Governance	21,606	23,123	23,123	0
Sustainable Stockport	21,824	22,050	22,045	(5)
Total Cash Limits	**180,130**	**183,352**	**183,438**	**86**
Total Non-Cash Limits	**60,390**	**57,168**	**56,269**	**(899)**
Total Expenditure	**240,520**	**240,520**	**239,707**	**(813)**
Financed By				
Council Tax	144,915	144,915	144,915	0
Adult Social Care Precept	11,207	11,207	11,207	0
Business Rates – Council Share	73,888	73,888	81,269	7,381
Business Rates – Tariff	(17,103)	(17,103)	(17,103)	0
Business Rates - Section 31 Grants	12,907	12,907	12,586	(321)
New Homes Bonus	1,791	1,791	1,792	1
Better Care Fund Allocation	6,333	6,333	6,333	0
Social Care Grant	2,192	2,192	2,192	0
EU Exit Grant	0	0	210	210
COVID19 Grant	0	0	8,276	8,276
Collection Fund Balance Distribution	1,362	1,362	1,767	405
Appropriation from General Fund Balance	0	4,026	4,026	0
Appropriation from Reserves	3,548	3,548	3,548	0
Appropriation to Reserves	(520)	(4,546)	(20,498)	(15,952)
Total Resources	**240,520**	**240,520**	**240,520**	**0**
Outturn	**0**	**0**	**(813)**	**(813)**

The Council has achieved a surplus of £0.813m for the financial year when comparing budgeted (planned) expenditure with actual (incurred) expenditure. The table above reflects additional resources received during the final quarter of the year that were not originally budgeted for. This mainly consists of the first tranche of the COVID19 support grants (£8.276m) from Government, the Council's share of the benefit from the 100% Business Rates Retention Pilot and returns from GMCA totalling £7.381m. These additional resources have been transferred to reserves.

These resources and the forecast surplus were identified in the Council's 2020/21 Budget as available one-off resources to support Cabinet's one-off positive investments for the Borough. However, given the estimated financial impact of the COVID19 pandemic, decisions on the use of these resources will now be considered as part of the Council's 2020/21 Reserves Policy.

The main variances relate to:

- **Adult Social Care** – deficit of £0.089m relates to budget pressures due to increased demand for services supporting older people across the Borough including care management predominately in non-residential services, and aids and adaptions equipment services aligned to hospital discharges. In addition, learning disability care management services have incurred increased costs due to additional external support aligned to in-house tenancies and the complexity of clients' needs. Increased costs in these areas have been offset by underspends in other areas of the service relating to staffing vacancies held to support the transition to the new Adult Social Care operating model and a continuing healthcare funding claim agreed with Liverpool CCG at the end of the financial year. The improved outturn position compared to previous years reflects the investments made to address permanently identified demand and demographic budget pressures. This included the planned use of one-off Adult Social Care Resources held in earmarked reserves.
- **Children, Family Services and Education** – deficit of £0.188m relates to continuing budget pressures within the children with disabilities service as a result of the complexity and increased take up of respite care support packages and additional social worker staffing requirements. In addition, there are budget pressures relating to looked after children (LAC) maintenance payments which correlates with the increase in the number of LAC placements in the Borough. Non-LAC services have also incurred one-off additional costs in year relating to back-pay on special guardianship order (SGO) and fostering payments. Across the service additional staffing related costs have been incurred including increase agency cover for staff absence. These budget pressures have been offset by underspends in other areas of the service mainly relating to LAC placements which received investment at the start of the financial year to address budget pressures identified in previous years. The underspend in this area is not expected to continue in 2020/21 due to the recruitment of additional foster carers willing to take on increasingly complex and challenging placements to ensure the other areas of the LAC service are managed within budget. Education budgets reported increased cost relating to special educational needs transport due to increased demand for the service and staffing costs.
- **Inclusive Neighbourhoods** – surplus of £0.177m reported relating to underutilised activities and events budgets within the Neighbourhood Inclusion Unit.
- **Non-Cash Limit** – surplus of £0.899m as a result of additional dividends from Manchester Airport Group, favourable differences between the estimated and actual waste levy charges incurred offset by increased redundancy costs and a one-off penalty cost following the audit of the Council's prior years Housing Benefit subsidy claim which identified a number of small errors.

The Comprehensive Income and Expenditure Statement (CIES) shows a deficit on the provision of services of £46.521m. The difference between this and the outturn surplus explained above relates to the adjustments that are made to the CIES through the Movement in Reserves Statement (MiRS) to ensure the Council's General Fund Balance is prepared on a funding basis rather than an accounting basis. Note 2, Adjustments between Accounting Basis and Funding Basis under Regulations reconciles the differences between the CIES surplus and the outturn surplus. Some of the reasons for the differences include:

- Capital investments are accounted for when financed, rather than when it is consumed, for example General Fund Grants and Contributions of £37.633m were credited to the Comprehensive Income and Expenditure Statement in 2019/20;
- Charges for depreciation, revaluation losses and impairment of non-current assets and investment assets of £60.046m in 2019/20;
- Retirement benefits are charged as amounts when they become payable to the pension fund and pensioners, rather than as future benefits are earned (£39.672m for 2019/20); and
- The Minimum Revenue Provision for capital financing is a charge to the General Fund but does not appear in the CIES (£12.448m for 2019/20).

Dedicated Schools Grant (DSG)

The DSG is reporting an outturn deficit of £1.302m and relates largely to cost pressures and increased demand within the High Needs Block. This includes increases in general Special Education Needs and Disability (SEND) across all school sectors, additional specialist SEN SLA support requirements, additional external independent placements and a technical funding reduction relating to high needs import/export adjustment. The DSG conditions of the grant have been updated during 2019/20 following DfE reflection and discussion with key partners in relation to many Local Authorities having in year and/or cumulative deficit positions on their DSG budget.

The 2019/20 outturn deficit will therefore be carried forward into 2020/21 and will be addressed as part of the current ongoing DSG Review Group workstream that will re-design the service provision within the directorate. This key program of works will:

- Address the DSG deficit;
- Align resources within the DSG to reflect the Council's integrated children's and education strategy; and
- Respond to the SEND written statement of action (WSoA) requirements following the local area joint inspection in autumn 2018.

General Fund Balance

The level of General Fund Balance as at 31 March 2020 is £10.013m. This balance reflects the level of unallocated balances that would be needed to address any unexpected budget pressures in 2020/21. The balance is calculated to reflect the spending experiences and risks to which the Council might be exposed to and is approved as part of the budget setting process.

This is made up of the £9.200m recommended minimum level of General Fund Balance required to support the budget in 2019/20 plus the outturn surplus of £0.813m which will be held in General Fund Balance. The Council's 2020/21 Budget recommended a minimum level of General Fund Balance of £10.200m to ensure the robustness and resilience of the budget during the financial year. As part of the Council's Reserves Policy resources held in earmarked reserves will be realigned to ensure £10.200m of General Fund Balance is held by the Council during 2020/21.

Earmarked Reserves

Earmarked reserves represent resources that have been set aside to fund specific commitments and plans. The Council's Reserves Policy was updated during the year to ensure it remained aligned to the Council's corporate and strategic priorities. The Policy also ensures the Council's earmarked reserves are held at an appropriate level to support the Council's budget and mitigate the impact of unforeseen cost pressures. During the year there has been a net increase to these reserves of £9.778m resulting in a balance of £76.550m at 31 March 2020.

Reserves balances of £8.689m relating to Schools and £1.345m relating to the Housing Revenue Account (HRA) are also held. These balances are held in separate earmarked reserves as they are ringfenced to fund Schools and the HRA expenditure.

Note 7 to the Statement of Accounts provides more information about the balances held on individual reserves.

2019/20 Capital Programme Outturn

The Council has a significant and diverse Capital Programme. The original Capital Programme for 2019/20 was £164.755m. A large number of the Council's capital schemes span a number of years. Individual capital schemes making up the Programme are reviewed regularly and the spending profiles are aligned accordingly as the schemes develop. During the year, a net total of £31.916m in additional funding for schemes was added to the Programme and £96.948m was re-phased to align with the developing schemes expenditure profiles.

The Council successfully delivered its 2019/20 Capital Programme with an outturn expenditure of £99.723m as at 31 March 2020.

As stated above, the Council has a large and varied capital programme, with significant expenditure on housing schemes, highways and regeneration projects. The most notable schemes of the 2019/20 Capital Programme include the following:

- Housing Revenue Account (HRA) £19.801m expenditure on general capital schemes and £1.771m on new build schemes;
- In addition to the HRA schemes above, £10.144m was made available in loans to Stockport Homes Ltd for the Affordable Homes programme;
- A total of £32.648m has been spent on highways projects, including £4.040m on the SEMMMS A6 to Manchester Airport Relief Road, £6.732m on the Town Centre Access Plan, and £11.992m on the Highways Investment Programme;
- There was £11.725m expenditure on Stockport Exchange Phase 3 on the new office building and neighbouring public realm;
- There was £3.442m spend during the year on the Street Lighting Investment Programme;

- A total of £6.232m was spent on Education Capital Schemes, including £3.359m on the Primary Sector; and
- A total of £2.642m has been spent on the Asset Management Plan during 2019/20.

The table below sets out the 2019/20 three-year Capital Programme as at 31 March 2020 by Portfolio and the resources being used to finance it.

Portfolio	**2019/20 Programme £000**	**2020/21 Programme £000**	**2021/22 Programme £000**
Adult Care and Health	559	499	
Children, Family Services and Education		24	
Economy and Regeneration	49,356	48,771	44,289
Resources, Commissioning and Governance	10,988	76,316	19,997
Sustainable Stockport	38,820	65,095	72,063
Total	**99,723**	**190,705**	**136,349**
Resources			
Capital Grants	28,029	55,040	30,116
Directly Funded Borrowing	39,021	54,936	69,003
Unsupported Borrowing	14,520	55,170	13,133
Capital Receipts	1,917	4,668	6,371
External Contributions	1,097	1,212	
Commuted Sums	2,069	1,838	1,500
Revenue Contributions (RCCO)	1,167	5,308	3,119
HRA Funding From MRR	11,903	12,533	13,107
Total	**99,723**	**190,705**	**136,349**

Treasury Management

The Council's 2019/20 Treasury Management Strategy and Annual Investment Strategy were approved at the Council meeting on 26 February 2019. This sets out the Council's approach to managing its:

- Investments and cash flows;
- Banking, money market and capital market transactions; and
- The effective control of the risks associated with these activities to ensure optimum performance in relation to its treasury management.

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting during the year and through Officer activity detailed in the Council's Treasury Management Practices.

At the end of 2019/20 the Council's treasury position was as follows:

	Financial Year 2019/20

	General Fund		Housing Revenue Account	
	£000	%	£000	%
Total Debt	548,165	2.66%	104,535	4.54%
Total Investments	110,345	0.66%		
Net Debt	**437,820**		**104,535**	

Borrowing Outturn Position

During 2019/20, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

The policy of avoiding new long-term borrowing by utilising internal resources and short-term loans, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt and when available resources might be utilised. Added to this were increased concerns over the political and economic situation the UK found itself in given uncertainty surrounding Brexit and the possibility of this causing liquidity problems in the market. As such in the first half of 2019/20 the Council considered its more imminent need to take on longer-term borrowing and the timing of that.

Taking advantage of falling PWLB rates, in August 2019 the Council borrowed £55m of new PWLB borrowing at an average rate of 1.87% and comprised of loans maturing in February 2065 and March 2069.

On 9 October 2019, Her Majesty's Treasury took a decision to restore interest rates at which it on-lends to local authorities to levels available back in 2018, by increasing the margin that it applies to new loans from the PWLB by one percentage point on top of usual lending terms. Given this substantial increase to PWLB lending rates, the Council decided to defer any further long-term borrowing for the time being whilst it assessed possible alternative lenders. As such for the remainder of the financial year, cashflow shortages were managed by raising short-term market loans and drawing back investments where necessary.

Investment Outturn Position

The Council's investment policy is governed by MHCLG investment guidance, which has been implemented in the 2019/20 Annual Investment Strategy approved by the Council.

Investment activity during the year has operated within the boundaries established by the Annual Investment Strategy, with the Council's investment priorities being Security of Capital, Liquidity and Yield. For its cash flow generated balances, the Council used notice accounts, Money Market Funds and a limited number of fixed-term deposits to invest available resources during the year. The treasury management service avoided making any longer-term investments (over 365 days) during 2019/20 as investment rates have remained historically low and thus not beneficial to the Council to do so.

The Council's investment balances grew in the later stages of the financial year as a result of the PWLB borrowing undertaken in August 2019. In addition, this increased level of investments was a result of the Council maintaining a precautionary higher level of liquid resources (and loans from other local authorities) to manage cash flow shortages towards the end of March 2020.

The table below shows the investment strategy undertaken during 2019/20:

Combined Investments	Average Balance Invested £000	Average Return %
Quarter 1	19,117	0.83%
Quarter 2	29,833	0.84%
Quarter 3	52,561	0.88%
Quarter 4	66,954	0.83%
Average	**42,111**	**0.85%**

The Council's combined investments generated an average rate of return of 0.85% representing good annual performance against benchmarks. This can be compared against an uncompounded 7-day LIBID rate of 0.53% (1 month rate of 0.56%, 3 month rate of 0.63%, 6 month rate of 0.70% and 12 month rate of 0.80%). The Council's return exceeds that of the twelve-month LIBID rate even though its weighted average investment duration was just 50.85 days.

No institutions in which investments were made had difficulty in repaying investments and interest in full during the financial year.

Collection Fund

The Council is required by legislation to maintain a separate account for the administration of Council Tax and Business Rates income and expenditure. All income collected from local taxpayers is paid into this account and then distributed to the Council's General Fund, and to the Greater Manchester Combined Authority (GMCA) for the GMCA Mayoral Police and Crime Commissioner Precept and the GMCA Mayoral General Precept (including Fire Services). The 2019/20 outturn position on the Collection Fund is a surplus of £2.235m made up of a £0.720m surplus on Council Tax and a £1.515m surplus on Business Rates.

The Council's and the Precepting Authorities' share of the surplus is shown in the table below:

	Council Tax £000	Business Rates £000	Total £000
Collection Fund Income	(185,542)	(87,035)	(272,577)
Collection Fund Expenditure*	184,822	85,520	270,342

2019/20 Surplus	**(720)**	**(1,515)**	**(2,235)**
Allocated to:			
Stockport Metropolitan Borough Council	(622)	(1,500)	(2,122)
GMCA Mayoral General (including Fire Services)	(33)	(15)	(48)
GMCA Mayoral Police and Crime Commissioner	(65)	0	(65)
	(720)	**(1,515)**	**(2,235)**

*includes distribution of income to the Council and Precepting Authorities for the financial year

As part of the Council's 2020/21 budget setting process, the Council declared a £1.109m Collection Fund surplus for the year. In line with the legislation that governs the Collection Fund accounting, this will be released to the Council's General Fund in 2020/21 and the balance of £1.013m (£2.122m less £1.109m) will be distributed in 2021/22. The variance relates to the differences in the assumptions underpinning the forecast Business Rates position at Period 8 and the actual outturn position including:

- An increase in gross collectable Business Rates for the year between the Period 8 forecast and outturn due to an increase in rateable values; and
- Lower than expected increases needed to the Business Rates bad debt provision at year end.

Greater Manchester 100% Business Rates Retention Pilot

During the year the Council has piloted alongside the other Greater Manchester Authorities, the 100% retention of Business Rates income. As a result, the total 2019/20 Pilot benefit to the Council is £3.886m of income that would have been paid to Government in previous years.

It was always the intention that the Greater Manchester Region as a whole would benefit from the 100% Business Rates Retention Pilot and on this basis, it has been agreed that a minimum of 50% of the benefit would be retained by Greater Manchester Authorities and the balance retained by the GMCA. The Council will retain £1.943m of the benefit. As part of the Council's 2020/21 budget setting process an expected 2019/20 benefit of £1.748m was forecast and approved to be allocated to earmarked reserves to support known commitments and risks. The balance has been transferred to the Collection Fund Reserve and will be considered as part of the Council's 2020/21 Reserves Policy. The Greater Manchester Combined Authority (GMCA) share will be used to support the delivery of Greater Manchester priorities outlined in the GMCA 2020/21 Budget reports.

Whilst the Council will continue to Pilot the 100% retention of Business Rates in 2020/21, it is difficult to accurately budget for the expected benefit at the beginning of the financial year. Business Rates income is a complex and volatile tax, changes in rateable values and increases in appeals by businesses are difficult to predict and can have a significant impact on the actual benefit realised at the end of the financial year. The Council has taken a prudent approach to this by not budgeting for any benefit in the year it is realised. Instead any benefit realised in year is used to support the Council's budget setting process, medium-term financial planning and capital investments in the following financial years.

Housing Revenue Account (HRA)

Under legislation, income and expenditure on council housing is ‘ringfenced’ within the HRA. This means the Council is not able to make contributions to or from its General Fund from or to the HRA.

After taking into account adjustments between the accounting basis and the funding basis under legislation and transfers to and from earmarked reserves there is a surplus of £0.426m increasing the HRA balance to £2.123m as at 31 March 2020. On an accounting basis, the 2019/20 outturn position on the HRA is a surplus of £4.471m.

Group Accounts

The Council’s Group Accounts include those entities where there is a material financial interest and the Council holds a significant level of control. The Council’s Group boundary comprises of:

- Stockport Metropolitan Borough Council;
- Stockport Homes Ltd;
- Totally Local Company Ltd;
- Stockport Exchange Phase 2 Ltd; and
- Stockport Hotel Management Company Ltd.

In accordance with the Code, consideration has been given as to whether these entities should be consolidated in to the Council’s Group Accounts. Totally Local Company Ltd and Stockport Homes Ltd accounts are consolidated into the Council’s Group Accounts. The interest in Stockport Exchange Phase 2 Ltd and Stockport Hotel Management Company Ltd are not considered material therefore these accounts are not consolidated into the Council’s Group Accounts.

Further details on the Group entities and the Group Accounts can be found in the Group Accounts section of the Council’s Statement of Accounts.

2020/21 Revenue Budget

At the Council meeting on 27 February 2020, the 2020/21 Revenue Budget was approved. The budget was set at £247.393m, with £185.311m Cash Limit budgets and £62.082m Non-Cash Limit budgets. The following table sets out the approved budget for 2020/21.

Portfolio	2020/21 Revenue Budget £000
Adult Care and Health	93,798
Children, Family Services and Education	40,994
Citizen Focus and Engagement	4,780
Economy and Regeneration	1,904
Inclusive Neighbourhoods	403
Resources, Commissioning and Governance	22,612
Sustainable Stockport	20,820
Total Cash Limit	**185,311**
Pay Inflation	2,939
Pensions - Superannuation and Auto Enrolment	192
Inflation - Price and National Living Wage	3,753
Apprenticeship Levy	400
Non-Cash Limit	54,798
Total Non-Cash Limit	**62,082**
Total Expenditure	**247,393**
Financed By	
Council Tax Requirement – General	148,217
Council Tax Requirement – Adult Social Care Precept	14,501
Business Rates Council Share	76,294
Business Rates Tariff	(17,230)
Business Rates Section 31 Grants	12,956
New Homes Bonus	1,390
Better Care Fund	6,333
Social Care Grant	7,015
Collection Fund Balance Distribution	1,285
Appropriation from Reserves	216
Appropriation to Reserves	(3,584)
Total Resources	**247,393**

In setting a balanced budget the Council bridged the £10.123m funding gap identified at the start of the financial year. This included £4.225m of savings set in the context of the Council's MTFP Strategy. Using this framework has enabled the Council to think differently about the way services are delivered and avoid crosscutting expenditure cuts to services which in the short term deliver savings, but longer-term result in additional costs for the Council and adversely impact Stockport's residents.

In addition, the Council made a decision to raise Council Tax by 2.99% (including a 2% Adult Social Care Precept) as part of bridging the funding gap. This decision was not taken lightly and weighed up the impact this would have on Stockport residents whilst ensuring the Council's future financial sustainability and the provision of essential services particularly to the most vulnerable residents in the Borough. The Council is clear that the increase in Council Tax is not in the absence of medium-term plans evidenced by the Council Plan, MTFP Strategy and Capital Strategy, but does provide a robust platform on which to develop and build these plans. The Council also recognises that this increase was lower than the 3.99% assumed by Government in the calculation of the Council's 2020/21 Core Spending Power and which could have been proposed. However, an increase of 2.99% achieves the right balance between minimising the impact of Council Tax increases on Stockport Residents with the need to ensure the Council's MTFP remains robust and sustainable.

Ensuring the robustness of the Council's budget and medium-term financial plan will help to mitigate the financial challenges ahead. The surplus position reported in these Statement of Accounts and the level of reserves and balances held, underpinned by the Council's Reserves Policy, demonstrates the robustness of the Council's financial position over the medium-term.

2020/21 Capital Programme

The three-year Capital Programme 2020/21 to 2022/23 was approved at the Council meeting on 27 February 2020. Resources of £218.815m were allocated to capital schemes in 2020/21 and this now stands at £190.705m following a review and re-phasing of schemes at the 2019/20 financial year end.

The following table sets out the proposed 2020/21 to 2022/23 Capital Programme by Portfolio and included schemes that span beyond 2022/23.

Portfolio	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 Onwards £000
Adult Care and Health	499			
Children, Family Services and Education	24			
Economy and Regeneration	48,771	44,289	18,947	
Resources, Commissioning and Governance	76,316	19,997	846	9,800
Sustainable Stockport	65,095	72,063	33,919	42,009
Total	**190,705**	**136,349**	**53,712**	**51,809**

Significant capital schemes included in the 2020/21 Capital Programme are:

- A total planned expenditure of £37.085m in Highways Schemes, including £12.574m on the Highways Investment Programme and £8.578m on Mayoral Walking and Cycling Challenge Fund Schemes;
- £11.686m on regeneration schemes, including £2.968m on Markets and Underbanks and £3.628m on Merseyway Development;
- There is an overall Capital Programme of £48.386m for Education Capital Schemes, with £14.252m planned expenditure in the Special Sector and the remaining balance is largely for the provision of basic need school places and ongoing priority condition and maintenance schemes across the school estate;
- Schemes relating to the Council's Asset Management Plan and re-provision of the Dialstone Facility and re-provision of Borough Care totalling £23.181m; and,
- Sustainable Stockport schemes of £65.095m, including funding of £33.587m for HRA schemes relating to social housing improvement and new build schemes, and £22.632m for the delivery of affordable homes by Stockport Homes.

Medium-Term Financial Landscape and Financial Challenge

The financial challenge the Council has to meet over the medium-term period 2020/21 to 2022/23 remains significant. Prior to the COVID19 pandemic the Council identified a cumulative saving requirement of £8.743m in 2021/22 rising to £17.031m in 2022/23. This is a result of expected increases in costs due to increases in demand for services, particularly social care services, and the cost of increasing pay and price inflation.

The Council continues to operate in an uncertain and volatile environment. There have been a number of announcements and events during the year which have created further uncertainty about the future direction of Local Government funding. These included:

- **Government 2019 Spending Review** – provided greater certainty about 2020/21 funding particularly in relation to the funding of social care services. However, certainty about funding beyond 2020/21 was confirmed as being subject to a multi-year spending review by Government.
- **General Election and Queen's Speech** – the General Election resulted in a Conservative majority Government. Key areas of focus for the new Government impacting on Local Authorities were included in the Queen's Speech and included the reform of the Business Rates system, addressing social care services funding pressures including the production of the long awaited social care green/white paper, continuation of the planned reforms to Local Government funding linked to the Government's multi-year spending review and further capital investment and/or devolution of powers linked to regional investment; and
- **Brexit** – following the UK's exit from the European Union (EU) on 31 January 2020, the impact Brexit will have on the UK economy and Government's future spending plans remains unclear.

These announcements and events resulted in the 2020/21 Local Government Finance Settlement being a one-year funding settlement; providing certainty over the

Council's funding in 2020/21 only. Future settlements remain subject to the Government's planned multi-year spending review and reforms linked to the Fairer Funding Formula and Business Rates Retention both of which will determine the distribution of national funding to Local Authorities going forward. Prior to the COVID19 pandemic these reforms were expected to impact on the Local Government Finance Settlement for 2021/22, but Government has since confirmed these reforms will be further delayed and implemented in 2022/23 at the earliest.

The uncertainty of the financial landscape is making medium term financial planning difficult. This is evidenced by the period the Council's MTFP covers 2020/21 to 2022/23. Without further certainty about the future direction of Local Government funding and the financial impact of the reforms on the Council, it is difficult to extend the MTFP forecasts beyond this period and be confident of the robustness of the resulting financial position. On this basis the Council has taken the decision not to extend the MTFP period beyond 2022/23 until the Government provides the Council with this certainty.

Despite the challenges posed by the financial landscape, the Council remains committed to its MTFP strategy to frame the choices it needs to make about the services it delivers and how they are delivered. Using each of the five themes as a lens with which to view services, the Council can ensure these decisions give consideration to the future shape and sustainability of the Council and the essential services it provides to Stockport's residents. This is key to the Council ensuring its financial planning is robust whilst dealing with the uncertainty at a national level. Ensuring that the immediate financial and demand pressures are met whilst meeting the Council's ambitions for Stockport and delivering the desired outcomes for residents requires the robust platform provided by the MTFP Strategy. It is important that local decisions are being made in the context of the Council's financial position and future challenges which are set out in the MTFP.

The Council will continue to analyse budgets during the year to identify the underlying budget pressures and mitigate the impact of the uncertainty and volatility. This will include the 2020/21 MTFP Summer Review, the 2020/21 Reserves Policy and further development of the Council's Capital Strategy and Capital Programme. The continuation of this strong financial management foundation will be more important than ever to enable the Council to have confidence in its financial resilience to recover from the impact of the COVID19 pandemic, the robustness of it financial planning and the ability to continue to deliver essential services to Stockport residents.

Financial Resilience

The financial impact of the COVID19 pandemic illustrates the importance of the Council's financial resilience to the impact of unplanned for events. This ensures the Council is able to mitigate the financial impact in the short term whilst permanent solutions are identified and implemented. There are a number of ways the Council demonstrates its financial resilience to Members and Stockport residents:

- **MTFP Summer Review and Updates** – regular reviews of the key assumptions and forecasts that underpin the Council's MTFP to ensure they remain robust and based on the most up to date information throughout the year;

- **Reserves Policy** – annual update of the Council's Reserves Policy to ensure earmarked reserves are aligned to the Council's corporate and strategic objectives over the medium-term period;
- **Budget Risk Assessment** – annual assessment of the adequacy of the Council's General Fund Balance to mitigate the impact of risks;
- **Scrutiny Committee and Audit Committee** - regular Member scrutiny of the Council's Financial Management throughout the year; and
- **Internal and External Audit** – independent audits of the Council's financial management throughout the year. During 2019/20 an internal audit of the Council's financial governance and financial resilience gave the Council substantial assurance.

CIPFA are continuing to develop its approach to increase local authority financial resilience including the publication of its Financial Management Code of Practice. The Council welcomes the increased attention and will continue to work with other Local Authorities and CIPFA to develop these systems and ensure they integrate with the Council's existing processes.

COVID19 Pandemic Financial Impact

The Council's 2020/21 Budget and MTFP approved in February 2020 have clearly now been superseded by the COVID19 pandemic. Further detail on the financial impact and financial response is provided in the main changes to the core financial statements and significant events and transactions section of this Narrative Report.

2019/20 NON FINANCIAL PERFORMANCE OF THE COUNCIL

Performance

Each Cabinet Member is responsible for a Portfolio of services. At the start of the year each Member signs up to their Portfolio Agreements which sets out the detailed delivery plans of their Portfolio alongside the budget available, performance measures, policy drivers and risks. Each Portfolio Holder reports on the progress in delivering these priorities and outcomes during the year, with the reports considered in detail by the relevant Scrutiny Committees. In addition, a Corporate Report is produced each quarter, setting out the Council's overall financial position along with a summary of the delivery against the key priorities and performance outcome measures. This report is considered by both the Cabinet and the Corporate and Resource Management and Governance Scrutiny Committee.

Performance in 2019/20 shows a mixed picture on performance across all Portfolios compared to 2018/19. Whilst 42.6% of measures were on or ahead of target, there were a further 46.5% deemed to be within an acceptable range of performance. Meanwhile whilst 67.3% improved or maintained a high level of performance, an increase on the 58% in 2018/19. There remain a small number of measures (11) where performance is significantly below target. These have provided the focus for more detailed analysis of service demand, economic trends and demographic pressures, alongside other factors, which have informed improvement plans.

Achievements

Notable achievements during 2019/20 include:

- The launch of the first Mayoral Development Corporation in Greater Manchester. This will aim to unlock development sites and accelerate the speed of transformation within Stockport's Town Centre, creating 3,000 new homes through a neighbourhood that would adapt the town centre to meet changing demands nationally. As a walkable neighbourhood in the heart of Stockport it's hoped that Town Centre West will become Greater Manchester's newest, coolest, greenest urban neighbourhood.
- It has been a long-held ambition of the Council to bring the Metrolink network to Stockport, and an announcement in early 2020 brings us a step closer to making Stockport, already one of the best connected towns in the north, even better connected.
- We are re-designing our children's and adults' services to put people at the heart of everything we do. Within our Stockport Family Partnership, we have joined up services within local areas. We have used the learning from pilot projects in Brinnington and Werneth to ensure we are working closely with schools and the community to help identify and deliver their priorities. We have also focussed on inclusion and have codesigned a transformation programme with children and young people with special educational needs and disabilities and their families.
- Across adult social care, a programme of whole service transformation is underway that will enable the Council to provide a sustainable adult social care service. This will have a focus on prevention and early intervention, ensuring that all our residents can be supported to live their best lives.
- Our ground-breaking Digital by Design programme is continuing to deliver service improvements and we were proud to see Stockport Council winning the 2019 Municipal Journal Digital Transformation Award. The award also acknowledged the support provided to help people and local communities improve their digital skills and confidence through DigiKnow and similar initiatives.

Corporate Risks

Each Cabinet Portfolio has identified significant risks to achieving objectives and delivering key projects. These are outlined in Portfolio Risk Registers, contained within the Portfolio Agreements, along with any emerging risks and controls in place to mitigate these risks.

A number of Corporate Risks have been identified at a strategic level, and these have been aligned with strategic risks from Portfolio Risk Registers to form the Corporate Risk Register. These risks are under regular review, with emerging risks identified and added in year, along with risk descriptions and controls being updated. The Council includes an update on internal controls and mitigating actions for the risks in its quarterly Corporate Performance and Resources Report and provides a more detailed update for the Audit Committee to consider.

The Corporate Risks are:

- Change Management – ability to manage and implement change effectively;

- Financial – failure to deliver the Medium-Term Financial Plan (savings targets and balanced budget);
- Digital Capacity – insufficient ICT infrastructure and capacity;
- Demand Pressures – inability to influence behaviour change resulting in demand and expectations continuing to rise;
- Supplier and Partner Risk – Key suppliers and partners to significant projects and services unable to deliver on behalf of the Council;
- Information Governance – failure to protect the Council's information assets including personal and sensitive personal data and other confidential data;
- Governance – inadequate governance arrangements;
- Health and Social Care Integration – financial resources and capacity are insufficient to deliver the strategic change programme and associated benefits to required timescales;
- School Places – insufficient supply of school places;
- Safeguarding – failure of safeguarding arrangements for children and vulnerable adults; and
- Delivering Growth – failure to deliver key strategic, regeneration and capital investment programmes.

Receipt of Further Information

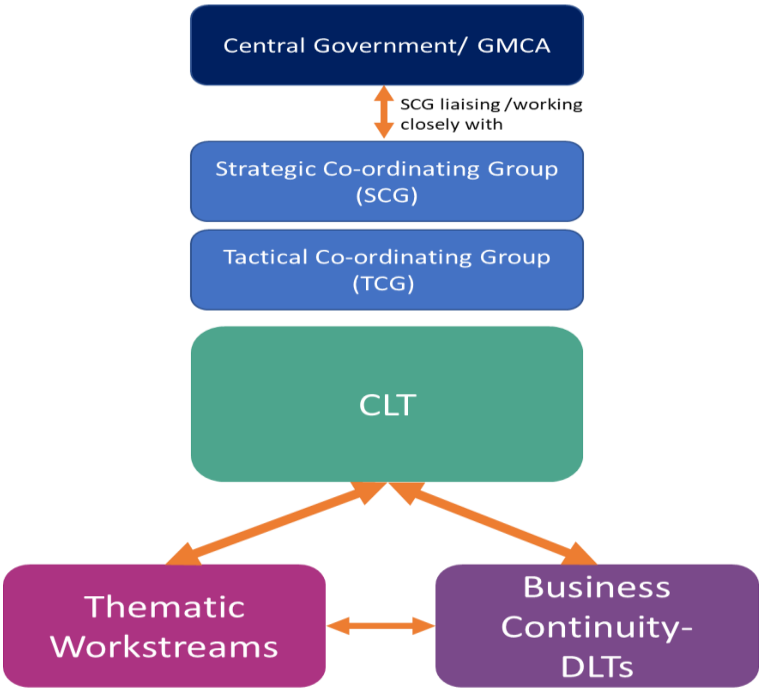
This Statement of Accounts forms one element of the Council's financial reporting to local taxpayers, employees and other interested parties. The Council publishes its Budget and quarterly Performance and Resources Reports on the Council's website www.stockport.gov.uk.

If you would like to receive further information on these accounts, please contact me at Finance, Corporate and Support Services, Stockport Metropolitan Borough Council, Stopford House, Stockport, SK1 3XE.

MAIN CHANGES TO THE CORE FINANCIAL STATEMENTS AND SIGNIFICANT EVENTS AND TRANSACTIONS

COVID19 Pandemic

The spread of coronavirus, declared a global public health emergency, has created unprecedented circumstances within which the Council, working with our communities and partners, have had to respond. The Council's responses have been very much guided by advice and guidance provided by Central Government and the Corporate Leadership Team (CLT) have reviewed guidance and announcements daily throughout this period. The Council has established a robust and responsive governance to facilitate cross partnership and organisational response. This has included close working with Government and Greater Manchester.



The Council has taken a thematic approach to its response focussing on the following key work programmes:

- Humanitarian Aid;
- Voluntary and Community Response;
- Food;
- Workforce;
- Mortality Management;
- Finance;
- Out of Hospital Support – Adults and Disability and Personal Protective Equipment (PPE);
- Contact Testing and Tracing;
- Children and Education; and
- Economic Resilience.

Going forward the Council is working hard with colleagues and partners both locally and across Greater Manchester to ensure that its recovery plans focus on a ‘Build Back Better’ approach and ensure communities are prepared for moving to a new normal and living with COVID19. This will help to make Stockport even stronger in the future and focus on a ‘One Stockport’ approach.

The following provides detail on work programme relating to the Council’s financial impact and response to the pandemic:

COVID19 Financial Impact

The Council’s 2020/21 Budget and MTFP approved in February 2020 have clearly now been superseded by the COVID19 pandemic. The financial challenge presented by the impact of pandemic is unprecedented. As part of the COVID19 financial impact returns to Government, the Council’s current estimate of the financial impact (cost and loss of income) is circa £46.8m adverse financial impact. To date the Council has received £16.3m of COVID19 impact grant support from Government. This leaves a potential funding gap of circa £30.5m in 2020/21.

The permanent impact on the Council's MTFP is being assessed as part of the 2020/21 MTFP Summer Review. However further delays to Government reforms is making medium term financial planning increasingly difficult and increasing the uncertainty and volatility of Local Government funding over the medium-term period:

- **Local Government Funding Reform Delays –** Prior to the COVID19 pandemic the reforms relating to the Fairer Funding Formula and Business Rates Retention were expected to impact on the Local Government Finance Settlement for 2021/22. Government has since confirmed these reforms will be further delayed allowing Local Authorities to focus on the immediate challenges posed by the pandemic. Whilst welcomed to allow recovery plans to be implemented, further delay presents the Council with further uncertainty about its future funding and what this means for Local Government funding going forward.

- **Business Rates Revaluation Delay –** A national revaluation of businesses rateable values was due to take place in 2021 following a change in legislation prior to the COVID19 pandemic. Due to the economic impact of the pandemic, the Government have decided to delay this process and the revaluation will no longer take place in 2021 to provide business with greater certainty. The Government are continuing to work on 'the fundamental review of Business Rates', which was announced in their Budget in March 2020, and some commentators suggest this will now be open to a much wider range of options including replacing Business Rates with an alternative business tax.

Specific elements of the Council's finance work programme are detailed below:

- **COVID19 Business Grants Fund –** Government funding of £66.574m was paid to the Council in early April to passport to eligible businesses as defined by the Government's COVID19 business grant payment schemes; Retail, Hospitality and Leisure Grant Fund and Small Business Grant Fund. To date, the Council has issued 4,888 business grants totalling £57.215m. This equates to 91% of all Stockport businesses that have been identified as eligible for these grants.

- **Local Authority Discretionary Grant Fund –** The Fund was announced by Government on 1 May to support those small and micro businesses which missed out on other COVID19 business grant support. Stockport has been awarded £3.241m to cover this scheme; funded from the expected surplus of the main business grants schemes once all eligible businesses have been paid (detailed above) of £1.764m and additional funding of £1.477m. Whilst the scheme is at the discretion of each Local Authority, it does aim to prioritise those businesses with high property costs and/or significant income loss.

- **Assistance to Adult Social Care (ASC) Providers –** The financial assistance to Adult Social Care providers is taking a systematic approach, including the self-funder market, alongside support the Council is giving to providers caring for ASC clients. A COVID19 funding panel has been created to assess provider requests with regards to additional costs incurred due to the pandemic. In addition, homecare providers have been submitting claims for care which was planned but unable to be delivered due to COVID19. Support is also being provided to clients in receipt of direct payments affected by COVID19. The Council has passported £3.1m of Infection Control funding provided by Government to care home providers. The Council has also offered financial support to providers in the Borough up to 90% occupancy, this is to provide further financial support to providers due to the impact of the pandemic.

- **Financial Inclusion –** Since lockdown began a range of Council services have been working in partnership with the Citizen Advice Bureau, Credit Union and Food Banks to support the financial resilience of our communities. We have monitored the impact of the pandemic on communities, the changing demand on frontline services, and worked to implement immediate enhancements to the Council current service offer. As part of the Council's recovery plan the focus is developing a strong self-service offer building on Better Off Stockport, and supported by a clear communications campaign, to support those residents experiencing a loss or reduction in income for the first time to proactively respond to their change in circumstances and reduce the risk of falling into financial crisis. This will be alongside enhanced support provided to residents who already access these services.

- **Procurement Policy Note Supplier Support –** The Government issued PPN0220 in March setting out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the pandemic. In response to the guidance the Council issued a letter to all its suppliers/providers providing assurance of the Council's continued support during the pandemic and confirming business continuity in terms of prompt payment of invoices to provide suppliers/providers with some certainty about their cash flows. This has included moving suppliers to immediate payment terms, removing the need for purchase order matching where invoice amounts are below a threshold and consideration of advance payment of invoices where appropriate. In line with the guidance, the Council has also made available (upon request) additional support to suppliers considered to be critical and/or at risk in terms of the Council's business continuity and supplier retention. An assessment of the suppliers/providers has been made on a case-by-case basis to ensure the additional support provided is appropriate.

COVID19 – Financial Impact Response

Government has yet to announce what additional financial support will be given to Local Authorities to bridge this funding gap and what form this support will take i.e. additional grant funding, borrowing powers, flexibility around the use of available resources etc. Following recent Government announcements though, there is an indication that the expectation is the financial burden of COVID19 will be shared with Local Authorities. The uncertainty about what this means in terms of continuing Government support is adding to the uncertainty already evident in the financial landscape and making medium term financial planning increasingly challenging.

Despite these challenges the Finance Team is progressing a programme of work as part of the MTFP Summer Review and monthly iterations of the Government's COVID19 financial impact return. The following reviews and impact mitigations will be completed during the year as part of this work:

- Early budget monitoring and forecasting of the 2020/21 outturn position to identify any surpluses (for example where services have temporally ceased due to COVID19 and expected costs are not being incurred) as well as costs that have not been captured on the COVID19 cost codes setup in the financial ledger;
- Review of the Council's useable reserves (including earmarked reserves) to identify revenue resources which are available for realignment as part of the 2020/21 Reserves Policy to support the funding of the COVID19 impact;
- Review of the Council's earmarked reserves which have been set aside to fund revenue contributions to capital schemes and considering switching to other forms of capital funding (i.e. borrowing) to free up the revenue resources to bolster the Council's available earmarked reserves to support the funding of the COVID19 impact. The Council 2020/21 Reserves Policy will be presented to Cabinet for approval in July 2020;
- Review of the Council's Capital Programme to consider rephasing of capital schemes and reduce the revenue costs of the schemes;
- Review of the possible use of available capital receipts to support transformation projects that revenue resources (budgeted and/or held in earmarked reserves) have been set aside to fund. Using available capital receipts in this way will free up revenue resources to support the funding of the COVID19 impact; and
- Review of the Council's MTFP to assess the impact of COVID19 on the Council's savings requirement across the medium-term period.

This programme of work will assess the extent to which the financial impact of COVID19 can be mitigated by the Council, without further Government support, in the short term to ensure it is able to respond to the pandemic and recover in order to continue to deliver services to our residents. Considerations are obviously also being given to the delay of investment plans and projects as well as spending controls particularly for discretionary spend (i.e. spend not linked to the Council's legal requirements or statutory duties). There is obviously an opportunity cost of doing this in terms of the impact it would have on the schemes and the benefits they were expected to bring to Stockport. In addition, the Council remains hopeful that (and is actively lobbying for) confirmation of additional Government support funding will be announced.

Amended Section 114 (S114) Notice Guidelines

In response to the COVID19 pandemic CIPFA have amended the guidelines on the Section 151 Officers statutory duty to issue a S114 notice. A S114 notice is required to be issued when a council is likely to spend more than the resources it has. CIPFA have amended the guidelines to provide councils with the space and time to consider all options as part of their financial response to the pandemic before issuing a S114 notice. CIPFA have proposed two specific modifications:

- At the earliest possible stage, a Chief Finance Officer (CFO) should make informal confidential contact with Government to advise of financial concerns and a possible forthcoming S114 notice requirement.
- The CFO should communicate the potential unbalanced budget position due to COVID19 to Government at the same time as providing a potential S114 scenario report to the council executive (Cabinet) and the external auditor.

Senior Council Officers and Members are aware of the significant financial impact of the COVID19 pandemic on the Council's 2020/21 Budget and MTFP. The Council is reviewing its revenue and capital budget commitments and all available resources (useable reserves) to assess the extent to which the financial impact could be mitigated, without further government support, in the short term to ensure the Council can respond to the pandemic and recover on a 'Build Back Better' basis in order to continue to deliver essential services to Stockport residents and businesses. Considerations are obviously being given to the delay of investment plans and projects as well as spending controls particularly for discretionary spend (i.e. spend not linked to the Council's legal requirements or statutory duties).

Manchester Airport Group Investment Valuation

The Council's shareholding in the Manchester Airport Group in 2019/20 is 3.22% of the airport's capital, this is a minority interest with no voting rights. The asset is held at fair value and a valuation must be carried out annually.

The 2019/20 valuation has been made using Manchester Airport Group's annual reports and accounts for the years ended 31 March 2018 and 2019 along with the interim report and accounts for the 6 months ending 30 September 2019. The shareholding has been estimated to be £30.200m for 2019/20, which is a decrease in value of £22.500m since last year. This significant decrease in valuation is largely due to a downturn in the Group's growth forecast as a result of the loss of operations at Manchester and East Midlands airports and the global COVID19 pandemic, coupled with future uncertainty in the aviation industry.

The revaluation loss of £22.500m is recognised in the Financial Instruments Revaluation Reserve and there is no impact on the General Fund.

Merseyway Shopping Centre Valuation

The Council purchased Merseyway Shopping Centre in Stockport Town Centre in April 2016. The decision to purchase the shopping centre was to support the ongoing regeneration of the town centre and give the Council direct control over its future linked to the Council's wider regeneration plans. As at 31 March 2020, a revaluation of Merseyway Shopping Centre has resulted in a valuation of £34.200m, a reduction in value of £8.840m from the 2018/19 valuation. In addition, an acquisition of £1.530m was made during the year relating to the former BHS vacant unit close to the shopping centre, resulting in a total reduction of £10.370m. This reduction in value has been reflected on the Council's Balance Sheet.

The reduced asset valuation has been caused by a number of factors including:

- Changes to tenancy during the year resulting in lease renewals, lease re-gears and new lettings which have adversely impacted on the unit rent used in the valuation. In addition, the impact of increases in the number of vacant units and voids on service charge and business rate costs has also been reflected in the valuation. The retail sector nationally continues to be turbulent affecting both independent retailers and well-known high street names. Retailers continue to face the challenges caused by ongoing economic uncertainty and structural changes as customer increasingly move to online stores;
- A reduction in rental yield during the year as retailers continue to face significant challenges. Coupled with this is a reduction in occupational demand and investor interest in shopping centres during the year – the valuation commentary highlights that 'core investor appetite was almost non-existent during the year, noting no core shopping centres being traded during the year'.
- The impact of the COVID19 pandemic resulting in enforced closures of retailers during the lockdown and increased economic uncertainty. As would be expected retailers are increasingly reviewing their costs including occupation costs to address the lockdown closure and the recovery of footfall number once the lockdown is lifted. This has resulted in increased asks for rent holidays and deferments by retailers to support them through the pandemic and their own recovery. Whilst the full impact of COVID19 on retail is unknown the valuation includes an expected capital cost of reduced rent and service charge contributions as a result of the pandemic.
- The impact of COVID19 and the weaker outlook for retailers has also been reflected in the valuation through a further reduction in the expected rental yield and increase in the expected number of permanent void units.

The Council intends to hold the shopping centre for the long-term whilst the benefits of other town centre regeneration such as Redrock, Stockport Underbanks, Stockport Market Place, and Stockport Interchange, as well as the shopping centre itself are realised. The Council remains committed to the refurbishment and reconfiguration of Merseyway Shopping Centre demonstrated by the Council's Future High Streets Fund bid to support capital scheme work on the Addlington Walk area of the centre, Mersey Square, re-fronting of the centre itself and public realm works. The Council firmly believes it is the best placed holder of the shopping centre asset in Stockport Town Centre, in order to see out the current turbulent period for retail and ensure its regeneration compliments other regeneration schemes. As a result, there is no pressure to dispose of the asset and any future disposal can be timed to maximise the value and protect the Council from short to medium-term asset valuation fluctuations.

The original investment in Merseyway Shopping Centre was to ensure that the promotion and regeneration of the town centre was in line with the Council's objectives. However, the asset is being held for investment purposes with the Council benefitting from rental income it receives. As a result, the asset is recognised as an investment asset on the Council's Balance Sheet.

Pension Advance Payment

The triennial valuation of the Council's pension fund was completed by the Greater Manchester Pension Fund (GMPF) during the year. Following the valuation, an option was made available to the Council allowing the payment of its employer pension contributions over the next three years in advance (rather than pay this on a monthly basis) on 7 April 2020. In return a discount on the employer pension contribution rates would be given to the Council resulting in an annual budget saving.

In setting the Council's 2020/21 Budget a three-year advance payment of its employer pension contributions totalling £56.800m was approved. This means the Council has paid its employer pension contributions for 2020/21, 2021/22 and 2022/23. This resulted in a budget saving of £0.250m in each of these years. The three-year advance payment was made to GMPF in April 2020 and has been disclosed in the accounts within Note 6, Events after the Balance Sheet Date and Note 26, Pension Schemes.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Stockport Council, that Officer is the Corporate Director – Corporate and Support Services (Section 151 Officer);

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- Approve the Statement of Accounts.

The Corporate Director – Corporate and Support Services' (Section 151 Officer) Responsibilities

The Corporate Director – Corporate and Support Services (Section 151 Officer) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Corporate Director – Corporate and Support Services (Section 151 Officer) has:

- Selected suitable accounting policies and then applied them consistently;

- Made judgements and estimates that were reasonable and prudent; and

- Complied with the Code of Practice.

The Corporate Director – Corporate and Support Services (Section 151 Officer) has also:

- Kept proper accounting records which were up to date; and

- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Statement of Accounts

I certify that the Statement of Accounts presents a true and fair view of the financial position of Stockport Metropolitan Borough Council at 31 March 2020, and its income and expenditure for the year ended 31 March 2020.

Michael Cullen
Corporate Director - Corporate and Support Services (Section 151 Officer)
9 September 2020

Approval of the Statement of Accounts

In accordance with the Accounts and Audit Regulations 2015, I hereby certify that the Audit Committee of the Stockport Metropolitan Borough Council approved the Statement of Accounts for the financial year ended 31 March 2020, at its meeting of 9 September 2020.

Councillor Stuart Corris
Chair of Audit Committee
9 September 2020

FINANCIAL STATEMENTS

Core financial statements are applicable to all local authorities whatever their function and comprise:

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Movement in Reserves Statement

This statement shows the movement from the start to the end of the financial year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’ (i.e. reserves used to hold account balances and adjustments that the Council cannot utilise to provide services). The Statement shows the in-year movements of the Council’s reserves broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories. The first category of reserves are usable reserves, used to support services and/or fund specific commitments and plans, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure, repay debt or elect to use as revenue Transformation spend).

The second category of reserves are unusable reserves, which are reserves that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘adjustments between accounting basis and funding basis under regulations’.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council. This summarises the inflows and outflows of cash arising from both revenue (day to day) and capital (investment in new assets) transactions with third parties.

Group Accounts

The Group accounts are of equal status to the single entity accounts but to achieve a meaningful presentation to the reader of the accounts, they are positioned after the single entity financial statements and notes, starting at page 170.

Comprehensive Income and Expenditure Statement

			2019/20	As restated	As restated	As restated 2018/19	Notes
	Gross Exp-enditure £000	**Gross Income £000**	**Net Exp -enditure £000**	Gross Exp-enditure £000	Gross Income £000	Net Exp - enditure £000	
Adult Care and Health	**160,183**	**(58,362)**	**101,821**	160,362	(61,929)	98,433	

Children, Family Services and Education	**58,445**	**(15,610)**	**42,835**	47,463	(12,775)	34,688	
Citizen Focus and Engagement	**9,505**	**(1,862)**	**7,643**	9,699	(1,991)	7,708	
Economy and Regeneration	**6,213**	**(2,226)**	**3,987**	5,322	(2,215)	3,107	
Inclusive Neighbourhoods	**1,807**	**(1,348)**	**459**	1,385	(970)	415	
Resources, Commissioning and Governance	**43,526**	**(9,024)**	**34,502**	40,632	(8,061)	32,571	
Sustainable Stockport	**54,049**	**(11,358)**	**42,691**	46,767	(10,917)	35,850	
Non-Cash Limits	**73,174**	**(65,512)**	**7,662**	76,028	(69,970)	6,058	
Dedicated Schools Grant	**238,524**	**(213,311)**	**25,213**	225,954	(206,925)	19,029	
Housing Revenue Account	**44,623**	**(53,705)**	**(9,082)**	31,532	(53,868)	(22,336)	
Cost Of Services	**690,049**	**(432,318)**	**257,731**	645,144	(429,621)	215,523	
Other Operating Expenditure	**42,024**	**0**	**42,024**	45,737	0	45,737	8
Financing and Investment Income and Expenditure	**83,351**	**(50,659)**	**32,692**	83,344	(51,003)	32,341	9
Taxation and Non-Specific Grant Income		**(285,926)**	**(285,926)**		(288,261)	(288,261)	10
(Surplus) or Deficit on Provision of Services	**815,424**	**(768,903)**	**46,521**	774,225	(768,885)	5,340	
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) on revaluation of Property, Plant and Equipment assets			**(59,711)**			(7,595)	
Re-measurement of the net defined benefit liability			**(100,663)**			56,047	
Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services							
Deficit/(surplus)from investments in equity instruments designated at Fair Value through Other Comprehensive Income			**22,500**			(800)	
Other Comprehensive Income and Expenditure			**(137,874)**			47,652	
Total Comprehensive Income and Expenditure			**(91,353)**			52,992	

Movement in Reserves Statement

	General Fund Balance (Note a) £000	Housing Revenue Account (Note a) £000	Capital Receipts Reserve (Note b) £000	Major Repairs Reserve (Note b) £000	Capital Grants Unapplied (Note b) £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2018	(96,852)	(2,426)	(8,149)	0	(9,100)	(116,527)	(678,713)	(795,240)
Movement in reserves during 2018/19:								
Total Comprehensive Income and Expenditure	24,640	(19,300)				5,340	47,652	52,992
Adjustments between accounting basis and funding basis under regulations (Note 2)	(19,515)	18,689	(5,294)	0	(1,860)	(7,980)	7,980	0
(Increase)/Decrease in 2018/19	5,125	(611)	(5,294)	0	(1,860)	(2,640)	55,632	52,992
Balance at 31 March 2019 carried forward	(91,727)	(3,037)	(13,443)	0	(10,960)	(119,167)	(623,081)	(742,248)
Movement in reserves during 2019/20:								
Total Comprehensive Income and Expenditure	**50,992**	**(4,471)**				**46,521**	**(137,874)**	**(91,353)**
Adjustments between accounting basis and funding basis under regulations (Note 2)	**(54,517)**	**4,040**	**1,316**	**0**	**(6,265)**	**(55,426)**	**55,426**	**0**
(Increase)/Decrease in 2019/20	**(3,525)**	**(431)**	**1,316**	**0**	**(6,265)**	**(8,905)**	**(82,448)**	**(91,353)**
Balance at 31 March 2020 carried forward	**(95,252)**	**(3,468)**	**(12,127)**	**0**	**(17,225)**	**(128,072)**	**(705,529)**	**(833,601)**

Note a – Reserves held for revenue purposes
Note b – Reserves held for capital purposes
Details of schools reserves within earmarked reserves are set out in Note 7 to the Core Statements.
A breakdown of adjustments between the accounting basis and funding basis under regulations is set out in Note 2 to the Core Statements.

Balance Sheet

	31 March	31 March	

	2020 £000	2019 £000	Note
Property, Plant & Equipment			
- Council dwellings	**441,071**	437,591	
- other land and buildings	**564,451**	512,263	
- vehicles, plant, furniture and equipment	**13,660**	14,619	
- infrastructure	**387,566**	352,935	
- community assets	**1,554**	1,705	
- surplus assets not held for sale	**3,787**	4,973	
- assets under construction	**35,928**	48,265	
	1,448,017	1,372,351	11
Heritage Assets	**11,685**	11,352	12
Investment Property	**169,811**	186,790	13
Intangible Assets	**1,135**		14
Long-Term Investments	**32,170**	52,800	36
Long-Term Debtors	**92,241**	86,454	17
Long-Term Finance lease Debtors	**13,700**	13,700	35
Long-Term Assets	**1,768,759**	1,723,447	
Assets Held for Sale (short-term)	**576**	556	19
Inventories	**96**	112	
Cash and Cash Equivalents	**49,483**	37,511	18
Short-Term Investments	**78,045**	7,020	15a
Short-Term Debtors	**86,774**	66,560	17
Current Assets	**214,974**	111,759	
Bank Overdraft	**(2,763)**	(7,516)	18
Short-Term Creditors	**(86,853)**	(69,592)	20
Short-Term Provisions	**(4,024)**	(3,971)	21
Short-Term Borrowing	**(151,311)**	(119,469)	15a
Current Liabilities	**(244,951)**	(200,548)	
Long-Term Creditors	**(7,915)**	(9,543)	20
Long-Term Provisions	**(18,938)**	(16,021)	21
Long-Term Borrowing	**(506,653)**	(465,862)	15a
Other Long-Term Liabilities - Net pensions liability	**(332,787)**	(376,653)	26
Other Long-Term Liabilities - Finance leases	**(13,700)**	(13,700)	35
Revenue Grants Receipts in Advance	**(17,503)**	(3,210)	32
Capital Grants Receipts in Advance	**(7,685)**	(7,421)	32
Long-Term Liabilities	**(905,181)**	(892,410)	
Net Assets	**833,601**	742,248	
Usable reserves	**(128,072)**	(119,167)	MIRS
Unusable Reserves	**(705,529)**	(623,081)	23
Total Reserves	**(833,601)**	(742,248)	

These financial statements were authorised for issue by the Corporate Director - Corporate and Support Services (Section 151 Officer) on 9 September 2020.

Michael Cullen
Corporate Director – Corporate and Support Services (Section 151 Officer)
9 September 2020

Cash Flow Statement

	31 March 2020 £000	31 March 2019 £000	Note
Net deficit on the provision of services	**46,521**	5,340	
Adjustments to net surplus or deficit on the provision of services for non-cash movements			
Depreciation	**(48,453)**	(39,827)	
Impairment and revaluation	**845**	16,333	
Amortisation	**0**	(232)	
(Decrease) in Impairment for bad debts	**(1,194)**	(813)	
(Increase)/Decrease in creditors	**(26,430)**	6,610	
Increase/(Decrease) in debtors	**8,479**	(5,651)	
(Decrease)/increase in inventories	**(16)**	16	
Difference between IAS 19 pension cost and pensions paid	**(56,797)**	(45,558)	26
Carrying amount of non-current assets sold	**(4,186)**	(18,593)	
Movement in value of investment properties	**(21,487)**	(15,795)	
Movement in provisions	**(2,970)**	(6,344)	
	(152,209)	(109,854)	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
Proceeds from the Sale of property, plant and equipment, investment property and intangible assets	**4,675**	8,559	
Revenue expenditure funded from capital under statute	**(2,245)**	(2,268)	
Capital grants	**37,777**	51,359	
Net cash flows from Operating Activities*	**(65,481)**	(46,864)	
Investing Activities	**120,456**	61,318	24
Financing Activities	**(71,700)**	(43,251)	25
Net (increase) or decrease in cash and cash equivalents	**(16,725)**	(28,797)	
Cash and cash equivalents and bank overdraft at the beginning of the reporting period	**29,995**	1,198	18
Cash and cash equivalents and bank overdraft at the end of the reporting period	**46,720**	29,995	18

*The following items are included within the operating activities:

	31 March 2020 £000	31 March 2019 £000
Interest Received	**(3,053)**	(3,366)
Interest Paid	**18,726**	17,239
Finance lease interest paid	**1,171**	1,155
Dividends Received	**(6,570)**	(5,774)
Finance lease interest received	**(1,438)**	(1,412)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Expenditure and Funding Analysis
2. Adjustments between Accounting Basis and Funding Basis under Regulations
3. Expenditure and Income Subjective Analysis
4. Critical Judgements in Applying Accounting Policies and Assumptions made about the Future and other Major Sources of Estimation Uncertainty
5. Material Items of Income and Expenditure
6. Events After the Balance Sheet Date
7. Earmarked Reserve within General Fund and HRA Balances
8. Other Operating Expenditure
9. Financing and Investment Income and Expenditure
10. Taxation and Non-Specific Grant Income
11. Property, Plant and Equipment
12. Heritage Assets
13. Investment Properties
14. Intangible Fixed Assets
15. Financial Instruments
16. Nature and Extent of Risks Arising from Financial Instruments
17. Short and Long-Term Debtors including Payments in Advance
18. Cash and Cash Equivalents
19. Assets Held for Sale
20. Short and Long-Term Creditors including Receipts in Advance
21. Provisions
22. Usable Reserves
23. Unusable Reserves
24. Cash Flow Statement - Investing Activities
25. Cash Flow Statement - Financing Activities
26. Pension Schemes
27. Pooled Budget Arrangements
28. Members' Allowances
29. Officers' Remuneration
30. External Audit Costs

Notes to the Core Financial Statements (continued)

31. Dedicated Schools Grant
32. Grant Income

33. Transactions with Related Parties
34. Capital Expenditure and Capital Financing
35. Leases
36. Investments
37. Accounting Standards issued but not yet adopted
38. Accounting Policies
39. Prior Year Adjustment

1. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax (and rent) payers how the funding available to the Council (i.e. government grants, rents, Council Tax and business rates) for the year has been used in providing services, in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's Portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20	Reported Outturn £000	Non General Fund Accounts £000	Earmarked reserves £000	Net Expenditure Chargeable to the General Fund and HRA balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Adult Care and Health	**90,527**		**6,527**	**97,054**	**4,767**	**101,821**
Children, Family Services and	**39,886**		**336**	**40,222**	**2,613**	**42,835**

Education						
Citizen Focus and Engagement	**5,598**		**32**	**5,630**	**2,013**	**7,643**
Economy and Regeneration	**2,016**		**1,112**	**3,128**	**859**	**3,987**
Inclusive Neighbourhoods	**243**			**243**	**216**	**459**
Resources, Commissioning and Governance	**23,123**		**2,042**	**25,165**	**9,337**	**34,502**
Sustainable Stockport	**22,045**		**(588)**	**21,457**	**21,234**	**42,691**
Non-Cash Limits	**56,269**		**(4,582)**	**51,687**	**(44,025)**	**7,662**
Dedicated Schools Grant	**0**	**0**	**2,819**	**2,819**	**22,394**	**25,213**
Housing Revenue Account		**(426)**	**(5)**	**(431)**	**(8,651)**	**(9,082)**
Net Cost Of Services	**239,707**	**(426)**	**7,693**	**246,974**	**10,757**	**257,731**
Other Income and Expenditure	**(240,520)**		**(14,436)**	**(254,956)**	**254,956**	**0**
Reported surplus	**(813)**					
Use of general fund surplus to top up earmarked reserves	**4,026**			**4,026**	**(4,026)**	**0**
Other Operating Expenditure				**0**	**42,024**	**42,024**
Financing and Investment Income and Expenditure				**0**	**32,692**	**32,692**
Taxation and Non-Specific Grant Income				**0**	**(285,926)**	**(285,926)**
(Surplus) or deficit	**3,213**	**(426)**	**(6,743)**	**(3,956)**	**50,477**	**46,521**
Opening General Fund and HRA Balances brought forward	**(13,226)**	**(1,697)**	**(79,841)**	**(94,764)**		
Less (Surplus)/ Deficit on General Fund and HRA Balance in Year	**3,213**	**(426)**	**(6,743)**	**(3,956)**		
Closing General Fund and HRA Balances carried forward	**(10,013)**	**(2,123)**	**(86,584)**	**(98,720)**		

2018/19 As restated	Reported Outturn £000	Non General Fund Accounts £000	Earmarked reserves £000	Net Expenditure Chargeable to the General Fund and HRA balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000

Adult Care and Health	86,679		6,881	93,560	4,873	98,433
Children, Family Services and Education	32,829		158	32,987	1,701	34,688
Citizen Focus and Engagement	5,978		109	6,087	1,621	7,708
Economy and Regeneration	2,533		60	2,593	514	3,107
Inclusive Neighbourhoods	204			204	211	415
Resources, Commissioning and Governance	23,064		1,696	24,760	7,811	32,571
Sustainable Stockport	22,280		60	22,340	13,510	35,850
Non-Cash Limits	59,140		(3,626)	55,514	(49,456)	6,058
Dedicated Schools Grant*	1,360	0	(332)	1,028	18,001	19,029
Housing Revenue Account		(592)	(19)	(611)	(21,725)	(22,336)
Net Cost Of Services	234,067	(592)	4,987	238,462	(22,939)	215,523
Other Income and Expenditure	(237,942)		(3,773)	(241,715)	241,715	0
Reported surplus	(3,875)					
Use of 2017/18 surplus to fund 2018/19 budget	3,053			3,053	(3,053)	0
Use of general fund surplus to top up earmarked reserves	4,714			4,714	(4,714)	0
Other Operating Expenditure				0	45,737	45,737
Financing and Investment Income and Expenditure				0	32,341	32,341
Taxation and Non-Specific Grant Income				0	(288,261)	(288,261)
Surplus or deficit	3,892	(592)	1,214	4,514	826	5,340
Opening General Fund and HRA Balances brought forward	(17,118)	(1,105)	(81,055)	(99,278)		
Less (Surplus)/ Deficit on General Fund and HRA Balance in Year	3,892	(592)	1,214	4,514		
Closing General Fund and HRA Balances carried forward	(13,226)	(1,697)	(79,841)	(94,764)		

* Non-General Fund deficit funded from General Fund

Note to the Expenditure and Funding Analysis

This note explains the main adjustments from Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement:

2019/20					

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	**Reclassification between Service Segments for CIES**	**Adjustments for Capital Purposes**	**Net Change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	Note a	**Note b**	**Note c**	**Note d**	
	£000	**£000**	**£000**	**£000**	**£000**
Adult Care and Health	**(317)**	**288**	**4,796**		**4,767**
Children, Family Services and Education	**14**	**105**	**2,494**		**2,613**
Citizen Focus and Engagement	**(45)**	**976**	**1,082**		**2,013**
Economy and Regeneration	**25**	**3**	**831**		**859**
Inclusive Neighbourhoods		**6**	**210**		**216**
Resources, Commissioning and Governance	**2,222**	**2,495**	**4,620**		**9,337**
Sustainable Stockport	**(524)**	**20,723**	**1,035**		**21,234**
Non-Cash Limits	**(37,189)**	**(12,132)**	**5,257**	**39**	**(44,025)**
Dedicated Schools Grant	**(877)**	**13,400**	**9,883**	**(12)**	**22,394**
Housing Revenue Account	**(5,797)**	**(2,854)**	**0**	**0**	**(8,651)**
Net Cost Of Services	**(42,488)**	**23,010**	**30,208**	**27**	**10,757**
Other Income and Expenditure from the Funding Analysis	**254,956**				**254,956**
Use of general fund surplus to top up earmarked reserves	**(4,026)**				**(4,026)**
Other Operating Expenditure	**40,784**	**(1,075)**		**2,315**	**42,024**
Financing and Investment Income and Expenditure	**801**	**22,332**	**9,559**		**32,692**
Taxation and Non-Specific Grant Income	**(250,027)**	**(35,545)**		**(354)**	**(285,926)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**0**	**8,722**	**39,767**	**1,988**	**50,477**

2018/19 As restated Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Reclassification between Service Segments for CIES	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	Note a	Note b	Note c	Note d	

	£000	£000	£000	£000	£000
Adult Care and Health	452	329	4,092		4,873
Children, Family Services and Education	27	22	1,652		1,701
Citizen Focus and Engagement	(43)	695	969		1,621
Economy and Regeneration	(195)	9	700		514
Inclusive Neighbourhoods		6	205		211
Resources, Commissioning and Governance	2,502	1,517	3,792		7,811
Sustainable Stockport	(524)	13,071	963		13,510
Non-Cash Limits	(36,397)	(13,138)	81	(2)	(49,456)
Dedicated Schools Grant	(851)	11,866	8,112	(1,126)	18,001
Housing Revenue Account	(5,675)	(16,050)			(21,725)
Net Cost Of Services	(40,704)	(1,673)	20,566	(1,128)	(22,939)
Other Income and Expenditure from the Funding Analysis	241,715				241,715
Use of 2017/18 surplus to fund 2018/19 budget	(3,053)				(3,053)
Use of general fund surplus to top up earmarked reserves	(4,714)				(4,714)
Other Operating Expenditure	40,886	2,646		2,205	45,737
Financing and Investment Income and Expenditure	1,209	23,184	7,948		32,341
Taxation and Non-Specific Grant Income	(235,339)	(49,159)		(3,763)	(288,261)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	0	(25,002)	28,514	(2,686)	826

Notes:

a. Reclassifications - this column represents reclassifications between headings reported to management and how items should be classified in the CIES. The main items include the transfer of funding from Other Income and Expenditure to Taxation and Non-specific Grant Income and the transfer of costs and income from Non-Cash Limits and Reform, Commissioning and Governance to Financing and Investment Income and Expenditure (relating to interest and the investment estate).

b. Adjustments for Capital Purposes – this column adds in depreciation and impairment and revaluation gains and losses. It also adjusts for capital disposals and capital grant income. MRP and capital funding charged to revenue are deducted because as they are not chargeable under generally accepted accounting practices.

c. Adjustments for Pensions – this column removes employer pension contributions made by the Council as allowed by statute and replaces them with current service costs and past service costs. It also adds in the net interest on the defined pensions liability charged to the CIES.

d. Other adjustments – this column relates to differences between amounts payable/receivable under statute and amounts debited/credited to the CIES and amounts. It includes premiums and discounts on debt settlement, timing differences on Council Tax and Business Rates and the payment to the government housing receipts pool.

The adjustments in columns b to d are analysed in more detail in Note 2, Adjustments between Accounting Basis and Funding Basis under Regulations.

2. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council within the year to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure, in accordance with proper accounting practice.

2019/20	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**
Adjustments for Capital Purposes						
Charges for depreciation, revaluation losses and impairment of non-current assets	**(38,559)**	**(9,049)**				**(47,608)**
Movements in the market value of investment properties	**(21,487)**					**(21,487)**
Revenue expenditure funded from capital under statute	**(2,245)**					**(2,245)**

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement and associated capital receipts	**(647)**	**1,136**	**(4,675)**			**(4,186)**
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to finance capital expenditure	**37,633**	**144**			**(6,265)**	**31,512**
Statutory provision for the repayment of debt	**11,073**					**11,073**
Principal repayments for transferred debt	**1,375**					**1,375**
Capital expenditure financed from revenue balances		**1**				**1**
Posting of HRA resources from revenue to the Major Repairs Reserve		**11,903**		**(11,903)**		
Total Adjustments for Capital Purposes	**(12,857)**	**4,135**	**(4,675)**	**(11,903)**	**(6,265)**	**(31,565)**
Pensions Adjustments						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	**(61,449)**	**(95)**				**(61,544)**
Employer's pensions contributions and direct payments to pensioners payable in the year	**21,777**					**21,777**
Total Adjustments for Pensions	**(39,672)**	**(95)**	**0**	**0**	**0**	**(39,767)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure			**2,391**			**2,391**
Use of the Capital Receipts Reserve to finance prior year capital expenditure			**1,286**			**1,286**
Use of the Major Repairs Reserve to finance capital expenditure				**11,903**		**11,903**
Cash payments in relation to deferred capital receipts			**(1)**			**(1)**
Total Adjustments to Capital Resources	**0**	**0**	**3,676**	**11,903**	**0**	**15,579**
Other differences						
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	**(2,315)**		**2,315**			**0**
Financial Instruments (transferred to (or from) the Financial Instruments Adjustment Account)	**13**					**13**
Council tax and NDR (transferred to or from Collection Fund)	**354**					**354**
Holiday pay (transferred to the Accumulated Absences Reserve)	**(40)**					**(40)**
Total Adjustments for Other Differences	**(1,988)**	**0**	**2,315**	**0**	**0**	**327**
Total Adjustments	**(54,517)**	**4,040**	**1,316**	**0**	**(6,265)**	**(55,426)**

2018/19	General Fund Balance **£000**	Housing Revenue Account **£000**	Capital Receipts Reserve **£000**	Major Repairs Reserve **£000**	Capital Grants Unapplied **£000**	**Total Usable Reserves** **£000**
Adjustments for Capital Purposes						
Charges for depreciation, revaluation losses and impairment of non-current assets	(27,231)	3,737				(23,494)
Amortisation of intangible assets	(232)					(232)
Movements in the market value of investment properties	(15,914)	119				(15,795)

Revenue expenditure funded from capital under statute	(2,268)					(2,268)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement and associated capital receipts	(11,117)	1,082	(8,558)			(18,593)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to finance capital expenditure	49,838	1,520			(1,860)	49,498
Statutory provision for the repayment of debt	10,320					10,320
Principal repayments for transferred debt	1,311					1,311
Voluntary provision for the repayment of debt	0	486				486
Capital expenditure financed from revenue balances	1,524	150				1,674
Posting of HRA resources from revenue to the Major Repairs Reserve		11,677		(11,677)		0
Total Adjustments for Capital Purposes	6,231	18,771	(8,558)	(11,677)	(1,860)	2,907
Pensions Adjustments						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(49,141)	(82)				(49,223)
Employer's pensions contributions and direct payments to pensioners payable in the year	20,709					20,709
Total Adjustments for Pensions	(28,432)	(82)	0	0	0	(28,514)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure			1,065			1,065
Use of the Major Repairs Reserve to finance capital expenditure				11,677		11,677
Cash payments in relation to deferred capital receipts			(6)			(6)
Total Adjustments to Capital Resources	0	0	1,059	11,677	0	12,736
Other differences						
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(2,205)		2,205			0
Financial Instruments (transferred to (or from) the Financial Instruments Adjustment Account)	14					14
Council tax and NDR (transferred to or from Collection Fund)	3,763					3,763
Holiday pay (transferred to the Accumulated Absences Reserve)	1,114					1,114
Total Adjustments for Other Differences	2,686	0	2,205	0	0	4,891
Total Adjustments	(19,515)	18,689	(5,294)	0	(1,860)	(7,980)

3. Expenditure and Income Subjective Analysis

	Council 2019/20 £000	**VA Schools* 2019/20 £000**	**Total 2019/20 £000**	Council 2018/19 £000	VA Schools* 2018/19 £000	Total 2018/19 £000
Expenditure						
Employee Benefit Expenses	**260,683**	**27,515**	**288,198**	242,256	26,131	268,387
Other service expenses	**353,221**	**1,281**	**354,502**	351,537	1,494	353,031
Capital charges including depreciation and impairment	**47,349**		**47,349**	23,726		23,726

Financing and investment expenditure including interest	**83,351**		**83,351**	83,344		83,344
Levies	**40,784**		**40,784**	40,886		40,886
Payments to Housing Capital Receipts Pool	**2,315**		**2,315**	2,205		2,205
Losses/(gains) on disposal of assets/ impairment of assets held for sale	**(1,075)**		**(1,075)**	2,646		2,646
	786,628	**28,796**	**815,424**	746,600	27,625	774,225
<u>Income</u>						
Fees, charges and other service income**	**(123,970)**	**(2,637)**	**(126,607)**	(119,775)	(1,487)	(121,262)
Financing and investment income including interest	**(50,659)**		**(50,659)**	(51,003)		(51,003)
Income from council tax and non-domestic rates	**(218,992)**		**(218,992)**	(222,767)		(222,767)
Government grants and contributions (Note 32)	**(346,486)**	**(26,159)**	**(372,645)**	(347,715)	(26,138)	(373,853)
	(740,107)	**(28,796)**	**(768,903)**	(741,260)	(27,625)	(768,885)
	46,521	**0**	**46,521**	5,340	0	5,340

* Voluntary aided school employees are not the employees of the Council but of the schools' Governing Bodies. Consequently, the employee benefit expenses and other transactions of voluntary aided schools have been disclosed separately.

** Further analysis of fees, charges and other service income is shown below:

	2019/20 **£000**	2018/19 £000
HRA Rent	**(42,166)**	(42,822)
Social Care Charges	**(23,874)**	(22,734)
School income (excluding grants)	**(12,407)**	(12,145)
Water recharge income (HRA)	**(4,728)**	(4,789)
Intercouncil fees for services provided	**(4,482)**	(4,086)
Parking charges	**(4,469)**	(4,504)
Rents (HRA Communal)	**(3,999)**	(3,544)
GMCA returned Waste monies	**(3,417)**	
Stockport CCG - Continuing healthcare packages	**(3,271)**	(2,656)
Other income (categories < £2m)	**(23,794)**	(23,982)

	(126,607)	(121,262)

On the whole, the Council's contracts with service recipients are straightforward exchange transactions which do not involve complex performance obligations, significant variable consideration, uncertain income or deferred payments.

4. Critical Judgements in Applying Accounting Policies and Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

In applying the accounting policies set out in Note 38, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. Details about the accounting policies made and how these have been applied are set out in Note 38 and throughout the Notes to the accounts. Details are given below of the critical judgements made in the Statement of Accounts where there is no appropriate Note in which to include it.

Manchester Airport Group

The Council's shareholding in the Manchester Airport Group in 2019/20 is 3.22% of the airport's capital. The asset is held at fair value and a valuation must be carried out annually.

A firm of financial experts and valuers has been engaged by the Council to provide an independent valuation, which includes reviewing the financial performance, stability and business assumptions of the Manchester Airport Group.

Various methods of measuring fair value of the airport have been considered by the financial experts and valuers, including earnings-based, discounted cash flow, net asset value and dividend yield methods. They consider that, based on nature and size of the Group, the earnings based method is the most appropriate for 2019/20. The valuation provided is based on estimations and assumptions derived on an open market value basis taking into account the nature of the shares and therefore, should the Council sell its shareholding, the value held in these statements may not be realised.

Accounting for Schools

There are currently four types of schools within the Borough, maintained schools, Community Schools, Voluntary Controlled Schools (VC) and Voluntary Aided Schools (VA), and non-maintained schools, Academy Schools.

In line with the Code of Practice and accounting standards, all maintained schools are now considered to be entities controlled by the Council. Rather than produce group accounts, the Code requires the income, expenditure, assets and liabilities, reserves and cash flows of each school to be recognised in the Council's single entity accounts.

All maintained school accounts are operated in accordance with the Council's general accounting policies as per the Statement of Accounts. All school activity is accounted for in the year that it takes place and not simply when cash payments are made or received (i.e. the accruals concept). All schools have a local bank account facility as permitted under the Stockport Scheme for Financing Schools, thereby allowing schools to procure all non-staffing activity direct with suppliers. All such expenditure is collated from schools on a monthly basis and is input into the Council's financial system.

All school expenditure is funded directly by the Dedicated Schools Grant (DSG) allocation and other school specific grants provided by the Department for Education (DfE). Any year-end surplus or deficit reported on either an individual school or within the DSG centrally retained funds are permitted to be carried forward and are recorded in the appropriate council reserve account at year end.

Expenditure and income are recorded in the Dedicated Schools Grant reporting line in the Comprehensive Income and Expenditure Statement.

Academies are directly funded by central government (DfE), they are self-governing and are independent of direct control by the Council. They are not classed as maintained schools. No expenditure or income relating to academy schools is recorded in the Council's Financial Statements.

Accounting for Schools non-current assets

The Code contains guidance on the recognition of schools non-current assets in the Council's Balance Sheet. It stipulates that assets should be recognised if they meet the appropriate recognition criteria for the Council.

The Council has reviewed the various arrangements that it has with schools on a case by case basis. The decision as to whether the school is recorded on the Council's Balance Sheet is determined by the ownership of the asset and the rights and obligations the legal owner has over the asset. An analysis of the number of schools by type is shown below:

Type of School	Nursery Schools	Primary schools	Secondary Schools	Special Schools	**31 March 2020 Total**	31 March 2019 Total	On/Off balance sheet
Community	4	53	5	6	**68**	68	On
Voluntary Controlled		6			**6**	8	Off
Voluntary Aided		16	3		**19**	19	Off
Maintained Schools	4	75	8	6	**93**	95	
Academies		9	5		**14**	12	Off
Total	**4**	**84**	**13**	**6**	**107**	107	

Community Schools

All Community Schools are owned by the Council, with the associated rights and obligations in relation to these belonging to the Council. As a result the land and buildings used by the schools are included in the Council's Balance Sheet. The exception to this is the PFI school noted below.

The value of Community schools within the other land and buildings category of non-current assets is £378m at 31 March 2020 (£337m at 31 March 2019).

Capital expenditure on Community Schools, whether a Council led scheme or a school directly funded scheme, is recorded as spend against the relevant school asset (or plant and equipment).

There is one community school that was delivered under a Private Finance Initiative contract under the Priority School Building Programme, funded by the Secretary of State for Education in 2016/17. The Education and Skills Funding Agency entered into delivery contract directly with the contractor for the design and building of the new school and the life-cycling of the building fabric for 25 years, including any variances under the contract. The school makes an annual contribution to the hard facilities management costs and this is charged to revenue. It is considered that as the Council does not control the setting of fees and charges it does not exercise control over the asset for recognition purposes. Consequently the school, valued at approximately £3m, has not been included in the Balance Sheet.

<u>Voluntary Controlled (VC) and Voluntary Aided (VA) Schools</u>
Legal ownership of the Council's VC and VA schools rests with a Diocesan Trustee Body or an independent Trustee body in the case of one VA school. The rights and obligations associated with these assets rest with the Trustees, for example, the schools occupy the premises subject to the direction of the Trustees and all decisions relating to the land and buildings rest with the Trustees. There has been no assignment of rights to the schools who occupy premises under an informal licence arrangement, which passes no interest to the Council and is terminable by the Trustees at any time.

Under these arrangements the Council does not include any VC or VA schools on its Balance Sheet. The exception to this is school playing fields which are usually owned by the Council, with the Council having the associated rights and obligations in connection with ownership of the assets. These are included on the Council's Balance Sheet.

Capital expenditure on VC Schools, whether a Council-led scheme or a school directly funded scheme, is recorded as Revenue Expenditure Funded from Capital Under Statute (REFCUS).
One VC school has been rebuilt during the year under the Priority School Building Programme, funded directly by the DFE.

Capital expenditure on VA Schools does not normally form part of the Council's capital programme, being accounted for directly by the relevant Trustee or Diocesan Body.

<u>Academies</u>
Academies are not recorded in the Council's Balance Sheet. The freehold land on which the schools are located is owned by the Council and 125-year leases at

peppercorn rents have been granted to the relevant charitable bodies now responsible for running the schools.

When a school which is held on the Council's Balance Sheet transfers to academy status, this is treated as a disposal for nil consideration in the year that the transfer takes place, rather than as an impairment on the date that approval to academy status is announced. The Code effectively treats this as a disposal of a group entity to be accounted for in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Two VC primary schools converted to academy status during the year. Other than a separate children's block at one school owned by the Council, the transfers did not generate a loss on disposal as the schools were not originally recorded on the Balance Sheet.

Stockport Exchange Multi-Storey Car Park
In March 2013, the Council entered into a series of agreements (leases) to enable the development of a multi-storey car park on the Stockport Exchange site. The development was completed in February 2014 when the lease agreements were triggered.

The agreements comprise separate but linked transactions to establish the operating and finance leases for the land and buildings elements of the site.

Essentially the land element of this arrangement is dealt with under operating leases, which means that it is not required to be recognised as an asset in the Council's Balance Sheet and the rents payable and receivable are revenue transactions. However, the multi-storey car park building is considered to be a finance lease. The lease transactions are disclosed within the Leases note (Note 35) to the Core Statements.

Stockport Exchange Phase 3
Stockport Exchange Phase 3 will see the development of a 60,000 sq. ft. office block and public realm. The estimated cost of the development is £18m. Muse Developments (Muse) were selected as the preferred development partner following a procurement exercise.

In October 2018 the Council and Muse entered into a funding agreement for the Council to provide funds for the development on a commercial basis. The developer has in turn created a Special Purpose Vehicle (SPV) which draws down the funds to the SPV, based on contractor certificates as the development of the office block proceeds.

At 31 March 2020 Muse held all the equity interest in the SPV and there was no Council representation on the Board of the SPV.

In consideration of IFRS10 *Consolidated Financial Statements* and IFRS11 *Joint Arrangements,* no control of the SPV is deemed to have been created, either directly or indirectly. As such the SPV is outside of the Council's group boundary for 2019/20.

The office development completed on 15 May 2020, at which date the SPV was purchased by the Council and the office was transferred back into Council ownership.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

More information on the Pensions Liability can be found at Note 26, Pensions Schemes.

Group Accounts

The Council has relationships with a number of companies over which it has varying degrees of control and influence. The Code requires that where a local authority has material financial interests and a significant level of control over an entity then it should prepare group accounts. In line with the Code, the Council continues to review its relationship with other entities, particularly in respect of the definition of control and accounting for joint arrangements. Further information about the Council's Group can be found in the Notes to the Group Accounts on page 175.

Property, Plant and Equipment

The valuation of the Council's Property, Plant and Equipment (PPE) is a significant area of estimation uncertainty. If the actual values differ from the assumptions used to value PPE, there is a risk of material adjustment to the carrying value of PPE within the next financial year. A reduction in estimated valuation would result in a reduction to the Revaluation Reserve and/or a loss recorded in the Comprehensive Income and Expenditure Statement. An increase in estimation valuation would result in an increase in the Revaluation Reserve and/or gain recorded in the Comprehensive Income and Expenditure Statement. As an example, the impact of a 10% change in the valuation of the Council's operational property would be £105m. Note 11, Property, Plant and Equipment, to the accounts sets out the Council's approach to valuation of its PPE.

Valuations of PPE and Investment Assets

As a result of the COVID-19 pandemic declared on 11 March 2020, market activity has been impacted in many sectors. At the year-end date valuers could attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The valuations of assets provided by the valuers have been subject to "material valuation uncertainty" clauses, as per Royal Institute of Chartered Surveyors (RICS) Red Book guidance. The inclusion of this clause does not mean that the valuations cannot be relied upon, only that the declaration has been included to confirm the fact that in the current unprecedented circumstances less certainty can be attributed to the valuations than would ordinarily be the case.

Investment Assets

Investment properties are categorised, based on consideration of the criteria identified in IAS 40 Investment Property, as being held solely for rental income or capital appreciation or both. The assessment of Investment Properties using these criteria is subject to interpretation to determine if there is an operational reason for holding the properties, such as regeneration.

5. Material items of Income and Expenditure

Change in Fair Value of Investment Properties

There is a loss of £10.370m arising on the revaluation of an investment asset, Merseyway Shopping Centre, which has been accounted for within Financing and Investment Income and Expenditure. There is no impact on the General Fund as the loss is reversed out in the Movement in Reserves Statement. Further details are given in the Narrative Statement.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue on 18 June 2020 by the Corporate Director - Corporate and Support Services (Section 151 Officer). This is the date up to which events after the balance sheet date have been considered and included where relevant.

There are two non-adjusting events after the balance sheet date as detailed below:

Advance pension payment

The Council opted to make a three-year advance payment of its employer pension contributions totalling £56.800m on 7 April 2020, covering employer pension contributions for 2020/21, 2021/22 and 2022/23.

Manchester Airport Holdings Limited

The council has a 3.22% minority stake in Manchester Airport Holdings Limited (MAHL). As a result of Covid-19, due to the world-wide lock down there has been much reduced passenger traffic through the group's airports since late March and uncertainty in the aviation industry will continue for the foreseeable future. In order to ensure MAHL's financial sustainability, the Council along with MAHL's other shareholders has agreed to provide financial support.

In March 2020, the Council made an equity investment of in Manchester Airport Holding Ltd (MAHL), (along with the other nine Greater Manchester District Councils) for the Airport's new Drop and Go Car Park Project. The Council's investment of £1.870m in March 2020 is to assist in funding the capital build of a car park in return for the issue of class C ordinary shares in MAHL. It should be noted that as a result of the C share equity investment there will be no change to the existing share capital or shareholdings of MAHL other than the creation of the new C shares. Two further investments were made in April 2020, each of the same amount (totalling £5.610m).

7. Earmarked Reserves within General Fund and HRA Balances

The Council has a number of earmarked reserves, which represent sums set aside over the years for specific purposes. These are listed in the table below. With the exception of school and HRA reserves, these reserves are regarded as usable for General Fund purposes.

	Balance at 31 March 2019 £000	(Increase)/ Reduction in year £000	Reclassific-ations in year £000	**Balance at 31 March 2020 £000**
School Balances under Local Management:				
Primary Schools	(7,553)	(91)		**(7,644)**
Secondary Schools	(444)	493		**49**
Special Schools	(1,055)	176		**(879)**
Other School Balances less than £0.5m	(240)	(63)	(478)	**(781)**

School Balances under Local Management Total	**(9,292)**	**515**	**(478)**	**(9,255)**
DSG Total	**(2,437)**	**2,525**	**478**	**566**
Schools Reserves Total	**(11,729)**	**3,040**	**0**	**(8,689)**
Transformation - Invest to Save Reserve	(4,826)	1,240	(1,200)	**(4,786)**
Transformation - Double Running Reserve	(4,057)	1,696		**(2,361)**
Workforce Investment/Change Reserve	(4,500)		1,000	**(3,500)**
Airport Reserve	(875)		125	**(750)**
Capital Programme Investment Reserve	(10,776)	(4,187)	(181)	**(15,144)**
Corporate Property Reserve	(1,212)	157	212	**(843)**
Infrastructure Investment Reserve	(1,826)	43		**(1,783)**
Digital by Design Reserve	(2,402)	1,232	(1,940)	**(3,110)**
Health and Social Care Integration Reserve	(7,315)	5,284		**(2,031)**
Equipment Refresh Reserve	(1,296)	62		**(1,234)**
Waste Smoothing Reserve	(4,000)	(3,975)	2,928	**(5,047)**
Traded Services Reserve	(532)			**(532)**
Devolution Reserve	(500)		500	
Community Investment Fund	(929)	109		**(820)**
SEND		(295)	(500)	**(795)**
Children's Reserve	(1,405)	161	(595)	**(1,839)**
Adults Reserve	(1,742)	438	(258)	**(1,562)**
Demand Changes Reserve	(664)	172	(86)	**(578)**
Insurance Reserve	(7,858)	(1,145)	1,858	**(7,145)**
Collection Fund Reserve	(4,251)	(2,893)	1,535	**(5,609)**
Legislative and Statutory Requirements Reserve	(507)	269	(754)	**(992)**
Third Party Monies Reserve	(407)	(389)		**(796)**
Area Committee Reserves	(566)	152	11	**(403)**
Revenue Grant Reserve (includes ringfenced reserves)	(1,755)	(8,915)	11	**(10,659)**
Revenue Contribution to Capital Outlay	(1,999)	(839)	1,261	**(1,577)**
Income and Interest Rate Risk Mitigation Reserve	0	1,683	(3,750)	**(2,067)**
Directorate Flexibility Reserve - Place	(187)	162	(62)	**(87)**
Directorate Flexibility Reserve - People	(135)		(115)	**(250)**
Directorate Flexibility Reserve - CSS	(250)			**(250)**
General Fund Earmarked Reserves	**(66,772)**	**(9,778)**	**0**	**(76,550)**
Schools and General Fund Earmarked Reserves	**(78,501)**	**(6,738)**	**0**	**(85,239)**
HRA Earmarked reserves	**(1,340)**	**(5)**	**0**	**(1,345)**
All Earmarked Reserves Total	**(79,841)**	**(6,743)**	**0**	**(86,584)**
Comparative figures for previous year	(81,055)	1,214	0	**(79,841)**

8. Other Operating Expenditure

	2019/20 £000	2018/19 £000
Levies	**40,784**	40,886
Losses/(gains) on the disposal of non-current assets	**(1,101)**	2,646
Impairment of non-current asset for sale	**26**	
Payments to the Government Housing Capital Receipts Pool	**2,315**	2,205

	42,024	45,737

9. Financing and Investment Income and Expenditure

	2019/20 Expenditure £000	**2019/20 Income £000**	**2019/20 Net £000**	2018/19 Expenditure £000	2018/19 Income £000	2018/19 Net £000
Interest payable and similar charges	**19,968**		**19,968**	19,073		19,073
Net interest on the net defined benefit liability	**32,397**	**(22,838)**	**9,559**	32,374	(24,426)	7,948
Interest receivable and similar income		**(5,628)**	**(5,628)**		(4,798)	(4,798)
Income and expenditure in relation to investment properties and changes in their fair value	**29,335**	**(15,281)**	**14,054**	22,485	(15,563)	6,922
Gains/ losses on trading accounts	**327**	**(342)**	**(15)**	537	(442)	95
Other investment income		**(6,570)**	**(6,570)**		(5,774)	(5,774)
Loss on disposal of academies	**612**		**612**	7,880		7,880
Impairment losses of financial Instruments	**712**		**712**	995		995
	83,351	**(50,659)**	**32,692**	83,344	(51,003)	32,341

10. Taxation and Non-Specific Grant Income

	2019/20 £000	2018/19 £000
Capital grants and contributions	**(35,545)**	(49,160)
Council tax income	**(156,744)**	(150,563)
Non domestic rates	**(62,248)**	(72,204)
Non-ringfenced government grants	**(31,389)**	(16,334)
	(285,926)	(288,261)

11. Property, Plant and Equipment

Movements in 2019/20

*Fully depreciated and decommissioned assets which have been de-recognised.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2019	**448,730**	**542,914**	**38,062**	**474,166**	**2,005**	**5,023**	**48,265**	**1,559,165**
Additions	**13,132**	**7,642**	**931**	**25,627**			**22,085**	**69,417**
Revaluation increases/ decreases to Revaluation Reserve	**794**	**43,089**				**(930)**		**42,953**
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	**(8,132)**	**720**						**(7,412)**
Impairment losses to Surplus or Deficit on the Provision of Services		**(940)**						**(940)**
Derecognition - Disposals	**(2,888)**	**(1,401)**						**(4,289)**
Reclassifications & Transfers	**788**	**5,343**	**191**	**26,270**	**(133)**		**(34,422)**	**(1,963)**
Other Movements *		**(1,542)**						**(1,542)**
At 31 March 2020	**452,424**	**595,825**	**39,184**	**526,063**	**1,872**	**4,093**	**35,928**	**1,655,389**
Accumulated Depreciation and Impairment								
At 1 April 2019	**(11,139)**	**(30,651)**	**(23,443)**	**(121,231)**	**(300)**	**(50)**		**(186,814)**
Depreciation Charge	**(11,450)**	**(17,474)**	**(2,081)**	**(17,266)**	**(18)**	**(5)**		**(48,294)**
Depreciation written out to Revaluation Reserve	**65**	**16,171**				**49**		**16,285**
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	**11,074**	**(1,649)**				**(300)**		**9,125**
Impairment losses to Surplus or Deficit on the Provision of Services		**98**						**98**
Derecognition - Disposals	**97**	**249**						**346**
Reclassifications & Transfers		**340**						**340**
Other Movements *		**1,542**						**1,542**
At 31 March 2020	**(11,353)**	**(31,374)**	**(25,524)**	**(138,497)**	**(318)**	**(306)**	**0**	**(207,372)**
Net Book Value								
At 31 March 2020	**441,071**	**564,451**	**13,660**	**387,566**	**1,554**	**3,787**	**35,928**	**1,448,017**
At 1 April 2019	437,591	512,263	14,619	352,935	1,705	4,973	48,265	1,372,351

Movements in 2018/19

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction** £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2018	420,774	563,526	37,460	305,444	2,005	11,034	162,451	1,502,694
Additions	17,105	4,563	593	32,021			30,686	84,968
Revaluation increases/ decreases to Revaluation Reserve	5,620	(14,760)						(9,140)
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	4,803	347						5,150
Impairment losses to Surplus or Deficit on the Provision of Services		(95)						(95)
Derecognition - Disposals	(5,187)	(12,974)				(53)		(18,214)
Reclassifications & Transfers	5,615	2,307	9	136,701		(5,958)	(144,872)	(6,198)
At 31 March 2019	448,730	542,914	38,062	474,166	2,005	5,023	48,265	1,559,165
Accumulated Depreciation and Impairment								
At 1 April 2018	(10,665)	(33,670)	(21,064)	(110,314)	(288)	(6,005)		(182,006)
Depreciation Charge	(11,232)	(15,123)	(2,379)	(10,917)	(12)	(6)		(39,669)
Depreciation written out to Revaluation Reserve	54	16,657						16,711
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	10,611	667						11,278
Derecognition - Disposals	93	818				3		914
Reclassifications & Transfers						5,958		5,958
At 31 March 2019	(11,139)	(30,651)	(23,443)	(121,231)	(300)	(50)	0	(186,814)
Net Book Value								
At 31 March 2019	437,591	512,263	14,619	352,935	1,705	4,973	48,265	1,372,351
At 1 April 2018	410,109	529,856	16,396	195,130	1,717	5,029	162,451	1,320,688

**Assets under construction included the A6 to Manchester Airport Relief Road which became operational during 2018/19.

<u>Revaluations</u>

The valuation of the freehold and leasehold properties which comprise the Council's property portfolio was carried out by a professionally qualified valuer employed by the Council.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Properties which are valued at current value are formally valued under a five-year rolling programme, with annual desk top reviews in the intervening period, to ensure that carrying values do not differ materially from current values at the balance sheet date. Valuations are commissioned with a valuation date of 1 April 2019.

HRA properties were valued as at 1 April 2015 in line with updated CLG guidance "Stock Valuation for Resource Accounting – Guidance for Valuers – 2010". Valuations have been updated during the year in line with house price indices.

Valuation bases of property, plant and equipment are set out in the Statement of Accounting Policies.

The Council's surplus assets comprise mainly land sites which have been valued at fair value reflecting highest and best use based on prevailing planning policy.

In the main the valuation figures incorporated in the accounts are the aggregate of separate valuations of parts of the portfolio, not a valuation or apportioned valuation of the portfolio valued as a whole. The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report.

The exception to this is in-year expenditure on assets, which is analysed by the valuer at the end of the financial year. Some expenditure is added to asset values, where in the opinion of the valuer, it adds some value to the asset. Other expenditure is written off as an impairment during the year, where in the opinion of the valuer it does not add value to the asset. All assets will be 'officially' revalued, taking this expenditure into account during the five-year rolling programme of revaluations.

In accordance with the Code, the Council has charged depreciation on its property, plant and equipment to the Comprehensive Income and Expenditure Statement, regardless of the maintenance regime on any individual asset.

The following table illustrates the life of the assets for each category type, as adopted by the Council (other than freehold land and assets under construction which are not depreciated). Depreciation is calculated on a straight-line basis.

Category	**Life of Asset**
Housing Stock	Buildings 15 to 70 years for components, 150 years residual value
Other Buildings	Buildings 40 years
Vehicles, Plant and Equipment	Plant 10 years Equipment / ICT 5 years Solar Panels (council dwellings) 25 years
Infrastructure	Bridges 40 years Highways 25 years Playgrounds 25 years
Community Assets	40 years

From 1 April 2010 there has been a requirement to apply component accounting in order to calculate depreciation on assets within Property, Plant and Equipment, to

accurately reflect the cost of use of the assets. This means that each part of an item of Property, Plant and Equipment, with a cost that is significant in relation to the cost of the item, shall be depreciated separately. In practice this has been achieved by applying a de minimis limit to individual asset values within the Property, Plant and Equipment category of £1m. Below this limit componentisation has been considered not to have a material effect on depreciation charges.

All assets are split into buildings and land (which is not depreciated). Buildings over the £1m threshold which have been revalued since 1 April 2010, have been further subdivided into components of structure, services and roof. They have been valued on an average asset life basis, which averages typical costs of the components of buildings over maximum life expectancy for these components. Depreciation is calculated on these average lives which range from 30 - 40 years, compared to the normal life expectancy of buildings of 40 years.

The Council's housing stock has been analysed into significant identifiable components for depreciation purposes. The building components have been depreciated over the useful lives as noted above.

The table below shows the progress of the Council's rolling programme for the revaluation of property, plant and equipment. The basis for valuation is set out in the statement of accounting policies.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Valued at historical cost:		404	13,660	387,566	1,554		35,928	439,112
Valued at current value in:								
2019/2020	441,071	509,671				3,787		954,529
2018/2019		12,000						12,000
2017/2018		6,141						6,141
2016/2017		7,374						7,374
2015/2016		28,861						28,861
	441,071	**564,451**	**13,660**	**387,566**	**1,554**	**3,787**	**35,928**	**1,448,017**

Capital Commitments

Capital works are normally planned and carried out over a number of years. At 31 March 2020 the Council had £28.277m which had been contracted for. These works include further phases of schemes which are already in progress as well as other planned schemes which have not yet been started.

	2019/20 £000	2018/19

		£000
Housing schemes - affordable housing and new builds	**8,215**	3,743
Highways - A6 to Manchester Airport Relief Road	**7,959**	8,692
Highways Improvement Programme	**3,119**	303
Other Highways Schemes	**2,674**	3,265
Highways Town Centre Access Package	**2,638**	1,267
Improvements to schools	**1,723**	1,719
Regeneration and Environmental Works	**1,045**	1,157
Repairs and improvements to other Council properties	**904**	1,349
	28,277	21,495

The Council has entered into a loan agreement with Stockport Exchange Phase 3 Ltd on 2 October 2018 to advance the company £18.02m for the construction of an office on the site of Stockport Exchange. At 31 March 2020, £14.780m had been drawn down on the loan. On 15 May 2020 the completed office was transferred to the Council and the loan was extinguished.

There are currently two schools undergoing conditions works which are being funded by the Priority School Building Programme (PSBP). The delivery of the PSBP is being managed by the Education and Skills Funding Agency (EFSA), agency of the DFE. The EFSA has entered into delivery contracts, using its Contractor Framework, for the building contracts.

12. Heritage Assets

Movements in 2019/20

	Properties and monuments £000	Fine and Decorative Art £000	Social and Industrial History £000	Civic Regalia £000	Total Heritage Assets £000
Cost or Valuation					
At 1 April 2019	**6,823**	**4,900**	**250**	**724**	**12,697**
Additions	**20**				**20**
Transfers	**(2)**				**(2)**
Insurance revaluations		**328**	**145**		**473**
At 31 March 2020	**6,841**	**5,228**	**395**	**724**	**13,188**
Accumulated Depreciation and Impairment					
At 1 April 2019	**(1,345)**				**(1,345)**
Depreciation Charge	**(159)**				**(159)**
Transfers	**1**				**1**
At 31 March 2020	**(1,503)**	**0**	**0**	**0**	**(1,503)**
Net Book Value					
At 31 March 2020	**5,338**	**5,228**	**395**	**724**	**11,685**
At 1 April 2019	5,478	4,900	250	724	11,352

Movements in 2018/19

	Properties and monuments £000	Fine and Decorative Art £000	Social and Industrial History £000	Civic Regalia £000	Total Heritage Assets £000
Cost or Valuation					
At 1 April 2018	6,803	4,876	250	724	12,653
Additions	22				22
Transfers	(2)				(2)
Insurance revaluations		24			24
At 31 March 2019	6,823	4,900	250	724	12,697
Accumulated Depreciation and Impairment					
At 1 April 2018	(1,187)				(1,187)
Depreciation Charge	(158)				(158)
At 31 March 2019	(1,345)	0	0	0	(1,345)
Net Book Value					
At 31 March 2019	5,478	4,900	250	724	11,352
At 1 April 2018	5,616	4,876	250	724	11,466

The Council's Heritage Assets comprise:

Properties and Monuments

These comprise properties which are considered to be held and maintained principally for their contribution to knowledge and culture and are reported at historical cost. The most significant assets by value are Staircase House (£2.97m), a Medieval Town House with a Jacobean staircase and Bramall Hall (£2.25m), a Tudor manor house, which recently underwent an extensive restoration.

Collections
There are various collections which are exhibited or stored at the Council's museums, halls and the art gallery and are reported at insurance valuation. The collections comprise:

1. Fine and decorative arts;
2. Social and industrial history; and,
3. Civic Regalia.

The fine and decorative arts collection comprises several paintings, which were donated by a local benefactor, John Benjamin Smith in 1879, valued at approximately £1m.

The social and industrial history collection is very diverse and comprises many objects with negligible market values, but which have important heritage status and historical value.

In addition, the Council has a small collection of natural history and archaeological items which have no cost or valuation information and are not recognised on the Balance Sheet.

Insurance valuations for most of the collections were prepared during 2019/20 in conjunction with Art and Antiques Appraisals Ltd.

Preservation and Management
<u>Buildings, statues, memorials and monuments</u>
The Council has responsibility for a number of heritage resources such as buildings, statues, memorials and monuments, which are all managed by a number of different departments. The Council has responsibility, as owner of these assets, to keep them in a good state of repair. The Council has a Conservation and Heritage Strategy policy framework, which aims to ensure that the Borough's finite heritage assets are preserved and enhanced. The definition of heritage assets in this document is much wider than the accounting definition used for the Statement of Accounts.

Conservation Area Management Plans have sought to bring together internal services to provide a more corporate and joined up approach to dealing with conservation matters. Conservation and heritage matters overlap and integrate with many Council services and responsibilities including tourism, economic development, leisure, education, highways, planning etc. It is the Council's aim to ensure that Council and non-Council owned and managed heritage assets have appropriate conservation and management plans in place and recognition of the resources needed to implement these. The Stockport Historic Environment Database contains information on statutory and locally listed buildings, conservation areas, Article 4 directions, scheduled monuments and registered historic parks and gardens. Policies on strategic management of properties, including additions and disposals, are set out in the Corporate Asset Management Plan and Capital Strategy.

<u>Collections</u>
The Council's museum service has a proactive programme of professional collections management to ensure the collections are properly cared for and safeguarded for future generations.

All museum sites in Stockport have attained accredited status, the national standard to ensure the professional care and use of museum collections. All collections management is carried out in conjunction with the recommended procedures, guidelines and policies, which have all been adopted and are rigidly adhered to.

Stockport Council has a Collections Management Plan which outlines a five-year plan for the effective management of the collections and this incorporates an acquisition and disposal policy clearly outlining the criteria and procedures for acquiring new material into the collection and for disposing of material out of the collection. Most acquisitions are made by donation. A number of donations are offered each year and usually have to fulfil the criteria of the policy, which limits collecting to within the Stockport area or of objects, which have a strong Stockport connection, before they are accepted into the collection.

There is a regular programme of environmental and pest monitoring which is carried out at all the sites. The condition of objects is recorded when the object is inventoried or documented as part of its use.

There is an ongoing inventory where objects are documented, condition checked, labelled, photographed if of particular interest or fragility and repacked using appropriate curatorial grade materials. Lists of potential objects for disposal or display are kept as part of this process and any objects, which pose a threat to the collections or have sustained irreparable damage are only disposed of after due consideration and discussion. It is rare that any object formerly acquired into the collection is disposed of. Basic remedial conservation is carried out at the stores with any objects requiring specialised conservation being sent to a relevant qualified conservator.

13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2019/20 £000	2018/19 £000
Income including rental income	**(15,281)**	(15,073)
Expenditure	**7,848**	6,690
Net income from investment properties	**(7,433)**	(8,383)
(Gain) on disposal of investment properties		(490)
Changes in Fair Value of Investment Properties (unrealised gains/losses)	**21,487**	15,795
	14,054	6,922

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement in the normal course of letting. However, the Council as landowner may become liable for maintenance and service costs of certain properties if they become vacant.

Valuation Process for Investment Properties

The fair value of the Council's investment property is measured on a rolling basis but all assets are subject to a desk top review at each reporting date.

Except for the asset detailed below, the valuation of investment properties, which comprise the Council's investment property portfolio, has been carried out by a professionally qualified valuer who is employed by the Council.

The Council's 4.64% interest in land held at Manchester Airport is based on a value obtained by Manchester City Council's valuer in 2019/20.

The Council's interests in Merseyway Shopping Centre, Debenhams and Redrock Leisure complex have been valued by CBRE Ltd at 31 March 2020.

Fair Value Hierarchy

The Council's investment portfolio comprises a core of industrial ground leases, as well as a mix of retail, commercial and leisure property. The Council's largest investments are the Merseyway Shopping Centre (£34.200m), Redrock Leisure Complex (£16.250m), Aurora Stockport (£15.742m), the Stockport Exchange Office (£12.100m) and the Stockport Exchange Hotel (£10.460m).

All of the Council's directly held investment assets, valued at £156.210m, have been assessed overall as Level 3 in the fair value hierarchy as the measurement technique uses Level 2 observable inputs, but with some Level 3 unobservable inputs to determine the fair value measurements (e.g. location or physical condition).

The Manchester Airport Land, valued at £10.019m, has been assessed as Level 2 in the fair value hierarchy.

Valuation Techniques used to Determine Level 3 Fair Values for Investment Properties

The valuation of the Merseyway Shopping Centre has adopted the investment method, which uses a discounted cash flow and capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, covenant strength, the terms of in-place leases and expectations for rentals from future leases over the economic life of the buildings. Taking all these factors into consideration, the valuation has produced an equivalent yield of 11.0% and an initial yield of 9.29%.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about rent growth and vacancy levels and the discount rate (market yields). The overall valuation is sensitive to all of these assumptions and they are interrelated. The Hotel and Redrock have been valued using the income capitalisation method and discounted cash flow, having regard to projected trading information. This has been considered in light of transactional evidence and adjustments made to reflect age, size, location and offering.

The capital value of the remaining portfolio has been measured using the income approach, having regard to rental values and investment yields (the “all risk yield” approach). The approach has been developed using the Council’s own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, terms of the lease agreement, rent growth, occupancy levels, bad debt levels, maintenance costs, type and location of the property, security of the income (tenant’s covenant strength), etc. Whilst reference is made to comparable market data from independent published sources, the Council’s portfolio is in the main secondary in nature and not in prime locations.

The Council holds other retail interests, most of which are located in Stockport Town Centre. Capital values have been assessed as above, based on income stream, tenure, lease term and covenant strength.

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

Significant changes in rental income and rent growth; vacancy levels or yield will result in a significantly lower or higher fair value.

It is generally considered that equivalent market yield is the most sensitive unobservable input for the valuation of investment assets.

Generally, the lower the yield the more secure the property is as an investment. This may manifest itself in the quality of the tenant in occupation, the prospects for income and capital growth and the location of the property.

Industrial ground leases are considered very secure assets which whilst producing relatively modest incomes and are considered by the market to have significant capital values as the risk of default by the tenant is remote given that the income is often secured on commercial premises.

As an illustration, sensitivity data for the two largest assets, comprising 30% of level 3 assets in the investment portfolio, is as follows:

- For Merseyway Shopping Centre, increasing/decreasing the yield by 0.5% reduces/increases the value by £1.7m/£1.8m respectively.
- For Redrock, increasing/decreasing the yield by 0.25% reduces/increases the value by approximately £0.6m.

The remaining portfolio, comprising approximately 300 assets, is very diverse and sensitivity data has not been provided.

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

	Investment Assets 2019/20 £000	**Assets Under Construction 2019/20 £000**	**Total 2019/20 £000**	Investment Assets 2018/19 £000	Assets Under Construction 2018/19 £000	Total 2018/19 £000
Balance at start of year	**183,788**	**3,002**	**186,790**	198,189	2,492	200,681
Additions:						
- Purchases	**1,530**		**1,530**	626		626
- Other expenditure	**1,165**	**1,173**	**2,338**	1,752	546	2,298
- Transfers	**1,233**	**(593)**	**640**	36	(36)	0
Disposal				(1,020)		(1,020)
Net unrealised(losses) from fair value adjustments	**(21,487)**		**(21,487)**	(15,795)		(15,795)
Balance at end of the year	**166,229**	**3,582**	**169,811**	183,788	3,002	186,790

The net losses arising on revaluation in 2019/20 include £10.370m on the revaluation of Merseyway Shopping Centre and £11.107m for other town centre assets.

The changes in fair value of investment property are attributable to Level 3 assets (£21.991m loss) and Level 2 assets (£0.504m gain). All other movements relate to Level 3 assets.

14. Intangible Fixed Assets

Intangible assets comprise software package licences and software development. These short-lived assets are amortised to revenue over five to ten years from the year following the year of acquisition and are stated at historical cost.

	2019/20 £000	2018/19 £000
Balance at start of year:		
- gross carrying amount	**3,188**	3,188
- accumulated amortisation	**(3,188)**	(2,956)
Net carrying amount at start of year	**0**	232
Additions/transfers	**1,135**	
Amortisation for the year	**0**	(232)
Net carrying amount at end of year	**1,135**	0
Comprising:		
Gross carrying amounts	**4,323**	3,188
Accumulated amortisation	**(3,188)**	(3,188)
	1,135	0

15. Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability of another entity. This definition is broad and includes instruments used in the treasury management activity of an authority, including the borrowing and lending of money and the making of investments.

Non exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Definitions

The **amortised cost of a financial asset or financial liability** is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

The **effective interest rate (EIR)** is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an estimate is made of cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible, the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments) is used.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A. Financial Instrument Balances

The following categories of financial instruments are carried in the Balance Sheet:

	Long-Term Balance at 31 March 2020 £000	**Current Balance at 31 March 2020 £000**	Long-Term Balance at 31 March 2019 £000	Current Balance at 31 March 2019 £000
Financial liabilities at amortised cost				
Borrowing:				
PWLB: maturity loans	**384,290**	**15,099**	344,259	18,372
Market loans – LOBOs	**18,092**		18,094	
Market loans - converted LOBOs	**61,173**		61,183	
Market loans - other long-term loans	**40,329**		40,329	
Other local authorities +364 days (at start)		**7,510**		
Short-term loans		**128,259**		100,986
Salix Loans	**2,769**	**443**	1,997	111
Sub Total	**506,653**	**151,311**	465,862	119,469
Bank overdraft		**2,763**		7,516
Total	**506,653**	**154,074**	465,862	126,985
Trade Payables	**1,386**	**64,605**	1,183	45,825
Other Payables		**4,516**		4,476
Other Long-Term Liabilities at amortised cost:				
Stockport Exchange Multi Story Car park finance lease	**13,700**		13,700	
Total Liabilities	**521,739**	**223,195**	480,745	177,286
Financial assets at amortised cost				
Investments:				
Short-term investments		**78,045**		7,020
Cash & Cash Equivalents		**49,483**		37,511
Total		**127,528**		44,531
Financial assets				
Historic Cost				
Unquoted equity investment at cost	**100**		100	
Fair Value through Other Comprehensive Income				
Long-term investments – Airport	**30,200**		52,700	
Unquoted equity investment - Airport	**1,870**			
Other Long-Term Receivables at amortised cost				
Stockport Exchange Multi Story Carpark finance lease	**13,700**		13,700	
Total	**45,870**		66,500	
Receivables at amortised cost				
Trade Receivables	**1,719**	**46,482**	1,454	37,053
Other Loans	**21,768**	**14,861**	23,712	189

Loans to subsidiary companies	**65,506**	**3,703**	58,088	3,506
Total	**88,993**	**65,046**	83,254	40,748
Total Assets	**134,863**	**192,574**	149,754	85,279

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is included in current assets/liabilities where the payments/receipts are due within one year (accrued interest in excess of twelve months is shown in long-term assets/ liabilities). The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Included in the other loans figure of £36.629m is:

- The Manchester Airport loan conversion of debt previously administered on behalf of the Airport by the Council, comprising a number of PWLB annuity and maturity loans for which the Council was previously reimbursed. These were converted into one loan of £9.151m for 45 years at 12% on 9 February 2010 (across 10 Greater Manchester Councils).
- During 2018/19 an opportunity arose for the Council, as one of the nine districts along with Manchester City Council who are shareholders in Manchester Airport Group, to support the Airport Transformation Programme through shareholder loans. The investment is fully aligned to the economic and strategic priorities for GM and will help secure future dividend growth for the Council. The Council's total Manchester Airport Strategic Investment is £11.278m and is included in the Council's capital programme, funded by prudential borrowing. This also includes £1.113m of accrued interest.
- Loan to Stockport Exchange Phase 3 Ltd of £14.780m for the construction of a second office block at the Stockport Exchange site.
- £0.307m car and other loans.

Lenders Option Borrowers Option (LOBO) loans of £17.5m have been included in long-term borrowing as market loans but have an option date in the next 12 months.

The above long-term figures are based on (EIR) calculations where the maturity period for a LOBO is taken as being the contractual period to maturity.

During 2019/20 the Council took new long-term loans of £55m from the Public Works Loan Board reflected in the figures above.

The Council has temporary loans of £128.259m as at 31 March 2020. Temporary loans comprise money market loans at fixed interest rates, mainly with other local authorities, repayable within the next financial year.

The Council has received Salix funding of £2.108m in 2018/19 and a further £1.215m in 2019/20 which is interest free. £0.111m of loans was repaid in 2019/20 with a further £0.443m due in 2020/21. Salix Finance Ltd provides interest-free Government funding to the public sector to improve their energy efficiency. If material, the effective interest rate of these loans should be calculated so that the value of the financial assistance provided by the lender to the Council can be separated from the financing cost of the transaction. The treatment reflects the economic substance of the transaction; the authority has received these loans on advantageous terms that will allow it to incur a greater amount of expenditure than would otherwise be the case. The gain represented by this opportunity however is not material.

In March 2020 the Council made the first instalment of an equity investment in Manchester Airport Holding Ltd (MAHL), (along with the other nine Greater Manchester District Councils). The Council's total investment of £5.610m is to assist in funding the capital build of a car park in return for the issue of class C ordinary shares in MAHL. It should be noted that as a result of the C share equity investment there will be no change to the existing share capital or shareholdings of MAHL other than the creation of the new C shares.

The first instalment of £1.870m was made in March 2020, with two further tranches of the same amount being made in April 2020 (totalling £5.610m). The equity investment and subscription for the C shares paid in three tranches meant one C share was issued to the Council in each of the three subscription rounds. The initial investment has been valued at cost. The rationale for this approach is that the amount of investment is not material and the full transaction spans into the 2020/21 financial year.

The shareholding is classed as a financial instrument and will be held at fair value on the Council's Balance Sheet. Under IFRS 9 the shareholding (investment) has been designated as a strategic investment, with movements in the fair value treated as other comprehensive income and expenditure. Under this designation gains or losses on the valuation of the shareholding will not affect general reserves. As a result, the Council alongside the other District Council's will obtain a valuation of the shares each year as part of its year-end closedown process.

The other unquoted equity investment at cost consists of a shareholding in a subsidiary undertaking that is not included in the Council's group accounts. Investments in companies which are included in the Council's group accounts are covered by other standards and are not included in the financial instruments note.

Designation to Fair Value through Other Comprehensive Income

The adoption of accounting standard IFRS 9 Financial Instruments, requires that investments in equity are classed as Fair Value through Profit and Loss unless there is an irrevocable election to designate the asset as Fair Value through Other Comprehensive Income. The investment in Manchester Airport Holdings Limited is an equity investment and as such, the default valuation method is any gains and losses on changes in fair value would be recognised through profit and loss.

The Manchester Airport Holdings Limited shareholding is a strategic investment and not held for trading and therefore the Council has opted to designate it as Fair Value through Other Comprehensive Income. This means that there is no impact on the revenue budget and the decision to designate to fair value through other comprehensive income is irrevocable. Any gains and losses on the valuation of the shareholding will therefore be transferred to a Financial Instruments Revaluation Reserve.

B. Financial Instruments Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments are made up as follows:

	Balance as at 31 March 2020				
	Financial Liabilities measured at amortised cost £000	**Financial Assets measured at amortised cost £000**	**Financial Assets Fair Value through Other Comprehensive Income £000**	**Financial Assets at Historic Cost £000**	**Total £000**
Interest expense	19,968				**19,968**
Impairment losses of financial instruments		712			**712**
Total expense in (Surplus) or Deficit on the Provision of Services	**19,968**	**712**	**0**	**0**	**20,680**
Interest income		(5,628)			**(5,628)**
Dividend income			(6,429)	(141)	**(6,570)**
Total income in (Surplus) or Deficit on the Provision of Services	**0**	**(5,628)**	**(6,429)**	**(141)**	**(12,198)**
Unrealised Loss on revaluation			22,500		**22,500**
Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**22,500**	**0**	**22,500**
Net (gain)/loss for the year	**19,968**	**(4,916)**	**16,071**	**(141)**	**30,982**

	Balance as at 31 March 2019				
	Financial Liabilities measured at amortised cost £000	Financial Assets measured at amortised cost £000	Financial Assets Fair Value through Other Comprehensive Income £000	Financial Assets at Historic Cost £000	Total £000
Interest expense	19,073				19,073
Impairment losses of financial instruments		995			995
Total expense in (Surplus) or Deficit on the Provision of Services	19,073	995	0	0	20,068
Interest income		(4,798)			(4,798)
Dividend income			(5,636)	(138)	(5,774)
Total income in (Surplus) or Deficit on the Provision of Services	0	(4,798)	(5,636)	(138)	(10,572)
Unrealised Gain on			(800)		(800)

revaluation					
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	(800)	0	(800)
Net (gain)/loss for the year	19,073	(3,803)	(6,436)	(138)	8,696

C. Fair Value of Financial Assets

Some of the Council's financial assets are measured in the balance sheet at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial assets measured at fair value			
Recurring Fair Value Measurements	**Input level in Fair Value Hierarchy**	**Valuation technique used to measure Fair Value**	**£000**
Fair Value through Other Comprehensive Income			
Manchester Airport as at 31 March 2020	**Level 2**	**Earnings Based**	**30,200**
Manchester Airport as at 31 March 2019	Level 2	Earnings Based	52,700

The Council holds a 3.22% share in Manchester Airport Holdings Ltd (MAHL). The fair value of the shares held by the Council has been calculated by estimating the open market value of MAHL in a transaction between a willing buyer and a willing seller. An appropriate discount has also been applied to reflect the nature and rights of the shares held by the Council.

There is a high degree of comparability with listed company data and the valuation conclusion (including any movement in share price) is measurable against listed counterparts. It is therefore considered that the shares should be classed as input Level 2 on the fair value hierarchy for the purposes of IFRS 13.

The valuation technique used is the earnings-based method. This takes as its basis the profitability of the company, assessing its historic earnings typically by reference to results of a three to five-year period and arriving at a view of "maintainable" or "prospective" earnings. It draws on data from comparable quoted companies and comparable transactions of companies operating in the relevant industrial sector. The data is then adjusted by discount factors to allow for the fact that the shares are not publicly traded and that the Council holds a minority interest with no voting rights.

The valuation has been made using actual results for the six-month period to 30 September 2019 for the MAG, as presented in the Interim Report in addition to any further information that is publicly available. These shares are subject to an annual valuation. In 2019/20 this has seen a decrease in value of £22.5m.

The current fair value of the shares (which represent a 3.22% minority shareholding) may reasonably be estimated at £30.2 million.

This significant decrease in valuation in 2019/20 is mainly due to a downturn in the group's growth forecast as a result of the loss of operations at Manchester and East

Midlands airports and the global COVID-19 pandemic, coupled with future uncertainty in the aviation industry.

D. The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial asset carried at fair value (described in the table above), all other financial liabilities and financial assets represented by amortised cost and long-term receivables and payables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the PWLB payable, PWLB prevailing market certainty rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

***Methods and Assumptions in valuation technique*:**
The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration, i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, the prevailing interest rate of a similar instrument with a published market rate, as the discount factor.

Inclusion of Accrued Interest:
The purpose of fair value disclosure is primarily to provide a comparison with the carrying value in the balance sheet. Since this also includes accrued interest as at the balance sheet date, accrued interest has also been included in the Fair Value calculation, up to and including the valuation date.

Discount Rates used in NPV Calculation:
The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March, using bid prices where applicable.

Fair Value of Assets and Liabilities carried at Amortised Cost

The fair values are calculated as follows:

(i) Fair value of liabilities carried at amortised cost

	31 March 2020		31 March 2019	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial Liabilities:	**£000**	**£000**	£000	£000
PWLB: maturity	**399,389**	**478,695**	362,631	470,665
Market Loans - LOBOs	**18,092**	**23,962**	18,094	25,203
Market Loans - converted LOBOs	**61,173**	**81,981**	61,183	81,974
Market Loans - other long-term loans	**40,329**	**42,561**	40,329	41,536
Other Local Authorities + 364 days (at start)	**7,510**	**7,507**		
Short-term borrowing	**128,259**	**128,259**	100,986	100,986
Salix Loans	**3,212**	**3,212**	2,108	2,108
Bank overdraft	**2,763**	**2,763**	7,516	7,516
Trade and other payables	**70,507**	**70,507**	51,484	51,484
Stockport Exchange multi storey car park finance lease	**13,700**	**13,700**	13,700	13,700
Liabilities	**744,934**	**853,147**	658,031	795,172

The Council has used a transfer value (new loan certainty rate) for the fair value of financial liabilities. In addition, an exit price valuation has also been taken (PWLB Maturity £726.899m) which is calculated using early repayment discount rates. The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

Fair value of the liabilities at 31 March 2020 is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss, based on economic conditions at 31 March 2020, arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £478.695m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the

PWLB. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid.

For LOBO loans, fair value uses ‘mark to model’ and not ‘mark to market’ methodology. There were limited trades in the LOBO market for the financial year ending 31 March 2020.

The fair value assessment above has been carried out on debt and investment instruments in excess of one year only. For instruments less than one year, the fair value is invariably immaterially different from the carrying amount due to the short term nature of the instrument and therefore the carrying amount is a reasonable approximation of their fair value.

(ii) Fair value of assets carried at amortised cost

	31 March 2020		31 March 2019	
Financial Assets:	**Carrying amount £000**	**Fair Value £000**	Carrying amount Restated £000	Fair Value Restated £000
Cash & Cash Equivalents	**49,483**	**49,483**	37,511	37,511
Deposits with banks and building societies	**78,045**	**78,045**	7,020	7,020
Stockport Exchange multi storey car park finance lease	**13,700**	**13,700**	13,700	13,700
Trade receivables	**48,201**	**48,201**	38,507	38,507
Other loans	**36,629**	**75,726**	23,901	67,547
Loans to subsidiary companies	**69,209**	**69,209**	61,594	61,594
Assets	**295,267**	**334,364**	182,233	225,879

The fair value of some financial assets above is the same as the carrying amount because the Council’s portfolio of financial assets includes cash or cash equivalent investments that can be readily converted into cash. The interest rate is the prevailing market rate and so the fair value of these loans and receivables is the same as the carrying value.

Trade receivables are carried at cost as this is a fair approximation of their value.

Fair value of long-term receivables is significantly higher than carrying value due to the inclusion of the new airport loans in 2019/20 where the coupon rate of the loans is much higher than current market rates. This shows a significant notional future gain based on economic conditions at 31 March 2020, arising from a commitment by the airport to pay interest above current market rates.

16. Nature and Extent of Risks arising from Financial Instruments

The Council’s activities expose it to a variety of financial risks. The key risks are:

Credit Risk: the possibility that other parties might fail to pay amounts due to the Council;

Liquidity Risk: the possibility that the Council might not have funds available to meet its commitments to make payments;

Refinancing Risk: the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms; and,

Market Risk: the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate or Stock Market movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
    - the Council's overall borrowing;
    - its maximum and minimum exposures to the maturity structure of its debt;
    - Its management of interest rate exposure;
    - its maximum annual exposures to investments maturing beyond a year; and
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 26 February 2019 and is available on the Council website. The key points within the strategy were:

- The Authorised Limit for 2019/20 was set at £856m. This is the maximum limit of external borrowings or other long-term liabilities;

- The Operational Boundary was set at £836m. This is the expected level of debt and other long-term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40% respectively, based on the Council’s net debt; and
- The maximum and minimum exposures to the maturity structure of debt are shown at Note 16c.

Risk management is carried out by the central treasury team, under policies approved by Council in the annual treasury management strategy. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices TMPs) covering specific areas, such as interest rates risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

The Council’s management of treasury risks actively works to protect the financial resources available to fund services. The Council has fully adopted CIPFA’s Treasury Management Code of Practice and has created and maintained a Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities and Treasury Management Practices, setting out the manner in which the Council will seek to achieve those policies and objectives and prescribing how it will monitor and control those activities.

Treasury Management Policy Statement

The Council defines its treasury management activities as:

‘The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks’.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council's full Treasury Management Policy Statement and Treasury Management Practices are available to view on request.

Managing Treasury Management Risks

The Council embodies within its business and service planning processes the means by which it can identify treasury management risks and is familiar with and has implemented methods by which those risks can be successfully managed and contained. The Council believes that in by doing so it is treating the subject of risk management with sufficient priority.

In order that the Council manages and contains its risks successfully, it has identified what its risks are and considered to what extent it is able and prepared to suffer the consequences of those risks impacting adversely on its finances. To the extent that it is unable or unprepared to bear those consequences, it has sought to protect itself against that eventuality.

(a) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources.

The risk is minimised through the Annual Investment Strategy which affirms that the effective management and control of risk are prime objectives of the Council's treasury management activities.

The Council has well documented records of the standing of counterparties it does or may deal with, and continuous access to independent sources of advice and information on the same.

- The Council needs to be alert to the prospect of the counterparties they deal with being unable or unwilling to fulfil their contractual responsibilities, especially as a result of failure to maintain their credit status. This applies not only to contracts relating to capital financing and investment, but also to outsourcing;
- The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above;
- The Council uses the creditworthiness service provided by its external treasury management advisor, Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:
  - credit watches and credit outlooks from credit rating agencies
  - CDS spreads to give early warning of likely changes in credit ratings
  - Sovereign ratings to select counterparties from only the most creditworthy countries;
- Know your counterparty is a key principle; the Council does not rely on credit ratings alone for their understanding of counterparties. Credit ratings remain a key source of information but it is recognised that they do have limitations. Credit ratings are used as a starting point when considering credit risk. The Council also makes use of generally available market information, such as the quality financial press, market data, information on government support for banks and the credit ratings of that government support.

As part of its business or service planning processes, the Council has established clear policies on:

- Use of credit risk analysis techniques;
- Diversification;
- Credit criteria used for creating/managing approved counterparty lists/limits;
- Approved methodology for changing limits & adding/removing counterparties;
- Country and group listing of counterparties and the overall limits applied to each, where appropriate; and
- Details of credit rating agencies' services and their application and description of overall approach to collecting and using information other than credit ratings for counterparty risk assessment.

Specific credit criteria in respect of financial assets held by this Council at the balance sheet date are detailed in the Treasury Management Policy Statement and Annual Investment Strategy.

The full investment strategy for 2019/20 was approved by Council on 26 February 2019 and is available on the Council website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council’s maximum exposure to credit risk in relation to its investments in financial institutions of £127.528m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council’s deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

The following analysis summarises the Council’s exposure to credit risk at 31 March 2020, based on past experience of default and uncollectability adjusted to reflect current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

	Deposits with Banks & other Financial Institutions £000	Trade Debtors £000
Amounts as at 31 March 2020 (£000)	**127,528**	**14,280**
Historical Experience of Default	**0**	**14.99%**
Historical experience adjusted for market conditions as at 31 March 2020	**0**	**14.99%**
Estimated exposure to default & uncollectability (£000s)	**0**	**2,141**
Amounts as at 31 March 2019 (£000)	44,531	12,122
Historical Experience of Default	0	12.50%

Historical experience adjusted for market conditions as at 31 March 2019	0	12.50%
Estimated exposure to default & uncollectability (£000)	0	1,516

Of £46.482m current trade receivables, £14.280m relates to invoices raised for customer accounts.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers, such that £8.419m of the £14.280m balance is past its due date for payment (i.e. over 30 days). The following is an age analysis of customer accounts:-

	31 March 2020 **£000**	31 March 2019 £000
Less than one month	**5,861**	7,621
One to three months	**3,606**	1,617
Three to six months	**1,690**	704
Six months to one year	**982**	664
More than one year	**2,141**	1,516
Total	**14,280**	12,122

Amounts Arising from Expected Credit Losses

Impairments have been calculated for deposits held by the Council of £110.345m at 31 March 2020 using Historical Default Tables provide by Link Asset Services. The historic Risk of Default is based on the lowest long-term rating. There is no loss allowance under IFRS 9 where the counterparty is central government or a local authority, since the relevant statutory provisions prevent default. For these instruments the Expected Credit Loss is therefore nil. The historic default rates used in the calculation have been produced by combining historic default rate data from the three main credit agencies, from 1990-2019 for Fitch, 1983-2019 for Moody's and 1981-2019 for Standard and Poor's. The calculation on the Council's investments showed the impairment loss to be immaterial and therefore no allowances have been made.

(b) Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy Reports), as well as through a comprehensive cash flow management system, as required by the Code. This seeks to ensure that cash is available when needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity structure of financial liabilities (excluding amounts due to customers) is as follows (at nominal value):

Loans Outstanding	On 31 March 2020 £000	On 31 March 2019 £000
Public Works Loans Board	**396,469**	359,525
Market debt – LOBOs	**17,500**	17,500
Market debt - converted LOBOs	**60,000**	60,000
Market debt - other long-term loans	**40,000**	40,000
Other Local Authorities +364 days	**7,500**	
Short-term borrowing	**128,019**	100,819
Salix Loans	**3,212**	2,108
Stockport Exchange Multi Story Carpark finance lease	**13,700**	13,700
Total	**666,400**	593,652
Less than 1 year	**150,962**	118,986
Between 1 and 2 years	**15,664**	15,321
Between 2 and 5 years	**22,647**	28,001
Between 5 and 10 years	**7,489**	9,935
More than 10 years	**469,638**	421,409
Total	**666,400**	593,652

In the more than 10 years category there are £17.5m of LOBOs which have an option date in the next 12 months.

(c) Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt. The Council therefore has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that there is a reasonable spread in the maturity periods for borrowing and the value of loans due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments; and

- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy on 26 February 2019).

			31 March 2020			31 March 2019		
	Approved minimum limits	**Approved maximum limits**	**Fixed**	**Variable**	**Fixed**	Fixed	Variable	Fixed
	%	**%**	**£000**	**£000**	**%**	£000	£000	%
Less than 1 year	**0%**	**45%**	**150,943**	**19**	**22.6%**	118,967	19	20.0%
Between 1 and 2 years	**0%**	**45%**	**15,664**		**2.4%**	15,321		2.6%
Between 2 and 5 years	**0%**	**45%**	**22,647**		**3.4%**	28,001		4.7%
Between 5 and 10 years	**0%**	**45%**	**7,489**		**1.1%**	9,935		1.7%
More than 10 years	**50%**	**100%**	**469,638**		**70.5%**	421,409		71.0%
Total			**666,381**	**19**	**100.0%**	593,633	19	100.0%

(d) Market Risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowing and investments and to interest rate risk in two different ways; the first being the uncertainty of interest paid and received, and the second being the effect of fluctuations in interest rates on the fair value of an instrument. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates: the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates: the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates: the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates: the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer-term fixed rates borrowing would be postponed. The treasury management team therefore work to an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2019 £000	31 March 2019 £000
Increase in interest payable on variable rate borrowings	1,530	1,183
Increase in interest receivable on variable rate investments	(421)	(263)
Impact on Surplus or Deficit on the Provision of Services	**1,109**	**920**
Share of overall impact debited to the HRA	66	66
Impact on Other Comprehensive Income and Expenditure	**0**	**0**
Decrease in fair value of fixed rate borrowing liabilities (no impact on surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(108,367)	(103,618)

Short-term loans and investments (maturing within twelve months) has been included in the increase in interest payable and receivable, despite being at fixed rates. This is due to the short-term nature of the borrowing that would effectively be subject to being replaced at higher rates within twelve months and therefore increase the interest payable.

The increase in interest payable on variable rate borrowings includes LOBO loans as they include either annual or semi-annual option dates.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the note, Fair Value of Assets and Liabilities at Amortised Cost.

Price Risk

The Council does not generally invest in equity shares or marketable bonds, however in common with all Greater Manchester Authorities, the Council has a 3.22% non-voting shareholding in Manchester Airport plc (except Manchester City Council which holds 35.5%). The holding in shares is shown at the balance sheet date at £30.2m being the fair value. Whilst this holding is generally illiquid (no active market), the Council is exposed to losses arising from movements in the price of the shares.

The Fair Value derived is on a market value basis, taking into account the nature of the holding, its illiquidity and the Company's Articles of Association. As the Council is a non-voting minority shareholder the price valuation was made using only information available to minority shareholders/publicly available information.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead the Council monitors factors that might cause a fall in the value of specific shareholdings.

The £30.2m shares are classified as an 'equity instrument designated at fair value through other comprehensive income', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

The Council also has a £1.870m equity investment of one C class ordinary share in Manchester Airport Holdings Limited as at 31 March 2020 (which will increase to three C class ordinary shares of £5.610m in April 2020). This initial investment has been valued at cost at 31 March 2020. However, similarly to the holding above, from 2020/21 the shareholding will be classed as a financial instrument and held at fair value on the Council's Balance Sheet. Under IFRS 9 the shareholding (investment) will be designated as a strategic investment, with movements in the fair value treated as other comprehensive income and expenditure. Under this designation gains or losses on the valuation of the shareholding will not affect general reserves.

Foreign Exchange Risk
The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

17. Short and Long-Term Debtors including Payments in Advance

	Short Term Gross Balance £000	Impairment allowance £000	31 March 2020 Short Term £000	31 March 2020 Long Term £000	31 March 2020 Total £000
Financial Assets					
Trade Receivables					
Central Government	**3,127**		**3,127**		**3,127**
Other Local Authorities	**14,671**		**14,671**		**14,671**
NHS Bodies	**6,325**	**(13)**	**6,312**		**6,312**
Other Entities and Individuals:					
Social Services Clients	**8,756**	**(1,103)**	**7,653**		**7,653**
Housing Rents	**3,005**	**(1,817)**	**1,188**		**1,188**
Lease and rental receivables	**7,093**	**(666)**	**6,427**	**1,719**	**8,146**
Other Entities and Individuals	**6,483**	**(326)**	**6,157**		**6,157**
Subsidiary Undertakings	**947**		**947**		**947**
	50,407	**(3,925)**	**46,482**	**1,719**	**48,201**
Other Receivables - Loans					
Loans - Manchester Airport				**21,542**	**21,542**
Loans - Subsidiary Undertakings	**3,703**		**3,703**	**65,506**	**69,209**
Loans - Stockport Exchange Phase 3	**14,780**		**14,780**		**14,780**
Car and Other loans	**81**		**81**	**226**	**307**
	18,564	**0**	**18,564**	**87,274**	**105,838**
Total Receivables (Financial Assets)	**68,971**	**(3,925)**	**65,046**	**88,993**	**154,039**
Other Receivables (Non-Financial Assets)					
Central Government (Tax)	**2,995**		**2,995**		**2,995**
Housing Benefits	**4,700**	**(4,018)**	**682**		**682**
Collection Fund:					
Business Rates	**8,611**	**(6,412)**	**2,199**		**2,199**

Council Tax	**12,253**	**(4,966)**	**7,287**		**7,287**
Payments in advance:					
Lease and rental receivables	**304**		**304**	**3,248**	**3,552**
Other payments in advance	**8,261**		**8,261**		**8,261**
Total Receivables (Non-Financial Assets)	**37,124**	**(15,396)**	**21,728**	**3,248**	**24,976**
Total Receivables	**106,095**	**(19,321)**	**86,774**	**92,241**	**179,015**

	Short Term Gross Balance Restated £000	Impairment allowance Restated £000	31 March 2019 Short Term Restated £000	31 March 2019 Long Term £000	31 March 2019 Total £000
Financial Assets					
Trade Receivables					
Central Government	3,507		3,507		3,507
Other Local Authorities	14,453		14,453		14,453
NHS Bodies	2,984		2,984		2,984
Other Entities and Individuals:					
Social Services Clients	8,378	(912)	7,466		7,466
Housing Rents	1,833	(1,574)	259		259
Lease and rental receivables	3,833	(743)	3,090	1,454	4,544
Other Entities and Individuals	4,908	(286)	4,622		4,622
Subsidiary Undertakings	672		672		672
	40,568	(3,515)	37,053	1,454	38,507
Other Receivables - Loans					
Loans - Manchester Airport				20,429	20,429
Loans - Subsidiary Undertakings	3,506		3,506	58,088	61,594
Car and Other loans	189		189	3,283	3,472
	3,695	0	3,695	81,800	85,495
Total Receivables (Financial Assets)	44,263	(3,515)	40,748	83,254	124,002
Other Receivables (Non-Financial Assets)					
Central Government (Tax)	3,409		3,409		3,409
Housing Benefits	6,859	(4,396)	2,463		2,463
Collection Fund:					
Business Rates	6,724	(5,561)	1,163		1,163
Council Tax	12,425	(4,655)	7,770		7,770
Payments in advance:					
Lease and rental receivables	167		167	3,200	3,367

Other payments in advance	10,840		10,840		10,840
Total Receivables (Non-Financial Assets)	40,424	(14,612)	25,812	3,200	29,012
Total Receivables	84,687	(18,127)	66,560	86,454	153,014

The impairment (loss) allowance for trade and lease receivables is as follows:

	2019/20 £000	2018/19 £000
Balance at beginning of year	**(3,515)**	(3,008)
(Increase) in loss allowance recognised in Finance and Investment Income and Expenditure	**(712)**	(995)
Receivables written off during the year	**302**	488
Balance at end of year	**(3,925)**	(3,515)

The loss allowance for bad debts has been calculated based on life time expected credit losses (simplified approach) for trade and lease receivables, including HRA rental arrears.

Trade receivables have been collectively assessed according to the groupings shown in the Note, for the purposes of calculating expected credit losses. Write offs occur only when all possible debt recovery procedures have been unable to secure payment.

18. Cash and Cash Equivalents

Cash and cash equivalents as shown in the statement of cash flows can be reconciled to the related items in the balance sheet as follows:

	Balance at 31 March 2020 £000	Balance at 31 March 2019 £000
Cash and bank balances	**17,138**	17,786
Short-term investments, considered to be cash equivalents	**32,345**	19,725
	49,483	37,511
Bank Overdraft	**(2,763)**	(7,516)
	46,720	29,995

19. Assets held for Sale

	Current **31 March 2020** **£000**	Current 31 March 2019 £000
Balance at start of year	**556**	586
Additions	**21**	
Transfers	**268**	243
Impairment losses	**(26)**	
Assets sold	**(243)**	(273)
Balance at end of year	**576**	556

There are no non-current assets held for sale at 31 March 2020 (31 March 2019 – Nil).

20. Short and Long-Term Creditors including Receipts in Advance

-	**31 March 2020** **Short Term** **£000**	**31 March 2020** **Long Term** **£000**	**31 March 2020** **Total** **£000**
<u>Financial Liabilities</u>			
<u>Trade Payables</u>			
Central Government	**(1,200)**		**(1,200)**
Other Local Authorities	**(7,119)**		**(7,119)**
NHS Bodies	**(6,659)**		**(6,659)**
Other Entities and Individuals	**(43,804)**		**(43,804)**
Subsidiary Undertakings	**(5,823)**		**(5,823)**
Finance Lease Payables		**(1,386)**	**(1,386)**
	(64,605)	**(1,386)**	**(65,991)**
<u>Other Payables</u>			
Employees Accumulated Absences	**(4,516)**		**(4,516)**
	(69,121)	**(1,386)**	**(70,507)**
<u>Other Trade Payables (Non-Financial Liabilities)</u>			
Central Government (Tax)	**(4,009)**		**(4,009)**
Debt administered by other Councils	**(1,658)**	**(1,327)**	**(2,985)**
Collection Fund:			
Business Rates	**(2,115)**		**(2,115)**
Council Tax	**(2,116)**		**(2,116)**
Receipts in advance:			
Lease and rental receipts in advance	**(2,524)**	**(5,165)**	**(7,689)**
Social Care receipts in advance	**(727)**		**(727)**
Other receipts in advance	**(4,583)**	**(37)**	**(4,620)**
	(17,732)	**(6,529)**	**(24,261)**
Total Payables	**(86,853)**	**(7,915)**	**(94,768)**

	31 March 2019 Short Term Restated £000	31 March 2019 Long Term £000	31 March 2019 Total £000
Financial Liabilities			
Trade Payables			
Central Government	(2,484)		(2,484)
Other Local Authorities	(9,771)		(9,771)
NHS Bodies	(2,349)		(2,349)
Other Entities and Individuals	(28,143)		(28,143)
Subsidiary Undertakings	(3,078)		(3,078)
Finance Lease Payables		(1,183)	(1,183)
	(45,825)	(1,183)	(47,008)
Other Payables			
Employees Accumulated Absences	(4,476)		(4,476)
	(50,301)	(1,183)	(51,484)
Other Trade Payables (Non-Financial Liabilities)			
Central Government (Tax)	(3,996)		(3,996)
Debt administered by other Councils	(1,392)	(2,967)	(4,359)
Collection Fund:			
Business Rates	(2,523)		(2,523)
Council Tax	(2,065)		(2,065)
Receipts in advance:			
Lease and rental receipts in advance	(919)	(5,356)	(6,275)
Social Care receipts in advance	(2,978)		(2,978)
Other receipts in advance	(5,418)	(37)	(5,455)
	(19,291)	(8,360)	(27,651)
Total Payables	(69,592)	(9,543)	(79,135)

21. Provisions

	Insurance Fund £000	Business Rates Appeals £000	Other Provisions £000	Total £000	Comparative figures for 2018/19 £000
Long term					
Balance 31 March 2019	(4,953)	(11,068)		**(16,021)**	(6,465)
Increases in year		(3,705)		**(3,705)**	(9,556)
Decreases in year	788			**788**	
Balance as at 31 March 2020	**(4,165)**	**(14,773)**	**0**	**(18,938)**	(16,021)
Short term					
Balance 31 March 2019	(1,141)	(2,331)	(499)	**(3,971)**	(7,183)
Increases in year		(3,100)		**(3,100)**	(894)
Decreases in year	208	2,340	499	**3,047**	4,106
Balance as at 31 March 2020	**(933)**	**(3,091)**	**0**	**(4,024)**	(3,971)
Total Provisions	**(5,098)**	**(17,864)**	**0**	**(22,962)**	(19,992)

Insurance Fund
The insurance provision is in respect of outstanding liability claims in connection with employer's and public liability and Education property. Some schools have taken out their own policies to cover uninsured risks in respect of burst water pipes and theft from property. The amount shown in the provision highlights commitments where settlements have yet to be agreed (any balances are shown as an earmarked reserve).

Business Rates Appeals Provision
As part of the Greater Manchester 100% Business Rates Retention Pilot, the Council is responsible for 99% (1% relates to GMCA Mayoral General (including Fire Services) of the cost as a result of successful Business Rates appeals by businesses. The Council has therefore recognised an appeals provision in its accounts for 99% of the expected cost.

The Council’s appeals provision is £17.864m as at 31 March 2020 and is split across two Business Rates valuation lists; appeals relating to the 2010 Business Rates valuation list and appeals relating to the 2017 Business Rates valuation list.

- The 2010 valuation list appeals provision is calculated using the Valuation Office Agency (VOA) list of appeals as at 31 March 2020. The list has been analysed to assess the likelihood of appeals being successful and potential cost as a result.
- The 2017 valuation list appeal provision is calculated using the multiplier adjustment included in the Business Rates Multiplier. This was included in the multiplier to ensure local authorities were able to raise sufficient revenue to cover the expected cost of successful appeals by businesses against their new rateable values following the 2017 Revaluation.

22. Usable Reserves

Movements in usable reserves are set out in the Movement in Reserves Statement and supporting notes. An explanation of usable reserves is set out below.

General Fund Balances
The General Fund is the statutory fund into which all the Council’s receipts are paid and all its liabilities are met, except where otherwise permitted by statutory rules. The General Fund Balance summarises the resources that the Council is able to spend on its services or capital investment, or the deficit that it is required to recover. Included within the General Fund Balance reported in the Movement in Reserves Statement are Earmarked General Fund Reserves.

See the Narrative Report for more details on the General Fund Balance.

Housing Revenue Account
The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for the Council’s housing provision. It contains the balance of income and expenditure that is available to fund future expenditure in connection the Council’s housing provision or the amount required to be recovered from tenants in future years where it is in deficit.

Included within the Housing Revenue Account Balance reported in the Movement in Reserves Statement are Earmarked Housing Revenue Account Reserves. See the statements and notes for an explanation of and in year movements on the Housing Revenue Account.

Earmarked General Fund Reserves and Earmarked Housing Revenue Account Reserve
Earmarked General Fund Reserves and Earmarked Housing Revenue Account Reserves are the amounts set aside from General Fund and HRA balances to provide financing for future expenditure plans. See Note 7 for more details of Earmarked Reserve balances.

Capital Receipts Reserve

This represents capital receipts from the disposal of land and other assets which are available to finance capital expenditure. The balance at year end represents receipts which have not yet been applied for this purpose.

Major Repairs Reserve
The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.

Capital Grants Unapplied
The balance at year end represents capital grants without conditions which have been received but not yet applied to finance capital expenditure.

23. Unusable Reserves

The movement on unusable reserves is shown below:

	Revaluation Reserve £000	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Deferred Capital Receipts Reserve £000	Pensions Reserve £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Available for Sale Financial Instruments Reserve £000	Financial Instruments Revaluation Reserve £000	Total Unusable Reserves £000
Balance at 31 March 2018 carried forward	(258,337)	(681,255)	969	(13,827)	309,122	711	5,590	(41,686)		(678,713)
Movement in reserves during 2018/19:										
Changes due to IFRS 9 restatement								41,686	(41,686)	
Other Comprehensive Income and Expenditure	(7,595)				56,047				(800)	47,652
Movements to other reserves	12,749	(28,398)	(14)	6	28,514	(3,763)	(1,114)			7,980
Net (Increase)/ Decrease in 2018/19	5,154	(28,398)	(14)	6	84,561	(3,763)	(1,114)	0	(42,486)	55,632
Balance at 31 March 2019 carried forward	**(253,183)**	**(709,653)**	**955**	**(13,821)**	**393,683**	**(3,052)**	**4,476**	**0**	**(42,486)**	**(623,081)**

Movement in reserves during 2019/20:										
Other Comprehensive Income and Expenditure	**(59,711)**				**(100,663)**				**22,500**	**(137,874)**
Movements to other reserves	**7,663**	**8,322**	**(13)**	**1**	**39,767**	**(354)**	**40**			**55,426**
Net (Increase)/ Decrease in 2019/20	**(52,048)**	**8,322**	**(13)**	**1**	**(60,896)**	**(354)**	**40**	**0**	**22,500**	**(82,448)**
Balance at 31 March 2020 carried forward	**(305,231)**	**(701,331)**	**942**	**(13,820)**	**332,787**	**(3,406)**	**4,516**	**0**	**(19,986)**	**(705,529)**

(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost; and
- used in the provision of services and the gains are consumed through depreciation or disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2019/20 £000	**2019/20 £000**	2018/19 £000	2018/19 £000
Balance at beginning of the year		**(253,183)**		(258,337)
Upward revaluation of assets	**(75,441)**		(13,854)	
Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	**15,730**		6,259	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(59,711)**		(7,595)
Difference between fair value depreciation and historical cost depreciation	**7,529**		6,297	
Accumulated gains on assets sold or scrapped	**134**		6,452	
Amount written off to the Capital Adjustment Account		**7,663**		12,749
Balance at end of year		**(305,231)**		(253,183)

(b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 2 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2019/20 £000	**2019/20 £000**	2018/19 £000	2018/19 £000
Balance at beginning of the year		**(709,653)**		(681,255)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non -current assets	**48,453**		39,827	
Revaluation (gains)/losses and impairment losses on Property, Plant and Equipment	**(845)**		(16,333)	
Charge for impairment of assets held for sale				
Amortisation of intangible assets			232	
Revenue expenditure funded from capital under statute	**2,245**		2,268	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**4,052**		12,141	
	53,905		38,135	
Difference between fair value depreciation and historical cost depreciation	**(7,529)**		(6,297)	
Net written out amount of the cost of non-current assets consumed in the year		**46,376**		31,838
Capital financing applied in the year:				
Receipt of capital loans	**2,532**		3,722	
Repayment of loans	**(2,532)**		(3,722)	
Use of the Capital Receipts Reserve to finance new capital expenditure	**(2,391)**		(1,065)	

Use of the Capital Receipts Reserve to finance prior capital expenditure	**(1,286)**			
Use of the Major Repairs Reserve to finance new capital expenditure	**(11,903)**		(11,677)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**(20,783)**		(40,517)	
Application of grants and contributions to capital financing from the Capital Grants Unapplied Account	**(10,729)**		(8,981)	
Statutory provision for the financing of capital investment and charged against the General Fund and HRA balances	**(11,073)**		(10,320)	
Capital expenditure charged against the General Fund and HRA balances	**(1)**		(1,674)	
Principal repayments for transferred debt and deferred purchase scheme	**(1,375)**		(1,311)	
Voluntary revenue provision for capital financing			(486)	
		(59,541)		(76,031)
Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement		**21,487**		15,795
Balance at end of the year		**(701,331)**		(709,653)

(c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2019/20 £000	2018/19 £000
Balance at beginning of the year	**955**	969
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statute	**(13)**	(14)
Balance at end of the year	**942**	955

(d) Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2019/20 £000	2018/19 £000

Balance at beginning of the year	**(13,821)**	(13,827)
Transfer to the Capital Receipts Reserve upon receipt of cash	**1**	6
Balance at end of the year	**(13,820)**	(13,821)

(e) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds, or eventually pays, any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

See Note 26 to the Core Financial Statements for an explanation of the in-year movements on the Pensions Reserve.

	2019/20 £000	2018/19 £000
Balance at beginning of the year	**393,683**	309,122
Remeasurements of the net defined benefit liability/asset	**(100,663)**	56,047
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**61,544**	49,223
Employer's pensions contributions and direct payments to pensioners payable in the year	**(21,777)**	(20,709)
Balance at end of the year	**332,787**	393,683

(f) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2019/20 £000	2018/19 £000
Balance at beginning of the year	**(3,052)**	711
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**(354)**	(3,763)
Balance at end of the year	**(3,406)**	(3,052)

(g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2019/20 £000	2019/20 £000	2018/19 £000	2018/19 £000
Balance at beginning of the year		**4,476**		5,590
Settlement or cancellation of accrual made at the end of the preceding year	**(4,476)**		(5,590)	
Amounts accrued at the end of the current year	**4,516**		4,476	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**40**		(1,114)
Balance at end of the year		**4,516**		4,476

(h) Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contained the gains made by the Council arising from increases in the value of its investments that had quoted market prices or otherwise did not have fixed or determinable payments. The reserve was transferred to the Financial Instruments Revaluation Reserve on 1 April 2018 due the re-classification of the financial asset (investment in Manchester Airport) under IFRS 9.

	2019/20 £000	2018/19 £000
Balance at beginning of the year	**0**	(41,686)
Transfer to Financial Instruments Revaluation Reserve on change of classification of financial asset	**0**	41,686
Balance at end of the year	**0**	0

(i) Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve was created on 1 April 2018 due to the reclassification of the Available for Sale asset (investment in Manchester Airport) to an equity instrument designated at Fair Value through other Comprehensive Income. It contains gains made by the Council arising from increases in the value of this investment. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost; and

- disposed of and the gains are realised.

	2019/20 £000	2018/19 £000
Balance at beginning of the year	**(42,486)**	0
Transfer from Available for Sale Financial Instruments Reserve on change of classification of financial asset		(41,686)
Downward/(upward) revaluation of investment - Manchester Airport	**22,500**	(800)
Balance at end of the year	**(19,986)**	(42,486)

24. Note to the Cash Flow Statement – Investing Activities

	31 March 2020 £000	31 March 2019 £000
Purchase of property, plant and equipment, investment property and intangible assets	**68,992**	95,330
Purchase of short-term and long-term investments	**89,870**	20,200
Other capital payments for investing activities	**24,111**	28,848
Other payment for investing activities	**39**	88
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(4,675)**	(8,558)
Capital grants	**(38,271)**	(57,532)
Proceeds from short-term and long-term investments	**(17,000)**	(13,200)
Other receipts from investing activities	**(2,610)**	(3,858)
	120,456	61,318

25. Note to the Cash Flow Statement – Financing Activities

	31 March 2020 £000	31 March 2019 £000
Cash receipts of short and long-term borrowing	**(384,315)**	(566,083)
Repayments of short and long-term borrowing	**312,941**	523,811
	(71,374)	(42,272)
Other receipts from financing activities	**(326)**	(979)
	(71,700)	(43,251)

The reconciliation of liabilities arising from financing activities is as follows:

	Balance at 1 April 2019 £000	**Financing cash flows £000**	**Non cash changes £000**	**Balance at 31 March 2020 £000**
PWLB Loans	**(362,631)**	**(36,944)**	**186**	**(399,389)**
LOBOS/Converted LOBOS	**(79,277)**		**12**	**(79,265)**
Temporary loans	**(100,986)**	**(34,700)**	**(83)**	**(135,769)**

Market Loans - BAE	**(40,329)**			**(40,329)**
Salix Loan	**(2,108)**	**(1,104)**		**(3,212)**
	(585,331)	**(72,748)**	**115**	**(657,964)**
Lease liabilities	**(13,700)**			**(13,700)**
Transferred debt	**(4,359)**	**1,374**		**(2,985)**
	(603,390)	**(71,374)**	**115**	**(674,649)**

26. Pension Schemes

The Council participates in three pension schemes, the details of which are set out in the Statement of Accounting Policies.

Pension Schemes Accounted for as Defined Contribution Schemes

Teachers
Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme and no liability for future payments of benefits is recognised in the balance sheet.

In 2019/20, the Council paid £14.87m to the Department for Education (£11.58m in 2018/19) in respect of teachers' pension costs, which represented 16.48% of teachers' pensionable pay to 31 August 2019 and 23.68% thereafter (16.48% in 2018/19). In addition, the Council is responsible for all pension payments relating to added years that it has awarded as discretionary benefits, together with the related increases. In 2019/20 these amounted to £1.20m (£1.24m in 2018/19), representing 1.7% of pensionable pay (1.8% in 2018/19).
The total contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2021 are £17.2m.

There were contributions remaining payable at the year end of nil (31 March 2019 - £1.66m).

NHS
During 2013/14 Public Health staff transferred to the Council, these staff have maintained their membership of the NHS Pension Scheme. The Scheme provides members with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically an unfunded defined benefit scheme. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme and no liability for future payments of benefits is recognised in the balance sheet.

In 2019/20, the Council paid £0.024m to the NHS Pension Scheme in respect of former NHS staff retirement benefits (£0.028m in 2018/19), which represented 14.38% of pensionable pay (14.38% in 2018/19). There were no contributions remaining payable at the year end.

<u>Defined Benefit Pension Scheme</u>

Other Employees

In 2019/20, the Council paid an employer's contribution of £19.8m into the Greater Manchester Pension Fund (£18.7m in 2018/19), representing 18.6% of pensionable pay (18.4% in 2018/19). In addition, the Council makes further payments in respect of added years benefits it has awarded, together with the related increases. In 2019/20 these amounted to £0.75m (£0.75m in 2018/19), representing 0.7% of pensionable pay (0.8% in 2018/19).

The Greater Manchester Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme, the scheme is managed by Tameside MBC who became the administering authority in 1987. Each of the member authorities are represented on the Pension Fund Advisory Panel.

Further information can be found in the Greater Manchester Pension Fund's Annual Report which is available upon request from Greater Manchester Pension Fund, Guardsman Tony Downes House, and 5 Manchester Road, Droylsden, M43 6SF.

The costs of retirement benefits are recognised in Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed in the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance through the Movement in Reserves Statement during the year.

The Balance Sheet holds the underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2020 and they are set out as follows:

Comprehensive Income and Expenditure Statement	**2019/20**			2018/19		
	Net (Liability)/ Assets	**Assets**	**Obligations**	Net (Liability)/ Assets	Assets	Obligations
	£000	**£000**	**£000**	£000	£000	£000
Cost of Services:						
Service cost comprising:						
- current service cost	**46,175**		**46,175**	40,611		40,611
- past service costs (including curtailments)	**5,810**		**5,810**	664		664
Financing and Investment Income and Expenditure						
- interest income on plan assets	**(22,838)**	**(22,838)**		(24,426)	(24,426)	
- interest cost on defined benefit obligation	**32,397**		**32,397**	32,374		32,374
Post-employment benefits charged to CIES	**61,544**	**(22,838)**	**84,382**	49,223	(24,426)	73,649
Other Post-employment benefits charged to the CIES:						
Re-measurement of the net defined benefit liability comprising:						
- return on Plan assets (excluding the amount included in the net interest expense)	**67,532**	**67,532**		(42,854)	(42,854)	
- actuarial gains and losses on changes in demographic assumptions	**(39,984)**		**(39,984)**			
- actuarial gains and losses arising on changes in financial assumptions	**(99,767)**		**(99,767)**	98,465		98,465
- Other experience	**(28,444)**		**(28,444)**	436		436
Re-measurements of the net defined pensions liability	**(100,663)**	**67,532**	**(168,195)**	56,047	(42,854)	98,901

Movement in Reserves Statement						
Reversal of net charges made for retirement benefits in accordance with IAS 19	**(61,544)**	**22,838**	**(84,382)**	(49,223)	24,426	(73,649)
Actual amounts charged against the General Fund Balance						
for pensions in the year:						
- Employers' contributions payable to the scheme	**19,839**	**19,839**		18,738	18,738	

- Unfunded Benefits payable to pensioners	**1,938**	**1,938**		1,971	1,971	
Movement on pensions reserve	**(39,767)**	**44,615**	**(84,382)**	(28,514)	45,135	(73,649)

	Greater Manchester Pension Fund		**Teachers' Discretionary Benefits**		**Total**	Total
	31 March 2020 £000	31 March 2019 £000	**31 March 2020 £000**	31 March 2019 £000	**31 March 2020 £000**	31 March 2019 £000
Fair Value of plan assets	**892,505**	961,912		0	**892,505**	961,912
Present value of defined benefit obligation	**(1,208,669)**	(1,318,744)	**(16,623)**	(19,821)	**(1,225,292)**	(1,338,565)
Net liability arising from defined benefit obligation	**(316,164)**	(356,832)	**(16,623)**	(19,821)	**(332,787)**	(376,653)

The funding arrangements and asset liability matching strategy adopted by the pension fund are described in detail in the Greater Manchester Pension Fund's 'Funding Strategy Statement' which gives a summary of the GMPF's approach to funding liabilities.

Changes in the Fair Value of Plan Assets	Period ended 31 March 2020 Net (liability)/ Assets £000	Assets £000	Obligations £000	Period ended 31 March 2019 Net (liability)/ Assets £000	Assets £000	Obligations £000
Fair Value of Employer Assets	961,912	961,912		917,467	917,467	
Present value of funded liabilities	(1,308,123)		(1,308,123)	(1,161,739)		(1,161,739)
Present value of unfunded liabilities	(30,442)		(30,442)	(30,776)		(30,776)
Opening position as at 31 March 2019	(376,653)	961,912	(1,338,565)	(275,048)	917,467	(1,192,515)
Service Costs:						
- current service cost*	(46,175)		(46,175)	(40,611)		(40,611)
- past service costs (including curtailments)**	(5,810)		(5,810)	(664)		(664)
Total service cost	(51,985)	0	(51,985)	(41,275)	0	(41,275)
Net Interest:						
- interest income on plan assets	22,838	22,838		24,426	24,426	
- interest cost on defined benefit obligation	(32,397)		(32,397)	(32,374)		(32,374)
Total net interest	(9,559)	22,838	(32,397)	(7,948)	24,426	(32,374)
Total defined benefit cost recognised in Profit or (Loss)	(61,544)	22,838	(84,382)	(49,223)	24,426	(73,649)
Cashflows:						
- Contributions from Members		6,655	(6,655)		6,393	(6,393)
- Contributions from Employer	2,809	2,809		1,694	1,694	
- Contributions in respect of unfunded benefits	1,938	1,938		1,971	1,971	
- Benefits paid		(34,177)	34,177		(30,922)	30,922
- Unfunded benefits paid		(1,938)	1,938		(1,971)	1,971
Cashflows	4,747	(24.713)	29,460	3,665	(22,835)	26,500
Expected closing position	(433,450)	960,037	(1,393,487)	(320,606)	919,058	(1,239,664)
Re-measurements:						
- Changes in demographic assumptions	39,984		39,984			
- Changes in financial assumptions	99,767		99,767	(98,465)		(98,465)
- Other experience	28,444		28,444	(436)		(436)
- Return on assets excluding amounts included in net interest	(67,532)	(67,532)		42,854	42,854	
Total Re-measurements recognised in CIES	100,663	(67,532)	168,195	(56,047)	42,854	(98,901)

Fair Value of Employer Assets	**892,505**	**892,505**		961,912	961,912	
Present Value of Funded liabilities	**(1,199,656)**		**(1,199,656)**	(1,308,123)		(1,308,123)
Present Value of Unfunded liabilities	**(25,636)**		**(25,636)**	(30,442)		(30,442)
Closing Position as at 31 March 2020	**(332,787)**	**892,505**	**(1,225,292)**	(376,653)	961,912	(1,338,565)

*The service cost figures include an allowance for administration expenses of 0.3% of payroll.
** The past service cost for 2019/20 includes an estimated allowance for the McCloud judgement of £5.386m, in relation to a court ruling on age discrimination in the Fund. This is included in the closing liability.

The net pension liability for the Greater Manchester Pension Fund at 31 March 2020 includes a £9.01m liability in respect of unfunded pension payments (31 March 2019 £10.62m liability).

Employer's contributions to the Greater Manchester Pension Fund for the year ended 31 March 2021 will be approximately £20.36m.

The Council opted to make a three-year advance payment of its employer pension contributions totalling £51.11m on 3 April 2017, covering employer pension contributions for 2017/18, 2018/19 and 2019/20. By paying contributions up front the Council was able to able to secure a saving on anticipated employer contributions for the three years. The expected contributions for 2019/20 were £17.03m, but actual contributions, due to the payroll being larger than anticipated over the year, were £19.58m. The difference of £2.55m is due to GMPF at 31 March 2020 and has been allowed for in the actuary's calculations.

The advance payment of pension contribution caused an imbalance between the pensions reserve and the pensions liability in 2017/18 and 2018/19 due to the payment being a reduction in the pensions liability compared to actual charges against the general fund. This difference has unwound in 2019/20, being the final year of the advance payment, and the liability and reserve are equal as at 31 March 2020.

The Council has made a further three-year advance payment of employer contributions on 7 April 2020 amounting to £56.80m.

The last formal actuarial valuation of the Greater Manchester Pension Fund was undertaken as at 31 March 2019. This was carried out in accordance with the statutory requirements. The aim of the triennial valuation is principally to balance the objectives of stability of contributions and ensuring the solvency of the fund. At subsequent year ends the actuary performs an annual assessment which is an update of the formal valuation to reflect current conditions. These annual assessments form the basis of the balances reflected in the Statement of Accounts in accordance with IAS 19. The IAS 19 valuations do not determine the contributions that the Council needs to pay into the fund; these are set by the triennial actuarial valuations. However, the IAS 19 results can give an indication of the expected movement of the position of the fund between triennial valuations. The next valuation will be undertaken as at 31 March 2022.

Liabilities in the Greater Manchester Pension Fund have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, actuaries to the pension fund.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute, as described in the accounting policies note.

The main assumptions used in their calculations are set out below:

Basis for Estimating Assets and Liabilities	**Assumptions as at 31 March 2020**	Assumptions as at 31 March 2019
Longevity at 65 for current pensioners:		
Men	**20.5 years**	21.5 years
Women	**23.1 years**	24.1 years
Longevity at 65 for future pensioners:		
Men	**22.0 years**	23.7 years
Women	**25.0 years**	26.2 years
Financial Assumptions:		
Rate of increase in pensions	**1.9%**	2.5%
Rate of increase in salaries	**2.7%**	2.6%
Rate for discounting scheme liabilities (actual)	**2.3%**	2.4%

The weighted average duration of the defined benefit obligation for scheme members is 19 years.

Life expectancies for the prior year end are based on the Funds VitaCurves. The allowance for future life expectancies is shown below:

Historic Mortality	**Prospective Pensioners**	**Pensioners**
Year ended 31 March 2020	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long-term rate of 1.25% per annum	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long-term rate of 1.25% per annum

Sensitivity Analysis:

Change in Assumptions at 31 March 2020	**Approximate % increase to Defined Benefit**	**Approximate monetary amount £000**

	Obligation	
0.5% decrease in Real Discount Rate	**10%**	**116,416**
0.5% Increase in the Salary increase rate	**1%**	**11,034**
0.5% Increase in the Pension increase rate	**9%**	**104,404**

The sensitivity analysis above is based on reasonable, possible changes to the assumptions occurring at the end of the reporting period. In practice assumptions are unlikely to change and changes may be interrelated. The estimations are in line with accounting policies for the scheme. The methods and types of assumptions used in preparing the analysis have not changed from those used in previous periods.

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, a one year increase in life expectancy would increase the Defined Benefit Obligation by approximately 3 - 5%.

Assets in the Greater Manchester Pension Fund are valued at fair value, and consist of equities, bonds, property and cash. The table below sets out the value and proportion of assets held in the said classes together with the prices quoted in the market:

	Period ended 31 March 2020				Period ended 31 March 2019			
Fair value of scheme asset	**Quoted Prices in active markets £000**	**Quoted Prices not in active markets £000**	**Total £000**	**Percentage of Total Assets %**	Quoted Prices in active markets £000	Quoted Prices not in active markets £000	Total £000	Percentage of Total Assets %
Equity Instruments (by industry type):								
Consumer	**81,027**		**81,027**	**9%**	53,130		53,130	6%
Manufacturing	**68,552**		**68,552**	**8%**	55,588		55,588	6%
Energy and Utilities	**51,320**		**51,320**	**6%**	54,055		54,055	6%
Financial Institutions	**99,194**		**99,194**	**11%**	76,126		76,126	7%
Health and Care	**40,243**		**40,243**	**5%**	28,404		28,404	3%
Information Technology	**35,799**		**35,799**	**4%**	17,173		17,173	2%
Other	**18,619**		**18,619**	**2%**	10,540		10,540	1%
Bonds (by sector):								
Corporate Bonds	**33,751**		**33,751**	**4%**	35,979		35,979	4%
UK Government					6,334		6,334	1%
Other	**28,785**		**28,785**	**3%**	24,397		24,397	3%
Private Equity:		**46,078**	**46,078**	**5%**		45,049	45,049	5%
Real Estate:								
UK		**37,606**	**37,606**	**4%**		45,688	45,688	5%
Investment Funds and Unit Trusts:								
Equities	**89,555**		**89,555**	**10%**	217,449		217,449	22%
Bonds	**103,052**		**103,052**	**11%**	119,653		119,653	12%
Infrastructure		**43,300**	**43,300**	**5%**		46,116	46,116	5%

Other	**22,381**	**79,086**	**101,467**	**11%**	18,745	82,971	101,716	10%
Derivatives:								
Other					488		488	0%
Cash and Cash Equivalents:								
All	**14,157**		**14,157**	**2%**	24,027		24,027	2%
Total Assets	**686,435**	**206,070**	**892,505**	**100%**	742,088	219,824	961,912	100%

27. Pooled Budget Arrangements

Pooled Budgets with Stockport Clinical Commissioning Group (CCG) Section 75 Agreements

Section 75 of the NHS Act 2006 allows NHS organisations and local authorities to make contributions to a pooled budget. The purpose of a pooled budget is to improve partnership working between organisations and provide integrated and improved services for patients and service users. In accordance with IFRS 11 Joint Arrangements, the pool budget has been classified as a joint operation as both the clinical commissioning group and Stockport Metropolitan Borough Council have joint control and rights and account for their share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

Stockport Clinical Commissioning Group (CCG) has entered into a pooled budget arrangement with the Council, who host the pooled budget. The Section 75 agreement allows organisations to vary their contributions to the pool to align with agreed investment proposals. In 2019/20 resources totalling £218.530m were pooled. Whilst the provisions contained within the Section 75 agreement indicate that joint control exists the fund operates through lead commissioner arrangements whereby the nominated lead commissioner enters into legal contract with providers and the non-lead commissioner cedes control over the end-contract. Under lead commissioning arrangements an organisation acting as a lead commissioner accounts for its own transactions without recognising its interest in its share of total assets, liabilities, revenue and expenditure that relate to the whole Fund. Each organisation also accounts for any surplus or deficit relating to its own transactions.

The memorandum below illustrates the contributions by partners and the financial performance by points of delivery (PODS) and the overall performance for the Section 75 Agreement in 2019/20 and 2018/19.

Pooled Budget Statement

2019/20	Prevention £000	Borough-wide £000	Community / Out of Hospital £000	Acute £000	Total £000
Funding provided to the Pooled Budget					
Stockport Council	(14,571)	(11,059)	(83,554)		**(109,184)**
Stockport CCG	(144)	(38)	(28,958)	(80,206)	**(109,346)**
Total	**(14,715)**	**(11,097)**	**(112,512)**	**(80,206)**	**(218,530)**
Expenditure met from the Pooled Budget					
Stockport Council	14,465	10,911	83,897		**109,273**
Stockport CCG	144	35	31,989	80,151	**112,319**
Total	**14,609**	**10,946**	**115,886**	**80,151**	**221,592**
Net (surplus)/deficit arising from the pooled budget in year	**(106)**	**(151)**	**3,374**	**(55)**	**3,062**
Net (surplus)/deficit split by each partner:					
Stockport Council	(106)	(148)	343		**89**
Stockport CCG		(3)	3,031	(55)	**2,973**
Total	**(106)**	**(151)**	**3,374**	**(55)**	**3,062**

2018/19	Prevention £000	Borough-wide £000	Community/ Out of Hospital £000	Acute £000	Total £000
Funding provided to the Pooled Budget					
Stockport Council	(20,681)	(7,617)	(72,167)		(100,465)
Stockport CCG	(156)	(3,900)	(28,022)	(73,056)	(105,134)
Total	(20,837)	(11,517)	(100,189)	(73,056)	(205,599)
Expenditure met from the Pooled Budget					
Stockport Council	20,526	7,386	73,147		101,059
Stockport CCG	140	3,911	27,598	75,440	107,089
Total	20,666	11,297	100,745	75,440	208,148
Net (surplus) / deficit arising from the pooled budget in year	(171)	(220)	556	2,384	2,549
Net (surplus) / deficit split by each partner:					

Stockport Council	(155)	(231)	980		594
Stockport CCG	(16)	11	(424)	2,384	1,955
Total	(171)	(220)	556	2,384	2,549

28. Members' Allowances

The Council paid the following amounts to Council Members during the year.

	2019/20 £000	2018/19 £000
Allowances	**932**	932
Expenses	**2**	2
Total	**934**	934

29. Officer Remuneration

Senior Officer Remuneration for 2019/20 is provided in the table below.

Post Holder		Salary, Fees & Allowances £	Expenses Allowance £	Benefits in Kind £	Compensation for Loss of Office £	Employers Pension Contribution £	Note
Chief Executive- P.Smith	**2019/20**	**156,637**	**0**	**TBC**	**0**	**21,498**	
	2018/19	150,227	0	0	**0**	27,191	
Deputy Chief Executive	**2019/20**	**139,616**	**846**	**TBC**		**25,550**	
	2018/19	136,797	846	0	0	24,760	
Corporate Director, Services to Place	**2019/20**	**134,266**	**0**	**TBC**		**24,571**	
	2018/19	128,935	0	0	0	23,337	
Borough Treasurer - 01 April 2019 to 31 October 2019	**2019/20**	**59,901**	**0**	**TBC**	**0**	**10,468**	A
	2018/19	97,719	0	12	0	17,687	
Corporate Director – Corporate and Support Services - 01 November 2019 onwards	**2019/20**	**51,806**	**0**	**TBC**	**0**	**9,025**	A
	2018/19	0	0	0	0	0	
Director of Adult Social Care	**2019/20**	**100,390**	**1,102**	**TBC**	**0**	**18,371**	
	2018/19	95,465	1,102	0	0	17,279	
Director of Children's Services	**2019/20**	**124,398**	**161**	**TBC**	**0**	**21,893**	B
	2018/19	121,727	963	0	0	22,016	
Director of Public Health - 01 April 2018 to 31 August 2018	**2019/20**	**0**	**0**	**TBC**	**0**	**0**	
	2018/19	16,529	0	0	0	0	
Director of Public Health - 01 September 2018 to 31 October 2019	**2019/20**	**43,163**	**51**	**TBC**	**0**	**4,679**	
	2018/19	58,497	78	98	0	10,588	
Acting Director of Public Health - 01 November 2019 onwards	**2019/20**	**20,374**	**0**	**TBC**	**0**	**3,728**	
	2018/19	0	0	0	0	0	
Head of Legal and Democratic Governance	**2019/20**	**92,942**	**0**	**TBC**	**0**	**0**	C
	2018/19	39,842	0	0	0	0	
Head of Legal and Democratic Governance - 05 April 2018 to 21 October 2018	**2019/20**	**0**	**0**	**TBC**	**0**	**0**	
	2018/19	51,353	0	0	0	1,131	
Chief Education Officer - 01 September 2019 onwards	**2019/20**	**58,659**	**0**	**TBC**	**0**	**0**	
	2018/19	0	0	0	0	0	

Note	Notes to the Senior Officer Remuneration Table
A	The Borough Treasurer was appointed the Corporate Director, Corporate and Support Services, with effect from 01 November 2019.
B	Director of Children's Services carried out the statutory role of Chief Education Officer until 31 August 2019.
C	Head of Legal and Democratic Governance appointed 22 October 2018.

The table below lists the Council's Senior Officers, their statutory roles and areas of responsibility as at 31 March 2020.

Officer	Statutory Role	Areas of Responsibility
Chief Executive	Head of Paid Service, Council Returning Officer	All Council activities
Deputy Chief Executive 01.04.2019 – 31.10.2019		Provision of strategic and corporate leadership to Adult Social Care, health and care system and implementation of new adult social care model. People and Organisational Development, Policy Performance, Public Service Reform, Legal and Democratic Governance, Community Safety, Elections, Registrars, Libraries, Neighbourhood Management, Coroners, Democratic Services, Estate and Asset Management, Business Support, Information and Communication.
Deputy Chief Executive 01.11.2019 – onwards		Provision of strategic and corporate leadership to Adult Social Care, health and care system and implementation of new adult social care model. Public Service Reform, Legal and Democratic Governance, Community Safety, Elections, Democratic Services, Estate and Asset Management
Corporate Director, Services to Place		Climate Change, Public Protection, Public Realm, Transportation, Building Control, Culture and Leisure, Economic Development and Regeneration, Planning Services, Strategic Housing, Learning and Employment, Public Health
Borough Treasurer 01.04.2019 – 31.10.2019	Section 151 Finance Officer	Finance, Audit and Insurance, Revenues and Benefits, Customer Services, Advice and Information, STaR Procurement and IT Strategic Lead.
Corporate Director, Corporate and Support Services 01.11.2019 - onwards	Section 151 Finance Officer	Finance, Audit and Insurance, Revenues and Benefits, Customer Services, Advice and Information, STaR Procurement and IT Strategic Lead. People and Organisational Development, Policy Performance, Registrars, Libraries, Neighbourhood Management, Coroners, Business Support, Information and Communication.
Director of Adult Social Care	Director of Adult Social Care	Health and Well-being, Business Intelligence, Service Redesign, Market Development, Quality and Commissioning, Disability Services, Older Peoples Services, Short Term Support and Service Integration.
Director of Children's Services	Director of Children's Services & Chief Education Officer	Early Help and Prevention, Safeguarding Children, Children's Disability Partnership, Children's Social Care, Supporting Families
Chief Education Officer	Chief Education Officer	School Improvement; SEND and Inclusion; Participation and Education; School Services; Commissioning School places and school effectiveness
Director of Public Health	Director of Public Health	Health Protection, Healthcare, Early Diagnosis and Sexual Health, Lifestyle Services, Mental Well Being and Workplace, Priority Communities and Cultural Determinants, Healthy Schools, Healthy Promotion, Teenage Pregnancy.
Acting Director of Public Health	Acting Director of Public Health	Health Protection; Health Care Public Health; Public Health Intelligence; Early Intervention and Prevention including screening programmes; Sexual health; Drug and alcohol treatment services; Lifestyle service; Physical activity; Mental

		Well Being and Workplace health; Healthy communities.
CSS Strategic Head of Service (Legal, Democratic Governance and Estate and Asset Management)	Monitoring Officer	Legal and Democratic Governance, Estates and Asset Management.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid as shown in the table below.

	2019/20				
	Number of employees who received redundancy or other related payments		**Number of employees who did not receive redundancy or other related payments**		
Remuneration Band	**Schools**	**Other Services**	**Schools**	**Other Services**	**Total**
£50,000 to £54,999	**0**	**1**	**57**	**23**	**81**
£55,000 to £59,999	**1**	**1**	**31**	**18**	**51**
£60,000 to £64,999	**0**	**5**	**22**	**17**	**44**
£65,000 to £69,999	**0**	**2**	**22**	**6**	**30**
£70,000 to £74,999	**0**	**0**	**15**	**6**	**21**
£75,000 to £79,999	**0**	**1**	**2**	**0**	**3**
£80,000 to £84,999	**0**	**0**	**3**	**0**	**3**
£85,000 to £89,999	**0**	**1**	**0**	**1**	**2**
£90,000 to £94,999	**0**	**0**	**0**	**0**	**0**
£95,000 to £99,999	**0**	**0**	**2**	**2**	**4**
£100,000 to £104,999	**0**	**2**	**1**	**1**	**4**
£105,000 to £109,999	**0**	**0**	**1**	**0**	**1**
£110,000 to £114,999	**0**	**0**	**0**	**0**	**0**
£115,000 to £119,999	**0**	**0**	**2**	**0**	**2**
£120,000 to £124,999	**0**	**0**	**0**	**0**	**0**
£125,000 to £129,999	**0**	**0**	**0**	**0**	**0**
£130,000 to £134,999	**0**	**0**	**0**	**0**	**0**
£135,000 to £139,999	**0**	**1**	**0**	**1**	**2**
Total	**1**	**14**	**158**	**75**	**248**

	2018/19				
	Number of employees who received redundancy or other related payments		Number of employees who did not receive redundancy or other related payments		
Remuneration Band	Schools	Other Services	Schools	Other Services	Total
£50,000 to £54,999	0	2	55	20	77
£55,000 to £59,999	0	2	27	18	47
£60,000 to £64,999	0	2	28	18	48
£65,000 to £69,999	0	1	20	3	24
£70,000 to £74,999	0	1	7	2	10
£75,000 to £79,999	0	1	2	1	4

£80,000 to £84,999	0	2	0	3	5
£85,000 to £89,999	0	0	1	0	1
£90,000 to £94,999	0	0	1	2	3
£95,000 to £99,999	0	0	1	0	1
£100,000 to £104,999	0	0	1	0	1
£105,000 to £109,999	0	1	1	1	3
£110,000 to £114,999	0	0	0	0	0
£115,000 to £119,999	1	0	0	0	1
£120,000 to £124,999	0	0	0	0	0
£125,000 to £129,999	0	0	0	0	0
£130,000 to £134,999	0	0	0	1	1
Total	1	12	144	69	226

Exit packages

Exit packages include voluntary redundancy costs paid to employees and pension contributions (capital costs) paid to the Local Government Pension Scheme applicable to employees who have taken voluntary early retirement.

Exit Package Cost Band	**Number of Compulsory Redundancies**	**Number of Other Departures Agreed**	**Total Number of Exit Packages by Cost Band**	**Total Cost of Exit Packages in Each Band**		
	2019/20	**2019/20**	**2019/20**	**Redundancy 2019/20 £000**	**Capital 2019/20 £000**	**Total 2019/20 £000**
£0 to £20,000	**0**	**15**	**15**	**171**	**11**	**182**
£20,001 to £40,000	**0**	**9**	**9**	**179**	**72**	**251**
£40,001 to £60,000	**0**	**8**	**8**	**283**	**127**	**410**
£60,001 to £80,000	**0**	**5**	**5**	**161**	**165**	**326**
£80,001 to £100,000	**0**	**4**	**4**	**131**	**225**	**356**
£100,001 to £150,000	**0**	**1**	**1**	**27**	**92**	**119**
£150,001 to £200,000	**0**	**0**	**0**	**0**	**0**	**0**
£200,001 to £250,000	**0**	**1**	**1**	**45**	**162**	**207**
Total	**0**	**43**	**43**	**997**	**854**	**1,851**

Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in Each Band		
	2018/19	2018/19	2018/19	Redundancy 2018/19 £000	Capital 2018/19 £000	Total 2018/19 £000
£0 to £20,000	8	28	36	275	0	275
£20,001 to £40,000	0	8	8	239	23	262
£40,001 to £60,000	0	1	1	47	0	47
£60,001 to £80,000	0	4	4	118	153	271
£80,001 to £100,000	0	2	2	74	119	193
£100,001 to £150,000	0	2	2	23	192	215

£150,001 to £200,000	0	1	1	45	128	173
£200,001 to £250,000	0	1	1	50	176	226
Total	8	47	55	871	791	1,662

30. External Audit Costs

Stockport Metropolitan Borough Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2019/20 £000	2018/19 £000
Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor	**97**	98
Fees payable to KPMG LLP for the certification of grant claims and returns	**17**	26
Fees payable to Mazars LLP with regard to other services	**10**	
	124	124

31. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2019/20 are as follows:

	Central Expenditure £000	**Individual Schools Budget £000**	**Total £000**
Final DSG for 2019/20 before academy recoupment			**223,096**
Academy and high needs figure recouped for 2019/20			**(41,498)**
Total DSG after academy and high needs recoupment for 2019/20			**181,598**
Plus: Brought Forward from 2018/19			**787**

Less: Carry-forward to 2020/21 agreed in advance			**0**
Agreed initial budgeted distribution in 2019/20	51,487	172,559	**224,046**
In year adjustments	(9,785)	(31,739)	**(41,524)**
Final Budgeted distribution for 2019/20	**41,702**	**140,820**	**182,522**
Less Actual central expenditure	43,004		
Less Actual ISB deployed to schools		140,820	
Plus Local Authority contribution for 2019/20	0	0	
Carry-forward to 2020/21	(1,302)	0	**(1,302)**

32. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

	2019/20 Credited to taxation and non-specific grant income £000	**2019/20 Credited to services £000**	**2018/19 Credited to taxation and non-specific grant income** £000	**2018/19 Credited to services** £000
<u>Capital</u>				
Capital Grants:				
Department for Education capital programme (including DFC, Basic Need and Capital Maintenance)	**(12,302)**	**(195)**	(6,644)	(123)
Department for Transport Highways capital programme	**(15,252)**		(24,760)	
Transport for Greater Manchester A6 to Manchester Airport Relief Road	**(4,138)**		(13,889)	
Housing HRA - HCA funding			(1,520)	
Housing HRA - European grant funding	**(144)**			
Housing - Disabled Facilities Grant	**(573)**	**(2,016)**		(1,877)
Other government grants	**(275)**		(46)	(45)
Capital Contributions:				
Developer and other highways contributions	**(1,179)**		(1,570)	
Other contributions	**(1,682)**	**(21)**	(731)	(154)
	(35,545)	**(2,232)**	(49,160)	(2,199)
<u>Revenue</u>				
Dedicated Schools Grant (DSG)		**(181,270)**		(178,615)
Pupil Premium Grant		**(8,952)**		(9,208)
Other Education and Schools Grants		**(10,348)**		(7,075)
<u>Subsidy grants for benefits payments:</u>				
Rent Allowances		**(34,625)**		(40,194)
Rent Rebates		**(23,491)**		(26,255)

Benefit Administration		**(1,025)**		(1,115)
Other Benefit Grants		**(641)**		(711)
Other Government Grants:				
Adult Social Care Winter Funding		**(1,283)**		(1,283)
New Homes Bonus Grant	**(1,792)**		(1,554)	
Grants in lieu of Business Rates	**(12,586)**		(10,762)	
Covid-19 Grant	**(8,276)**			
Improved Better Care Fund	**(6,333)**	**(1,810)**	(3,111)	(3,636)
Adult Social Care	**(2,192)**		(802)	
Independent Living Fund		**(922)**		(951)
Troubled Families		**(674)**		(779)
Apprenticeship Grant		**(589)**		
EU Exit Grant	**(210)**			
Other Grants		**(9,649)**	(105)	(6,094)
Contributions:				
Stockport CCG - Adults Social Care (Pooled)		**(23,317)**		(25,705)
Regional Adoption Agency LA contributions		**(3,918)**		(3,898)
Stockport CCG to Children's Social Care		**(965)**		(641)
Total Revenue Grants & Contributions	**(31,389)**	**(303,479)**	(16,334)	(306,160)
Total Grants & Contributions	**(66,934)**	**(305,711)**	(65,494)	(308,359)

Analysis of Grants Receipts in Advance

The balance of Grants Receipts in Advance represents grants received that have yet to be recognised as income, as they have conditions attached to them, which will require the grant to be repaid, if conditions are not met. The balances at the year end are as follows:

	2019/20 £000	2018/19 £000
Revenue Grants & Contributions Receipts in Advance		
Business Rates Relief	**(13,358)**	
Family Drug and Alcohol Courts (FDAC)	**(767)**	
Adult & Community Learning	**(558)**	(716)
Regional Improvement Alliance	**(479)**	(130)
Not in Education, Employment or Training (NEET)	**(369)**	(368)
School Intervention	**(358)**	
Troubled Families Grant	**(226)**	(357)
Partners In Practice	**(207)**	(552)
No Wrong Door	**(195)**	
Town Centre Deal Cheadle	**(140)**	
Controlling Migration	**(136)**	
Youth Justice Early Intervention	**(93)**	
SME Apprenticeship	**(78)**	(126)
Salford - New Economy	**(67)**	
Local Digital Fund	**(62)**	
Schools Sports Co-ordinator	**(53)**	(53)

Mocking Bird	**(43)**	(72)
Music Services	**(16)**	(16)
Regional Adoption Agency contributions		(47)
National System and Accreditation System Grant		(114)
Custom Build		(60)
Flexible Homelessness		(111)
What Works Centre School Based Social Workers		(100)
Other grants	**(298)**	(388)
	(17,503)	(3,210)

	2019/20 £000	2018/19 £000
Capital Grants Receipts in Advance		
Ministry of Housing, Communities and Local Government	**(3,295)**	(3,191)
Department for Education	**(3,223)**	(2,944)
Department for Transport	**(1,027)**	(1,095)
Department of Environment, Food and Rural Affairs	**(139)**	(179)
Department of Health		(12)
Other government grants	**(1)**	
	(7,685)	(7,421)

33. Transactions with Related Parties

The Council is required to disclose material transactions with related parties. Related parties are individuals or organisations that have the ability to control or significantly influence the Council or be controlled or influenced by the Council. This note sets out details of transactions between related parties and the Council.

Central Government: the Government has significant influence over the general operations of the Council. It is responsible for providing the framework within which the Council operates. It also provides the majority of funding for Council services. Grants received from government departments are set out in Note 32.

Members of the Council have direct control over the Council's financial and operating policies. Details of Members' interests, both pecuniary and non-financial are recorded in the Register of Members' Interests, which is open to public inspection. Members' interests are also available to view via the Council's web site. The total of members' allowances paid in 2019/20 is shown in Note 28.

The Council's Constitution sets out procedures for the declaration of Members' interests, and those of their close family members, at Council meetings and for the withdrawal of Members from meetings, if it is deemed that there is a conflict of interest. Several Members are trustees, employees and Council representatives of various charitable and similar voluntary organisations that receive financial and other support from the Council. During the year, the Council paid £0.859m to organisations in which members had either a voluntary interest or held a stewardship role.

Corporate Directors and Service Directors are required on an annual basis to make a declaration of related parties. In addition, there is a code of conduct under which such officers must disclose any pecuniary and non-financial interests. No such disclosures have been made for 2019/20.

Other material related party transactions

Borough Care Limited is a not-for-profit residential care provider for the Council. They operate 11 care homes across Stockport and are a significant supplier of care services for the Council, providing circa 20% of the residential care capacity within the Borough.

Life Leisure is the trading name of Stockport Sports Trust and is a not-for-profit social enterprise company and registered charity. It is commissioned with the delivery of leisure and recreation services for the Council, for which the Council pays a management fee.

Payments to related parties	**2019/20 £000**	2018/19 £000
Borough Care	**8,187**	6,523
Life Leisure (Stockport Sports Trust)	**1,755**	1,705

Payments from related parties	**2019/20 £000**	2018/19 Restated £000
Borough Care	**120**	51
Life Leisure (Stockport Sports Trust)	**147**	121

Amounts due to SMBC at 31 March	**2019/20 £000**	2018/19 Restated £000
Borough Care	**35**	32
Life Leisure (Stockport Sports Trust)	**69**	34

Amounts owed to related parties at 31 March	**2019/20 £000**	2018/19 £000
Borough Care	**332**	194
Life Leisure (Stockport Sports Trust)	**168**	431

Related Party Transactions with Other Public Bodies

NHS Bodies
The Council's Adult Social Care, Public Health and Health Policy Services form part of the pooled budget with Stockport CCG. Details can be found in Note 27, Pooled Budget Arrangements.

There are a number of NHS contracts for which the Council is charged and details are set out in the table below.

	2019/20 £000	2018/19 £000
Stockport NHS Foundation Trust		
Community /Acute contract	**1,200**	1,200
Health Visitors	**4,200**	4,400
Older Peoples Service - Home based community contracts	**2,128**	2,128
Pennine Care NHS Foundation Trust		
Drug and Alcohol Service	**1,200**	1,200
Learning Disabilities Contract	**1,063**	983
Central Manchester University Hospitals NHS Foundation Trust		
Sexual Health Contract	**1,500**	1,500

Greater Manchester Combined Authority

Greater Manchester Combined Authority (GMCA) co-ordinates key economic development, regeneration, transport and waste disposal functions. The Council pays levies to GMCA for transport and waste disposal functions and the following amounts are included in the Comprehensive Income and Expenditure Statement, within Other Operating Expenditure.

	2019/20 £000	2018/19 £000
Greater Manchester Combined Authority		
Transport Levy	**19,495**	29,290
Waste Disposal Levy	**21,111**	11,422

Regional Adoption Agency

From 3 July 2017, adoption services in Stockport, Manchester, Trafford, Salford and Cheshire East local authorities are being delivered through an integrated service called Adoption Counts. This is a Regional Adoption Agency as set out in the Education and Adoption Act 2016. Stockport Council is the host of this joint service and is responsible for the finances. The budget for this service in 2019/20 was £4.179m (2018/19 £4.100m).

Environment Agency
The Comprehensive Income and Expenditure Statement, within Other Operating Expenditure, includes the following amounts that are charged as levies for services not directly provided by the Council:

- Environmental Agency - 2019/20 £0.178m (2018/19 - £0.174m)

Other related parties disclosed elsewhere in the Statement of Accounts
Pension funds are disclosed in other notes to the Core Financial Statements and in Note 26 Pension schemes.

The Council prepares Group Accounts for entities where it has material financial interests and a significant level of control. The Stockport Council Group comprises Stockport Homes Ltd, Totally Local Company Ltd, Stockport Exchange Phase 2 Ltd and Stockport Hotel Management Company Ltd. More information can be found at The Group Accounts section to the Statement of Accounts.

34. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2019/20 £000	2018/19 £000
Opening Capital Finance Requirement	**708,285**	669,966
Capital Investment		
Property, Plant & Equipment	**69,417**	84,968
Investment Assets	**3,868**	2,924
Heritage Assets	**20**	22
Assets Held for Sale	**21**	
Intangible assets	**420**	
Revenue Expenditure funded from capital under statute	**2,245**	2,268
Loans treated as capital expenditure	**21,862**	26,580
Share Capital	**1,870**	
	99,723	116,762
Sources of Finance		
Government grants received or receivable	**(28,141)**	(47,237)
Capital receipts	**(2,391)**	(1,066)

External contributions	**(3,372)**	(2,261)
Direct Revenue Contributions	**(11,904)**	(13,351)
Minimum Revenue Provision (MRP)	**(14,891)**	(14,528)
	(60,699)	(78,443)
Closing Capital Financing Requirement	**747,309**	708,285
Increase/(decrease) in Capital Financing Requirement relating to borrowing	**39,024**	38,319

35. Leases

Stockport Exchange Leases
In March 2013, the Council entered into a series of agreements (leases) to enable the development of a multi-storey car park on the Stockport Exchange site. The development was completed in February 2014 when the lease agreements were triggered.

The agreements comprise separate but linked transactions to establish operating and finance leases for the land and buildings elements of the site.

The outstanding obligations tables for both operating and finance leases payable and receivable include the future minimum payments due under non-cancellable leases in future years, for all the land and buildings transactions for this development under the lease agreements.

Council as Lessee
The Council, on an on-going basis, enters into various operating and finance lease agreements with lessors in providing some of its services.

The Council has finance lease agreements in respect of a multi-storey car park building. The Council leases vehicles, plant and other equipment under the terms of operating leases.

The table below analyses the rentals paid for operating and finance lease by asset classification charged to the Comprehensive Income and Expenditure Statement.

	Operating Lease £000	**Finance Lease £000**	**2019/20 Total £000**	Operating Lease £000	Finance Lease £000	2018/19 Total £000
Land & Buildings	**1,160**	**968**	**2,128**	853	940	1,793
Plant, equipment & vehicles	**19**		**19**	97		97
	1,179	**968**	**2,147**	950	940	1,890

Certain lease costs paid by the Council are reimbursed by subsidiary companies.

Finance Leases
The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in

future years while the liability remains outstanding. The minimum lease payments made on finance leases are shown in the table below:

	31 March 2020 £000	31 March 2019 £000
Not later than one year	**(997)**	(968)
Later than 1 year and not later than 5 years	**(4,298)**	(4,173)
Over five years	**(39,541)**	(40,664)
Total minimum lease payments	**(44,836)**	(45,805)
Finance costs payable in future years	**31,136**	32,105
Finance lease liability	**(13,700)**	(13,700)

Outstanding obligations to make payments under the finance leases (excluding costs) at 31 March 2020 are as follows:

	31 March 2020 £000	31 March 2019 £000
Not later than one year		
Later than 1 year and not later than 5 years		
Over five years	**(13,700)**	(13,700)
	(13,700)	(13,700)

Operating Leases

The Council leases land and buildings, vehicles, plant and other equipment under the terms of operating leases, the future minimum lease payments due under non-cancellable leases in future years are shown in the table below:

	31 March 2020 £000	31 March 2019 £000
Not later than one year	**908**	861
Later than 1 year and not later than 5 years	**2,931**	2,887
Over five years	**20,925**	21,375
	24,764	25,123

Council as Lessor

Finance lease

The Council leases a multi-storey car park under a finance lease.

The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2020 £000	31 March 2019 £000
Not later than one year	**1,207**	1,172

Later than 1 year and not later than 5 years	**5,203**	5,051
Over five years	**47,869**	49,228
Total minimum lease payments	**54,279**	55,451
Unearned finance income	**(40,579)**	(41,751)
Finance lease asset	**13,700**	13,700

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	31 March 2020 £000	31 March 2019 £000
Not later than one year		
Later than 1 year and not later than 5 years		
Over five years	**13,700**	13,700
	13,700	13,700

Operating Leases

The Council has numerous operating leasing agreements with private individuals and entities regarding shops, other premises and land where the Council acts as the lessor.

The table below shows future years minimum lease payments receivable:

	31 March 2020 £000	31 March 2019 restated £000
Not later than one year	**(11,916)**	(11,761)
Later than 1 year and not later than 5 years	**(36,804)**	(35,935)
Over five years	**(251,729)**	(242,085)
	(300,449)	(289,781)

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 £12.394m rents were receivable by the Council (2018/19 £12.632m).

	Property, Plant and Equipment £000	**Investment Properties £000**	**Total £000**
Cost or Valuation			
Opening balance at 1 April 2019	9,042	162,983	**172,025**
Changes due to expiry/new leases	4,862	(353)	**4,509**
	13,904	162,630	**176,534**
Additions/Transfers	152	2,309	**2,461**
Retirements	(562)		**(562)**
Revaluations/Impairments	5,285	(20,574)	**(15,289)**
At 31 March 2020	**18,779**	**144,365**	**163,144**

Accumulated Depreciation/ Amortisation and Impairment			
Opening balance at 1 April 2019	(1,638)		**(1,638)**
Changes due to expiry/new leases	(1,049)		**(1,049)**
	(2,687)		**(2,687)**
Depreciation	(330)		**(330)**
Retirements	182		**182**
Revaluations/Impairments	2,323		**2,323**
At 31 March 2020	**(512)**		**(512)**
Net book Value at 31 March 2020	**18,267**	**144,365**	**162,632**
Net book Value at 1 April 2019	7,404	162,983	170,387

36. Investments

<u>Long-Term Investments</u>
The long-term investments are shown in the Balance Sheet as follows:

	31 March 2020 £	31 March 2019 £
Manchester Airport PLC	**30,200,002**	52,700,002
Manchester Airport Equity Investment	**1,870,000**	0
Stockport Homes Ltd	**0**	0
Totally Local Company Ltd	**2**	2
Stockport Exchange Phase 2 Ltd	**1**	1
Stockport Hotel Management Company Ltd	**100,000**	100,000
Total Long-Term Investments	**32,170,005**	52,800,005

Manchester Airport plc
The principal activity of Manchester Airport plc is the operation and development of Manchester International Airport. The Council has a 3.22% share of the Airport's share capital, and this has been included in the financial statements at fair value.

A dividend payment of £4.129m was received by the Council in July 2019 relating to the Airport's 2018/19 results (£3.571m received in July 2018 relating to the 2017/18 results). An interim dividend for 2019/20 of £2.300m was received in December 2019 (£2.065m received December 2018).

Manchester Airport Equity Investment
As part of the Manchester Airport transformation project, the Council alongside the other Greater Manchester Authority shareholders in the Manchester Airport Group, have agreed to provide equity investment to fund the development of a new car multi-storey car park at the Airport. £1.870m represents the first tranche of the equity instalment.

Stockport Homes Ltd

Stockport Homes Ltd is wholly-owned by the Council and is a company limited by guarantee. The company is an ALMO (arms-length management organisation) of the Council and its principal activities are to manage and maintain the housing stock of the Council. It commenced trading on 1 October 2005 and has been accounted for at historic cost.

Further details of the company and its trading results are set out in the Group Accounts section of these financial statements.

Totally Local Company Ltd

Totally Local Company Ltd is wholly-owned by the Council and was formed to take over the responsibility for providing highways maintenance, property and building maintenance, catering, and refuse collection services. It commenced trading on 1 November 2006 and has been accounted for at historic cost (£2).

Further details of the company and its trading results are set out in the Group Accounts section of these financial statements.

Stockport Exchange Phase 2 Ltd

Stockport Exchange Phase 2 Ltd is a wholly owned subsidiary of the Council and was set up to undertake the Stockport Exchange Development, which completed in 2016/17.

The company is accounted for at historic cost (£1). The company is now dormant and had minimal transactions in the current and preceding financial year.

Stockport Hotel Management Company Ltd

On 19 September 2016, the Council incorporated Stockport Hotel Management Company Ltd as the trading company for the Hotel appointing two Council Officers as Directors. This is a wholly owned company of the Council and the Council has provided £0.100m of share capital. A dividend payment of £0.141m was received by the Council in 2019/20 relating to the company's 2018 results (dividend payment of £0.138m was received in 2018/19 relating to the company's 2017 results).

37. Accounting Standards issued but not yet adopted

The Code requires the Council to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code. The following are new standards and amendments to existing standards that have been issued with an effective date of 1 January 2020 and will be formally adopted by the 2020/21 Code.

- Amendments to IAS 19 Employee Benefit: Plan Amendment, Curtailment or Settlement. The amendment will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. This amendment applies to changes from 1 April 2020. The change may result in a positive, negative or no movement in the net pension liability and so it is difficult to ascertain the impact on the accounts at this stage.

- Other Amendments or Improvements, namely Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures and Annual Improvements to IFRS Standards 2015-2017 Cycle, are relatively minor and it is not expected that these will have a material impact on the Council's Statement of Accounts.

38. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS).

These financial statements have been prepared with reference to the following qualitative characteristics and underlying assumptions:

- Relevance: the accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.

- Materiality: the concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted providing that in aggregate they would not affect the interpretation of the accounts.

- Faithful Representation: the financial statements are complete, neutral and free from error, and faithfully represent the phenomena that they purport to represent.

- Comparability: the financial statements are based on the Code which should aid comparison between other local authorities and with other reporting dates.

- Verifiability: these accounts utilise quantified information in order to assure users that this information faithfully represent the economic phenomena that it purports to represent.

- Timeliness: these accounts provide decision makers with information that is capable of influencing their decisions.

- Understandability: these accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and local government. Every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary of terms contained within the accounts.

- 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.

- 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 legislative accounting requirements have been applied when compiling these accounts:

  - Capital receipts from the disposal of property, plant and equipment are treated in accordance with the provisions of the Local Government Act 2003.
  - The Local Government Act 2003 requires the Council to set aside a minimum revenue provision.

Conventions

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

Throughout this Statement of Accounts credit balances are indicated with parentheses, e.g. (£1,234).

b. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. The only exception to this principal is for electricity, gas and similar quarterly payments. These are charged at the date of the meter reading rather than being apportioned between financial years.

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

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

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

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

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c. Acquisitions and Discontinued Operations

Acquired operations

Any material operations acquired or discontinued by the Council during the accounting period are disclosed in the accounts.

d. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. The Council has deemed that deposits held within money market funds and call accounts are categorised as cash equivalents

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

e. Council Tax and Business Rates

Billing Authorities act as Agents, collecting Council Tax and Business Rates on behalf of the major preceptors and as principals, collecting Council Tax and Business Rates for themselves. Billing Authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and Business Rates.

Accounting for Council Tax and Business Rates

The Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and Business Rates that must be included in the Council's General Fund for the year. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund for the year is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and Business Rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments, and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

Accounting for Business Improvement District

A Business Improvement District (BID) scheme applies to Stockport Town Centre from 1 April 2017. The scheme is funded by a BID levy paid by Business Rates ratepayers. The Council acts as an agent for the scheme. It collects the BID levy on behalf of the scheme and pays this to the BID body, without bearing any of the risks or rewards of the scheme.

f. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

g. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the an annual contribution from revenue in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

h. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Termination benefits are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits
Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Business Services Ltd on behalf of the Department for Education (DfE);
- The NHS Pension scheme, administered by NHS Business Services Authority; and
- The Local Government Pensions Scheme, administered by Tameside Metropolitan Borough Council as the Greater Manchester Pension Fund (GMPF).

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the NHS and teachers' schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they are defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The Dedicated Schools Grant line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Adult Care and Healthline in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Local Government Pension Scheme
The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a basket of high quality corporate bonds, Government gilts and other factors.
- The assets of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

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

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

Service Costs

- current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Cash Limit costs.
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the Greater Manchester Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits
The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

i. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

j. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as financial assets classified as fair value through other comprehensive income at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

k. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For all of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets
Financial assets are classified into three types:

- Fair Value through Profit or Loss (FVTPL)
- Amortised Cost
- Fair Value through other Comprehensive Income (FVOCI)

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans made by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council has assets such as investments and debtors which are classified as financial assets measured at amortised cost.

Financial Assets Measured at Fair Value through other Comprehensive Income (FVOCI)

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Investment income is credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Where an equity instrument is designated as FVOCI, changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve (unusable reserve). When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

The Council has one equity instrument designated at Fair Value through other Comprehensive Income (FVOCI).

The Council has made an irrevocable election to designate the asset as FVOCI on the basis that it is held for non-contractual benefits, it is not held for trading but for strategic purposes.

The fair value is based on the principal that the equity shares have no quoted market prices and is based on an independent appraisal of the company valuation each year.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

l. Heritage Assets

Heritage assets are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets comprise:

- Properties and monuments are carried at historical cost with depreciation charged as for assets within property, plant and equipment, where it is considered the assets do not have indefinite lives. Due to the specialist and unique nature of the properties, the Council considers that it is not practicable to obtain valuations at a cost which is commensurate with the benefits to users of the financial statements. This also applies to various statues and monuments where no cost or valuation information is available and which have been excluded from the Balance Sheet.
- Various collections which are exhibited or stored at the Council's museums, halls and the art gallery. These are reported at insurance valuation which is based on market values. This would include in year donations where an insurance valuation is considered appropriate. Formal valuations for insurance purposes are performed on a periodic basis. The collections comprise:

    1. Fine and decorative arts
    2. Social and industrial history
    3. Civic Regalia

Assets within the collections are considered to have indeterminate lives hence the Council does not consider it appropriate to charge depreciation. Collections which are on loan to the Council are not included in the Balance Sheet valuation.

The carrying amounts of heritage assets are reviewed and where there is evidence of impairment this is recognised and measured in line the Council's general policy on asset impairment.

m. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Capital grants and contributions used to fund Revenue Expenditure Funded from Capital Under Statute have been accounted for as revenue grants/contributions at the point at which it is known that they will fund such expenditure.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

n. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

o. Interests in Companies and Other Entities

The Council has material interests in companies that have the nature of subsidiaries and which require it to prepare group accounts. An assessment of the Council's interests has been completed during the year to determine the relationships that exist and whether they should be included in the Council's Group accounts.

In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

p. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end.

An investment property under construction is measured at cost until such time as its fair value can be determined reliably or its construction is complete, whichever comes first. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

q. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Council as Lessee

Finance Leases

Property, plant and equipment and intangibles held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment and intangibles recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing.

Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases
Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement (relating to investment properties). Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

r. Material Items of Income and Expenditure

Where items of income and expenditure are material their nature and amount are disclosed separately either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts. Disclosure will depend on upon how significant the items are to the understanding of the reader of the accounts.

s. Overheads and Support Services

The Council operates and manages its support services within the Resources, Commissioning and Governance Portfolio and this is how the costs relating overheads and support services are reported to management. The costs of overheads and support services are therefore not re-apportioned across other Council Portfolios.

t. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of good or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure is capitalised subject to a de minimis level of £10,000, except for devolved education expenditure where a de minimis level of £2,000 is applied.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:

- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment
Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the bases set out in the Property, Plant and Equipment note to the Core Statements. Where material, buildings (non-council dwellings) which have been revalued from 1 April 2010 have been valued on an average asset life basis, which averages typical costs of components of buildings over maximum life expectancy for these components. Depreciation is calculated on these average lives which range from 30 to 40 years, compared to the normal life expectancy of buildings of 40 years. Components of council dwellings whose cost is significant in relation to the total cost of the dwellings are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

u. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets
A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

v. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation and retirement and employee benefits and do not represent usable resources for the Council – these reserves are further explained in the relevant policies.

<u>Internal Insurance Funds</u>

The Council operates two main self-insurance funds, set up to meet potential future claims and claims agreed in principal but yet to be settled.

The funds have been split between provisions, reflecting claims which are certain or very likely to occur and reserves, for unknown future claims.

w. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset and has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

x. Revenue Recognition

Revenue from the sale of goods is recognised when the Council transfers control of a goods or service to a service recipient.

Where the Council is acting as Agent of another organisation, the amounts collected on behalf of that organisation are excluded from the Council's revenue.

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

y. Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Council. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Council Statement of Accounts (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

z. Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

39. Prior Year Adjustment

The Council's portfolio reporting hierarchy changed in 2019/20. The new structure has been reflected in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis. The prior year comparatives have been amended as shown in the tables below.

<u>Single Entity – Comprehensive Income and Expenditure Statement</u>

2018/19	As previously reported		As restated

	Gross Exp-enditure £000	Gross Income £000	**2018/19 Net Exp-enditure £000**	**Restate-ment Net Exp-enditure £000**	Gross Exp-enditure £000	Gross Income £000	**2018/19 Net Exp-enditure £000**
Adult Social Care	140,563	(58,838)	**81,725**	**(81,725)**			
Children & Family Services	42,782	(10,310)	**32,472**	**(32,472)**			
Communities & Housing	47,345	(10,952)	**36,393**	**(36,393)**			
Economy & Regeneration	6,466	(2,799)	**3,667**	**(3,667)**			
Education	5,646	(3,372)	**2,274**	**(2,274)**			
Health	19,799	(3,091)	**16,708**	**(16,708)**			
Reform & Governance	49,029	(9,496)	**39,533**	**(39,533)**			
Adult Care and Health				**98,433**	160,362	(61,929)	**98,433**
Children, Family Services and Education				**34,688**	47,463	(12,775)	**34,688**
Citizen Focus and Engagement				**7,708**	9,699	(1,991)	**7,708**
Economy and Regeneration				**3,107**	5,322	(2,215)	**3,107**
Inclusive Neighbourhoods				**415**	1,385	(970)	**415**
Resources, Commissioning and Governance				**32,571**	40,632	(8,061)	**32,571**
Sustainable Stockport				**35,850**	46,767	(10,917)	**35,850**
Non-Cash Limits	76,028	(69,970)	**6,058**		76,028	(69,970)	**6,058**
Dedicated Schools Grant	225,954	(206,925)	**19,029**		225,954	(206,925)	**19,029**
Housing Revenue Account	31,532	(53,868)	**(22,336)**		31,532	(53,868)	**(22,336)**
Cost Of Services	645,144	(429,621)	**215,523**	**0**	645,144	(429,621)	**215,523**

Single Entity – Expenditure and Funding Analysis

2018/19	As previously reported				As restated		
	Net Exp-enditure Charge-able to the General Fund and HRA balances £000	**Adjust-ments between Funding and Account-ing Basis** £000	**Net Exp-enditure in the CIES £000**	**Restate-ment Net Expenditure** £000	**Net Exp-enditure Charge-able to the General Fund and HRA balances** £000	**Adjust-ments between Funding and Account-ing Basis** £000	**Net Exp-enditure in the CIES £000**
Adult Social Care	77,141	4,584	**81,725**	**(81,725)**			
Children & Family Services	29,860	2,612	**32,472**	**(32,472)**			
Communities & Housing	22,686	13,707	**36,393**	**(36,393)**			
Economy & Regeneration	2,954	713	**3,667**	**(3,667)**			
Education	3,028	(754)	**2,274**	**(2,274)**			
Health	16,419	289	**16,708**	**(16,708)**			
Reform & Governance	30,443	9,090	**39,533**	**(39,533)**			
Adult Care and Health				**98,433**	93,560	4,873	**98,433**

Children, Family Services and Education				**34,688**	32,987	1,701	**34,688**
Citizen Focus and Engagement				**7,708**	6,087	1,621	**7,708**
Economy and Regeneration				**3,107**	2,593	514	**3,107**
Inclusive Neighbourhoods				**415**	204	211	**415**
Resources, Commissioning and Governance				**32,571**	24,760	7,811	**32,571**
Sustainable Stockport				**35,850**	22,340	13,510	**35,850**
Non-Cash Limits	55,514	(49,456)	**6,058**		55,514	(49,456)	**6,058**
Dedicated Schools Grant	1,028	18,001	**19,029**		1,028	18,001	**19,029**
Housing Revenue Account	(611)	(21,725)	**(22,336)**		(611)	(21,725)	**(22,336)**
Net Cost Of Services	238,462	(22,939)	**215,523**	**0**	238,462	(22,939)	**215,523**

Group – Comprehensive Income and Expenditure Statement

2018/19	As previously reported				As restated		
	Gross Exp-enditure £000	Gross Income £000	**2018/19 Net Exp-enditure £000**	**Restate-ment Net Exp-enditure £000**	Gross Exp-enditure £000	Gross Income £000	**2018/19 Net Exp-enditure £000**
Adult Social Care	140,563	(58,838)	**81,725**	**(81,725)**			
Children & Family Services	42,782	(10,310)	**32,472**	**(32,472)**			
Communities & Housing	47,345	(10,952)	**36,393**	**(36,393)**			
Economy & Regeneration	6,466	(2,799)	**3,667**	**(3,667)**			
Education	5,646	(3,372)	**2,274**	**(2,274)**			
Health	19,799	(3,091)	**16,708**	**(16,708)**			
Reform & Governance	49,029	(9,496)	**39,533**	**(39,533)**			
Adult Care and Health				**98,433**	160,362	(61,929)	**98,433**
Children, Family Services and Education				**34,688**	47,463	(12,775)	**34,688**
Citizen Focus and Engagement				**7,708**	9,699	(1,991)	**7,708**
Economy and Regeneration				**3,107**	5,322	(2,215)	**3,107**

Inclusive Neighbourhoods				**415**	1,385	(970)	**415**
Resources, Commissioning and Governance				**32,571**	40,632	(8,061)	**32,571**
Sustainable Stockport				**35,850**	46,767	(10,917)	**35,850**
Non-Cash Limits	76,028	(69,970)	**6,058**		76,028	(69,970)	**6,058**
Dedicated Schools Grant	225,954	(206,925)	**19,029**		225,954	(206,925)	**19,029**
Housing Revenue Account	31,532	(53,868)	**(22,336)**		31,532	(53,868)	**(22,336)**
Results of subsidiaries	25,436	(26,011)	**(575)**		25,436	(26,011)	**(575)**
Cost Of Services	670,580	(455,632)	**214,948**	**0**	670,580	(455,632)	**214,948**

Housing Revenue Account

HRA INCOME AND EXPENDITURE STATEMENT	**2019/20 £000**	2018/19 £000	Note
INCOME			
Dwelling rents	**(42,166)**	(42,822)	
Other rents	**(5)**	(28)	
Charges for services and facilities	**(9,828)**	(9,355)	11
Contributions towards expenditure	**(1,706)**	(1,663)	
Total Income	**(53,705)**	(53,868)	
EXPENDITURE			
Repairs and maintenance	**14,046**	14,001	
Supervision and management	**15,799**	15,439	
Rents, rates, taxes and other charges	**5,683**	5,758	11
Depreciation of non-current assets	**11,903**	11,677	7
Revaluation (gains)/losses of non-current assets	**(2,854)**	(15,414)	10
Debt management costs	**46**	71	
Total expenditure	**44,623**	31,532	
Net Income of HRA Services per Council Comprehensive Income and Expenditure Statement	**(9,082)**	(22,336)	
HRA services share of Corporate and Democratic Core	**128**	128	
Net Income for HRA Services	**(8,954)**	(22,208)	

HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(Gain)/ Loss on the sale of HRA non-current assets	**(1,136)**	(1,082)	
Interest payable and similar charges	**6,099**	5,979	6
Interest and investment income	**(336)**	(350)	
Change in fair value of investment properties		(119)	
Capital grants and contributions receivable	**(144)**	(1,520)	
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES	**(4,471)**	(19,300)	

MOVEMENT ON THE HRA STATEMENT	2019/20 £000	2018/19 £000	Note
(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	**(4,471)**	(19,300)	
Adjustments between accounting basis and funding basis under statute	**4,040**	18,689	1
Net (increase)/decrease before transfers to reserves	**(431)**	(611)	
Transfer to/(from) earmarked reserves	**5**	19	
Decrease/ (Increase) in the Housing Revenue Account Balance	**(426)**	(592)	
Housing Revenue Account Surplus brought forward	**(1,697)**	(1,105)	
Housing Revenue Account Surplus carried forward	**(2,123)**	(1,697)	

Notes to the Housing Revenue Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement. Statutory disclosures comply with the Housing Revenue Account (Accounting Practices) Directions 2016.

The Council utilises an Arms-Length Management Organisation "Stockport Homes Ltd" to manage the housing stock on its behalf.

1. Adjustments between Accounting Basis and Funding Basis Under Statute

	2019/20 £000	2018/19 £000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
Gain/(loss) on sale of HRA assets	**1,136**	1,082
Change in fair value of investment assets		119
Depreciation on non-current assets	**(11,903)**	(11,677)

Revaluation gains/losses on HRA assets	**2,854**	15,414
Capital grants and contributions	**144**	1,520
Net charges made for retirement benefits in accordance with IAS 19	**(95)**	(82)
	(7,864)	6,376
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
Transfer to/(from) Major Repairs Reserve	**11,903**	11,677
Voluntary MRP for debt repayment		486
Capital Expenditure funded from the HRA	**1**	150
	11,904	12,313
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	**4,040**	18,689

2. Housing Stock Numbers and Valuation

	Numbers at 31 March 2020	Numbers at 31 March 2019
HOUSING STOCK		
Houses	**4,738**	4,784
Flats	**5,863**	5,887
Bungalows	**521**	522
Total Housing Stock	**11,122**	11,193

	Valuation at 31 March 2020 £000	Valuation at 1 April 2019 £000
Operational assets:		
Housing Stock Valuation	**350,586**	347,845
Land Valuation	**90,485**	89,746
	441,071	437,591
Other land and buildings	**301**	379
Other plant and equipment	**7,816**	8,036
Investment assets	**7,519**	7,519
Assets under construction	**10,433**	3,007
Council dwellings held for sale		243

	467,140	456,775

Valuation of operational property is net of depreciation. Housing stock and land valuations are included together as Council Dwellings on the Balance Sheet. The method of valuation is set out in the accounting policies and in Note 11 to the Core Statements.

3. Vacant Possession Value

The vacant possession value as at 31 March 2020 was £1,090.0m (£1,080.9m as at 1 April 2019). The vacant possession value is an opinion of the best sale price that could have been obtained for the property on the date of the valuation. The balance sheet valuation contains an adjustment to reflect the fact that council dwellings have sitting tenants enjoying sub-market rents and rights including right to buy. The adjustment factor measures the difference between market and sub-market rents at a regional level and is set out in the "Stock Valuation for Resource Accounting – Guidance for valuers 2016". For 2019/20 and 2018/19 the percentage applicable for the North West was 40%.

4. Capital Expenditure and Financing

Capital expenditure in the year amounted to £21.572m on council dwellings including spend in assets under construction. This was financed as follows:

	2019/20 £000	2018/19 £000
Borrowing	**7,754**	6,031
Grants and contributions - HRA	**144**	1,520
Grants and contributions - General Fund		55
Revenue Contribution to Capital Outlay	**1**	150
Major Repairs Reserve	**11,903**	11,677
Capital Receipts	**1,770**	709
	21,572	20,142

5. Capital Receipts

	Receipts 2019/20 £000	Receipts 2018/19 £000
Disposal of dwellings under Right to Buy	**3,987**	3,749
Disposal of shared ownership properties	**202**	2,747
Other disposals	**63**	36
Deductions from capital receipts	**(82)**	(75)
Net capital receipts before pooling	**4,170**	6,457
Due to Housing Pool	**(2,315)**	(2,205)
	1,855	4,252

6. Interest payable and similar charges

	2019/20 £000	2018/19 £000
Interest charge under self-financing regime	**4,746**	4,983
Interest on prudential borrowing	**952**	660
Impairment allowance for financial assets	**401**	336
	6,099	5,979

7. Depreciation

The HRA is charged an amount for depreciation of assets.

	2019/20 £000	2018/19 £000
Operational assets		
Council dwellings	**11,450**	11,232
Other land and buildings	**6**	7
Plant and equipment (solar panels)	**447**	438
	11,903	11,677

8. Rent Arrears

As at 31 March 2020 rent arrears (excluding amounts collectable on behalf of other agencies) amounted to £3.308m (£2.523m at 31 March 2019). The aggregate balance sheet allowance in respect of all uncollectable debts amounted to £1.818m (£1.574m at 31 March 2019).
The increase in allowance of £0.244m has been added to the debts written off in the year of £0.157m to arrive at the impairment loss of £0.401m.

9. IAS 19 Employee Benefits

The Housing Revenue Account recognises, within Net Cost of Services, a share of the full IAS 19 costs borne by the Council for defined benefit pension schemes. These costs, comprising current service costs, have been allocated via corporate recharges. To ensure that the costs have no impact on the net deficit or on the level of rents, the charges are reversed out of the Housing Revenue Account via an appropriation from the Statement of Movement on the HRA balance.

10. Revaluation Gain of non-current assets

The revaluation gain on non-current assets calculated under proper practices is £2.854m (2018/19 revaluation gain of £15.414m), all of which relates to council dwellings (including land). The gain has arisen due to an increase in the HM Land Registry indices of 1.57% over 2018/19 offset by investment in council dwellings which has not resulted in a £ for £ increase in value. These gains offset previous impairments charged to the HRA Income and Expenditure Account.

11. Water Charges Collection

Since 2009/10 the Council has been responsible for collecting water charges from HRA tenants on behalf of United Utilities and Tenants' agreements were amended accordingly. The income and expenditure are included in charges for services and facilities and rents, rates, taxes and other charges respectively. They include commission due from United Utilities to cover the costs of collection. The surplus relating to the collection of water charges of £0.172m is held within overall HRA balance.

	2019/20 £000	2018/19 £000
Income		
Other	**(5,100)**	(4,566)
Water	**(4,728)**	(4,789)
Charges for services & facilities	**(9,828)**	(9,355)
Expenditure		
Other	**955**	969
Water	**4,728**	4,789
Rents, rates, taxes & other charges	**5,683**	5,758
Water charges surplus	**0**	0
Water surplus brought forward	**(172)**	(172)
Water surplus carried forward	**(172)**	(172)

Collection Fund Statement

	2019/20 COUNCIL TAX £000	2019/20 NDR £000	2019/20 TOTAL £000	2018/19 COUNCIL TAX £000	2018/19 NDR	2018/19 TOTAL £000
INCOME						
Council Tax	**(185,539)**		**(185,539)**	(174,832)		(174,832)
Non-Domestic Rates		**(87,035)**	**(87,035)**		(88,832)	(88,832)
Grant from Central Government	**(3)**		**(3)**	(3)		(3)
Total Income	**(185,542)**	**(87,035)**	**(272,577)**	**(174,835)**	**(88,832)**	**(263,667)**
EXPENDITURE						
Precepts and Demands:						
Stockport Metropolitan Borough Council	**156,122**	**78,001**	**234,123**	149,164	80,128	229,292
GMCA Mayoral General (including Fire Services)	**7,318**	**788**	**8,106**	6,344	809	7,153
GMCA Mayoral Police and Crime Commissioner	**18,858**		**18,858**	16,273		16,273
Non-Domestic Rates:						
Payment to national pool		**0**	**0**		0	0
Cost of collection		**429**	**429**		430	430
Provisions:						
Provision for doubtful debts	**2,524**	**1,792**	**4,316**	1,430	2,132	3,562
Provision for appeals		**4,510**	**4,510**		4,127	4,127
Total Expenditure	**184,822**	**85,520**	**270,342**	**173,211**	**87,626**	**260,837**
In year (surplus)/deficit	**(720)**	**(1,515)**	**(2,235)**	**(1,624)**	**(1,206)**	**(2,830)**
CONTRIBUTIONS						
Previous year's deficit recovery:						
Stockport Metropolitan Borough Council	**0**	**0**	**0**	0	(2,918)	(2,918)
GMCA Mayoral General (including Fire Services)	**0**	**0**	**0**	0	(27)	(27)
GMCA Mayoral Police and Crime Commissioner	**0**		**0**	0		0
Central Government		**0**	**0**		282	282
Previous years surplus distribution:						
Stockport Metropolitan Borough Council	**1,635**	**132**	**1,767**	1,750	0	1,750
GMCA Mayoral General (including Fire Services)	**76**	**1**	**77**	68	0	68
GMCA Mayoral Police and Crime Commissioner	**186**		**186**	183		183
Central Government		**0**	**0**		0	0
In year contributions	**1,897**	**133**	**2,030**	**2,001**	**(2,663)**	**(662)**

Collection Fund Statement - Balances

	2019/20 COUNCIL TAX £000	2019/20 NDR £000	2019/20 TOTAL £000	2018/19 COUNCIL TAX £000	2018/19 NDR £000	2018/19 TOTAL £000
Balance brought forward at 1 April	**(1,914)**	**(1,427)**	**(3,341)**	(2,291)	2,442	151
Previous year forecast surplus/deficit distributed/(recovered) in year	**1,897**	**133**	**2,030**	2,001	(2,663)	(662)
Revised balance brought forward from previous year	**(17)**	**(1,294)**	**(1,311)**	(290)	(221)	(511)
In year (surplus)/deficit	**(720)**	**(1,515)**	**(2,235)**	(1,624)	(1,206)	(2,830)
Balance carried forward at 31 March	**(737)**	**(2,809)**	**(3,546)**	**(1,914)**	**(1,427)**	**(3,341)**
Allocated to:						
Stockport Metropolitan Borough Council	**(625)**	**(2,781)**	**(3,406)**	(1,639)	(1,413)	(3,052)
GMCA Mayoral General (including Fire Services)	**(34)**	**(28)**	**(62)**	(77)	(14)	(91)
GMCA Mayoral Police and Crime Commissioner	**(78)**		**(78)**	(198)		(198)
Central Government		**(0)**	**(0)**		0	0
	(737)	**(2,809)**	**(3,546)**	**(1,914)**	**(1,427)**	**(3,341)**

Notes to the Collection Fund Account

As a Billing Authority, the Council has a statutory obligation to maintain a separate Collection Fund account from its General Fund account. The purpose of the Collection Fund account is to isolate the income and expenditure relating to Council Tax and Business Rates. The administrative costs associated with the collection process are charged to the Council's General Fund account in the financial year they are incurred.

The Collection Fund Statement shows the transactions of the Billing Authority in relation to the collection from taxpayers of Council Tax and from businesses of Business Rates for the financial year. The Statement also shows the distribution of these income streams to the relevant precepting authorities and Central Government during the financial year. For Stockport, the Council Tax precepting authorities are the GMCA Mayoral Police and Crime Commissioner and the GMCA Mayoral General (including Fire Services). For Business Rates, the precepting authority is the GMCA Mayoral General (including Fire Services).

1. Council Tax

Council Tax income derives from charges raised against residential dwellings within the Borough based on their valuation banding (A to H). Council Tax charges are calculated by estimating the total amount of Council Tax income required by the

Council and the precepting authorities for the forthcoming financial year. This is divided by the Council Tax Taxbase (i.e. the number of Band D equivalent dwellings) to calculate the Council Tax charge for a Band D dwelling. The Council Tax charge for each of the other Bands is calculated as a proportion of the Band D equivalent charge.

The Council Tax Taxbase for 2019/20 was 95,739 (94,783 in 2018/19). The Council Tax Taxbase for 2019/20 was calculated as follows:

Band	Valuation	Dwellings on the Valuation List	Adjusted Chargeable Dwellings	Relevant Proportion	Band D Equivalent Dwellings
A	Up to £40,000	31,130	26,066	06/09	17,374
B	£40,001 to £52,000	27,871	24,625	07/09	19,153
C	£52,001 to £68,000	28,120	25,460	08/09	22,631
D	£68,001 to £88,000	19,248	17,731	09/09	17,731
E	£88,001 to £120,000	12,790	11,921	11/09	14,570
F	£120,001 to £160,000	6,321	5,956	13/09	8,604
G	£160,001 to £320,000	3,382	3,190	15/09	5,317
H	Over £320,000	196	154	18/09	307
					105,687
Allowance for Local Council Tax Support Scheme and Discounts					-10,148
Forecast of Additional Properties During the Year					200
Council Tax Taxbase for Budget Setting Purposes					**95,739**
Council Tax Taxbase Adjusted for Collection rate 98.5%					**94,303**

*"Valuation" represents the open market value at 1 April 1991, as assessed by the Inland Revenue.
**"Adjusted chargeable dwellings" gives the effective number of dwellings in each band after allowing for disabled relief, appeals against bandings, single persons discounts etc.
***In setting its budget the Council applies an assumed collection rate of 98.5% to its Council Tax Taxbase

The Council Tax shares payable to the Council and the precepting authorities were estimated as part of the 2019/20 budget setting process. These sums have been paid in 2019/20 and charged to the Collection Fund account in year. The surplus or deficit relating to Council Tax is apportioned to the Council and the precepting authorities. For budget setting purposes an estimate of the outturn surplus or deficit is declared in January which allows for this amount to be budgeted for and released in the following financial year. For example, the outturn surplus or deficit declared in 2019/20 has been budgeted for and will be realised by the Council and the precepting authorities in 2020/21. The difference between the declared outturn surplus or deficit and the actual outturn surplus or deficit is not realised by the Council and the precepting authorities until 2021/22.

2. Business Rates

The main aim of the Business Rates retention scheme is to give local authorities a greater incentive to grow their local economies and increase their locally raised Business Rates income. This does however, increase the financial risk due to non-collection and the volatility of the Business Rates Taxbase. The Council's Business

Rates collection rates are monitored throughout the year to mitigate the impact of any financial risks.

When the retention scheme was introduced, Central Government set baselines for each local authority and a top-up and tariff system to ensure all authorities received at least their baseline amount each year. As Stockport is able to collect Business Rates income above its baseline, the Council is required to pay a tariff to Central Government each financial year. The total amount of tariffs collected nationally are used by Central Government to fund the Top-up grants to those Authorities who cannot achieve their baseline funding levels.

In 2019/20 the Council operated under the Greater Manchester 100% Business Rates Retention Pilot with 99% of Business Rates income retained by the Council and 1% by GMCA Mayoral General (including Fire Services) – the Preceptor.

The Council's Business Rates Taxbase is based on the rateable value of individual business properties within the Borough as assessed by the Valuation Office Agency (VOA). The total rateable value at 31 March 2020 for the Stockport area was £228.465m (£226.185m at 31 March 2019). The rateable value of each property, as assessed by the VOA, is multiplied by the Uniform Business Rate determined annually by Central Government to determine the collectable Business Rates income. For 2019/20 this was 50.4p in the pound (49.3p in 2018/19) and relief of 1.3p in the pound was given to small business properties (1.3p in 2018/19).

The Business Rates income shares payable to the Council and the Preceptor were estimated as part of the 2019/20 budget setting process. These sums have been paid in 2019/20 and charged to the Collection Fund account in year. The surplus or deficit relating to Council Tax is apportioned to the Council and the Preceptor. For budget setting purposes an estimate of the outturn surplus or deficit is declared in January which allows for this amount to be budgeted for and released in the following financial year. For example, the outturn surplus or deficit declared in 2019/20 has been budgeted for and will be realised by the Council and the Preceptor in 2020/21. The difference between the declared outturn surplus or deficit and the actual outturn surplus or deficit is not realised by the Council and the Preceptor until 2021/22.

3. Movement on Impairment Allowance for Doubtful Debts and Appeals Provisions

The Collection Fund account provides for bad debts on Council Tax arrears (excluding costs) as shown below:

	2019/20 £000 COUNCIL TAX		2018/19 £000 COUNCIL TAX	
Provision for Doubtful Debts				
Balance brought forward		**(4,754)**		(4,696)
Write offs in year	**2,075**		1,372	
New contribution to provision in year	**(2,524)**		(1,430)	
Net increase/decrease in provision in year		**(449)**		(58)
Balance carried forward		**(5,203)**		(4,754)
The Council's Share of the Provision for Doubtful Debts				
Balance brought forward		**(4,072)**		(4,079)
Write offs in year	**1,763**		1,175	
New contribution to provision in year	**(2,145)**		(1,168)	
Net increase/decrease in provision in year		**(382)**		7
Balance carried forward		**(4,454)**		(4,072)

The Collection Fund account provides for bad debts on Business Rates arrears (excluding costs) as shown below:

	2019/20 £000 NDR		2018/19 £000 NDR	
Provision for Doubtful Debts				
Balance brought forward		**(5,594)**		(4,798)
Write offs in year	**941**		1,336	
New contribution to provision in year	**(1,792)**		(2,132)	
Net increase/decrease in provision in year		**(851)**		(796)
Balance carried forward		**(6,445)**		(5,594)
The Council's Share of the Provision for Doubtful Debts				
Balance brought forward		**(5,539)**		(4,751)
Write offs in year	**932**		1,323	
New contribution to provision in year	**(1,774)**		(2,111)	
Net increase/decrease in provision in year		**(842)**		(788)
Balance carried forward		**(6,381)**		(5,539)

An aspect of the financial risk associated with the Business Rates retention scheme is the volatility of the Business Rates Taxbase as a result of outstanding rateable value appeals by businesses. To mitigate this risk, the Council monitors outstanding rating appeals lodged in the appeals system managed by the VOA and assesses the risk of these appeals being successful in future financial years. At the end of each financial year these appeals are valued in order to quantify the level of provision required to fund any backdated impact on the Council's Business Rates income if appeals are successful.

The total provision for appeals in the Collection Fund at 31 March 2020 is £17.865m (£13.399m at 31 March 2019).

	2019/20 £000 NDR		2018/19 £000 NDR	
Provision for NNDR Appeals				
Balance brought forward		**(13,536)**		(9,409)
Use of provision in year for settled appeals	**2,340**		1,866	
New contribution to provision in year	**(6,850)**		(5,993)	
Net increase/decrease in provision in year		**(4,510)**		(4,127)
Balance carried forward		**(18,046)**		(13,536)
The Council's Share of the Provision for Appeals				
Balance brought forward		**(13,399)**		(9,314)
Use of provision in year for settled appeals	**2,317**		1,848	
New contribution to provision in year	**(6,782)**		(5,933)	
Net increase/decrease in provision in year		**(4,465)**		(4,085)
Balance carried forward		**(17,864)**		(13,399)

4. Greater Manchester 100% Business Rates Retention Pilot

During the year, Greater Manchester has continued as one of the regions piloting the full retention of Business Rates. The purpose of this Pilot is to develop and trial approaches to manage risk and reward and to finance from additional Business Rates income, new responsibilities and/or existing funding streams including those that support economic growth. It is hoped that the Business Rates retention scheme will provide stable funding streams and incentivise local economic growth. As a result of the Pilot the Council has not received the Revenue Support Grant or Public Health Grant from Government in 2019/20. Instead, the Council has retained 100% of its Business Rates income locally; 99% Council, 1% GMCA Mayoral General (including Fire Services) (rather than pay 50% of the Business Rates income to Government) to support the funding of Council Services.

Being part of the Greater Manchester Pilot provides the Council and Greater Manchester region with potential financial benefits with the guarantee that Authorities will not be worse off as a result of the Pilot. The 'No Detriment' agreement guarantees that the resources available to the Council under the existing 50% retention scheme will be the same under the 100% Pilot.

The Council has benefited from this Pilot compared to the income it would have received under the 50% retention scheme and has been able to retain £3.886m of income that would have been paid to Government in previous years. It was always the intention that the Greater Manchester Region as a whole would benefit from the 100% Business Rates Retention Pilot and has been agreed that a minimum of 50% of the benefit would be retained by Authorities and any balance retained by the Greater Manchester Combined Authority (GMCA). As a result the Council will retain £1.943m of the benefit which will be used to support the Council's 2020/21 investment decisions and MTFP as approved at the Budget Council meeting on 26 February 2020. The GMCA share will be used to support the delivery of Greater Manchester priorities.

The Council will remain in the 100% Pilot in 2020/21 and expects the benefit from the Pilot to continue. Formal confirmation is awaited, although is uncertain due to the impact of Covid-19, on the continuation of the existing Pilots (including the Greater Manchester Pilot) beyond 2020/21, and whether these will be on a 100% or 75% retention basis in line with the Government's intention to roll out 75% retention of Business Rates by all local authorities.

GROUP ACCOUNTS

Background

The Code requires that where a Council has material financial interests and a significant level of control over one or more entities, it should prepare Group Accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

The Group Accounts comprise the following key financial statements (with appropriate disclosures):

- Group Comprehensive Income and Expenditure Statement;
- Group Movement in Reserves Statement;
- Group Balance Sheet; and
- Group Cash Flow Statement.

Please refer to the explanation of statements on page 40 for further description of the purpose of each statement.

Group Comprehensive Income and Expenditure Statement

	2019/20			As restated 2018/19	As restated	As restated	
	Gross Exp-enditure £000	**Gross Income £000**	**Net Exp -enditure £000**	Gross Exp-enditure £000	Gross Income £000	Net Exp-enditure £000	Note
Adult Care and Health	**160,183**	**(58,362)**	**101,821**	160,362	(61,929)	98,433	
Children, Family Services and Education	**58,445**	**(15,610)**	**42,835**	47,463	(12,775)	34,688	
Citizen Focus and Engagement	**9,505**	**(1,862)**	**7,643**	9,699	(1,991)	7,708	
Economy and Regeneration	**6,213**	**(2,226)**	**3,987**	5,322	(2,215)	3,107	
Inclusive Neighbourhoods	**1,807**	**(1,348)**	**459**	1,385	(970)	415	
Resources, Commissioning and Governance	**43,526**	**(9,024)**	**34,502**	40,632	(8,061)	32,571	
Sustainable Stockport	**54,049**	**(11,358)**	**42,691**	46,767	(10,917)	35,850	
Non-Cash Limits	**73,174**	**(65,512)**	**7,662**	76,028	(69,970)	6,058	
Dedicated Schools Grant	**238,524**	**(213,311)**	**25,213**	225,954	(206,925)	19,029	
Housing Revenue Account	**44,623**	**(53,705)**	**(9,082)**	31,532	(53,868)	(22,336)	
Results of subsidiaries	**32,637**	**(30,709)**	**1,928**	25,436	(26,011)	(575)	8
Cost Of Services	**722,686**	**(463,027)**	**259,659**	670,580	(455,632)	214,948	
Other Operating Expenditure	**41,928**		**41,928**	45,523		45,523	
Financing and Investment Income and Expenditure	**88,359**	**(53,250)**	**35,109**	88,170	(53,791)	34,379	
Taxation and Non-Specific Grant Income	**0**	**(290,345)**	**(290,345)**	0	(291,895)	(291,895)	
(Surplus) or Deficit on Provision of Services	**852,973**	**(806,622)**	**46,351**	804,273	(801,318)	2,955	
Tax expenses of subsidiaries	**317**		**317**	395		395	
Group (Surplus)/Deficit	**853,290**	**(806,622)**	**46,668**	804,668	(801,318)	3,350	7
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			**(64,017)**			(12,209)	
Re-measurement of the net defined benefit liability			**(121,898)**			66,643	
Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services							
Deficit/(surplus) from investments in equity instruments designated at Fair Value through Other Comprehensive Income			**22,500**			(800)	
Other Comprehensive Income and Expenditure			**(163,415)**			53,634	
Total Comprehensive Income and Expenditure			**(116,747)**			56,984	

Group Movement in Reserves Statement

The total Council Reserves are set out in the single entity Movement in Reserves Statement and the supporting notes to the Single Entity Core Statements.

	General Fund Balance (Note a) £000	Housing Revenue Account (Note a) £000	Capital Receipts Reserve (Note b) £000	Major Repairs Reserve (Note b) £000	Capital Grants Unapplied (Note b) £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	Group Income and Expenditure Account £000	Total Group Reserves £000
Balance at 31 March 2018	(96,852)	(2,426)	(8,149)	0	(9,100)	(116,527)	(678,713)	(795,240)	(20,283)	(815,523)
Movement in reserves during 2018/19:										
Total Comprehensive Income and Expenditure	24,640	(19,300)				5,340	47,652	52,992	3,992	56,984
Adjustments between accounting basis and funding basis under regulations (Note 2)	(19,515)	18,689	(5,294)	0	(1,860)	(7,980)	7,980	0		0
(Increase)/Decrease in 2018/19	5,125	(611)	(5,294)	0	(1,860)	(2,640)	55,632	52,992	3,992	56,984
Balance at 31 March 2019 carried forward	(91,727)	(3,037)	(13,443)	0	(10,960)	(119,167)	(623,081)	(742,248)	(16,291)	(758,539)
Movement in reserves during 2019/20:										
Total Comprehensive Income and Expenditure	**50,992**	**(4,471)**				**46,521**	**(137,874)**	**(91,353)**	**(25,394)**	**(116,747)**
Adjustments between accounting basis and funding basis under regulations (Note 2)	**(54,517)**	**4,040**	**1,316**	**0**	**(6,265)**	**(55,426)**	**55,426**	**0**		**0**
(Increase)/Decrease in 2019/20	**(3,525)**	**(431)**	**1,316**	**0**	**(6,265)**	**(8,905)**	**(82,448)**	**(91,353)**	**(25,394)**	**(116,747)**
Balance at 31 March 2020 carried forward	**(95,252)**	**(3,468)**	**(12,127)**	**0**	**(17,225)**	**(128,072)**	**(705,529)**	**(833,601)**	**(41,685)**	**(875,286)**

Group Balance Sheet

	31 March 2020 £000	31 March 2019 £000	Note
Property, Plant & Equipment			
- Council dwellings	**513,475**	500,464	
- Other land and buildings	**579,115**	527,232	
- Vehicles, plant, furniture and equipment	**17,780**	19,060	
- Infrastructure	**387,566**	352,935	
- Community assets	**1,554**	1,705	
- Surplus assets not held for sale	**3,787**	4,973	
- Assets under construction	**55,148**	60,909	
Property, Plant & Equipment	**1,558,425**	1,467,278	5
Heritage Assets	**11,685**	11,352	
Investment Property	**169,906**	186,875	
Intangible Assets	**1,135**	0	
Long-Term Investments	**32,170**	52,800	
Long-Term Debtors	**26,735**	28,366	2
Long-Term Finance lease Debtors	**13,700**	13,700	
Long-Term Assets	**1,813,756**	1,760,371	
Assets Held for Sale (short-term)	**576**	556	
Inventories	**12,196**	9,820	
Cash and Cash Equivalents	**70,306**	57,772	9
Short-Term Investments	**78,045**	7,020	
Short-Term Debtors	**85,244**	66,133	2
Current Assets	**246,367**	141,301	
Bank Overdraft	**(2,763)**	(7,516)	9
Short-Term Creditors	**(92,708)**	(76,618)	3
Short-Term Provisions	**(5,408)**	(5,559)	4
Short-Term Borrowing	**(151,311)**	(119,469)	
Current Liabilities	**(252,190)**	(209,162)	
Long-Term Creditors	**(8,817)**	(10,085)	3
Long-Term Provisions	**(18,938)**	(16,021)	4
Long-Term Borrowing	**(506,653)**	(465,862)	
Other Long-Term Liabilities - Net pensions liability	**(354,714)**	(413,338)	6
Other Long-Term Liabilities - Finance leases	**(13,700)**	(13,700)	
Revenue Grants Receipts in Advance	**(17,503)**	(3,210)	
Capital Grants Receipts in Advance	**(12,322)**	(11,755)	
Long-Term Liabilities	**(932,647)**	(933,971)	
Net Assets	**875,286**	758,539	
Usable reserves	**(128,072)**	(119,167)	
Unusable Reserves	**(705,529)**	(623,081)	
Group Income and Expenditure Account	**(41,685)**	(16,291)	
Total Reserves	**(875,286)**	(758,539)	

Group Cash Flow Statement

	31 March 2020 £000	31 March 2019 £000	Note
Net deficit on the provision of services	**46,351**	2,955	
Adjustments to net surplus or deficit on the provision of services for non-cash movements			
Depreciation	**(51,187)**	(42,704)	
Impairment and revaluation	**845**	16,333	
Amortisation	**0**	(232)	
(Decrease) in Impairment for bad debts	**(1,354)**	(608)	
(Increase)/decrease in creditors	**(26,246)**	10,540	
Increase/(Decrease) in debtors	**7,732**	(6,775)	
(Decrease) in inventories	**(4,569)**	(3,916)	
Difference between IAS 19 pension cost and pensions paid	**(63,274)**	(49,773)	
Carrying amount of non-current assets sold	**(4,479)**	(18,949)	
Movement in value of investment properties	**(21,487)**	(15,786)	
Movement in provisions	**(2,766)**	(6,731)	
	(166,785)	(118,601)	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
Proceeds from the Sale of property, plant and equipment, investment property and intangible assets	**5,120**	9,160	
Revenue expenditure funded from capital under statute	**(2,245)**	(2,268)	
Capital grants	**37,777**	51,359	
Net cash flows from Operating Activities*	**(79,782)**	(57,395)	
Investing Activities	**134,195**	68,040	10
Financing Activities	**(71,700)**	(43,251)	11
Net (increase) or decrease in cash and cash equivalents	**(17,287)**	(32,606)	
Cash and cash equivalents and bank overdraft at the beginning of the reporting period	**50,256**	17,650	
Cash and cash equivalents and bank overdraft at the end of the reporting period	**67,543**	50,256	

*The following items are included within operating activities:

	31 March 2020 £000	31 March 2019 £000
Interest Received	**(1,578)**	(1,971)
Interest Paid	**18,738**	17,254
Finance lease interest paid	**1,171**	1,155
Dividends Received	**(6,570)**	(5,774)
Finance lease interest received	**(1,438)**	(1,412)
Taxation paid	**394**	488

Notes to the Group Accounts

The Stockport Council Group

The Council has relationships with a number of companies over which it has varying degrees of control and influence. In line with the Code, the Council continues to review its relationship with other entities, particularly in respect of the definition of control and accounting for joint arrangements. The bodies considered to be part of the Stockport Council Group are shown below.

<u>Bodies Consolidated</u>
Two bodies, in addition to Stockport MBC, have been included in the Group Accounts; Stockport Homes Ltd and Totally Local Company Ltd. These are wholly owned subsidiaries of the Council and have been accounted for on an acquisition basis and subsequently consolidated on a full line by line basis, writing out inter-group transactions.

Stockport Homes Ltd was formed by the Council to take over the responsibility for managing and maintaining the Council's dwellings and has been a wholly owned subsidiary of Stockport Council since 1 October 2005. It is an ALMO (arms-length management organisation) of the Council and is a company limited by guarantee. The liability of the Council is limited to £1.

The Board of Directors of Stockport Homes Ltd consists of ten voluntary members including customers, independent and stakeholder members. In addition, the Stockport Homes Ltd Member Committee, a cross party Council body, monitors.

Stockport Homes Ltd principal source of income is a management fee, paid by the Council, for managing and maintaining the Council's housing stock, as well as fulfil a number of other statutory responsibilities, including preventing homelessness, managing private sector renewals and disabled adaptations, and the provision of sheltered housing.

Stockport Homes Ltd has three subsidiary companies, Three Sixty SHG Ltd, Viaduct Partnerships Ltd and Foundations Stockport Ltd. Three Sixty SHG Ltd and Viaduct Partnerships Ltd were both established in 2016/17 and are limited by shares, wholly owned by Stockport Homes Ltd. Three Sixty SHG Ltd is primarily a construction company, established to deliver core elements of the HRA capital programme. Viaduct Partnerships Ltd is a development company for new builds for rental purposes.

Foundations Stockport Ltd was formed in December 2018 to deliver more social inclusion and health related initiatives for Stockport. It is a company limited by shares, with Stockport Homes Ltd and Foundations Board members being shareholders. Foundations Stockport Ltd is a charitable Community Benefit Society registered with the Financial Conduct Authority and Companies House.

During 2019/20, the management fee and other charges made to the Council by the Stockport Homes Group amounted to £43.484m (£42.273m in 2018/19).

Outstanding balances owed by the Council to the Stockport Homes Group at the year end amounted to £3.545m (£2.139m 31 March 2019).

During 2019/20, the Council charged the Stockport Homes Group £2.527m (£2.130m in 2018/19) for the provision of support services and other items. Outstanding balances owed by the Stockport Homes Group to the Council at the year end amounted to £60.788m (£52.235m at 31 March 2019) this was made up of £0.384m (£0.353m at 31 March 2019) of trade receivables and loans of £60.404m (£51.882m at 31 March 2019).

Totally Local Company Ltd was formed to take over the responsibility for providing highways maintenance, property and building maintenance, catering, and refuse collection services. The company became a wholly owned subsidiary of Stockport Council from 1 November 2006. At 31 March 2020, the Board consisted of two Executive Directors, and three independent Non-Executive Directors.

To support the Council's business objectives, a Contributor Committee has been established consisting of seven Members drawn from all the Party Groups. The Contributor Committee appoints all Directors.

Totally Local Company Ltd has a wholly owned subsidiary company; Waste Solutions SK Ltd. This company collects waste and products for recycling in the Greater Manchester Area.

Totally Local Company Ltd Group's principal source of income is from fees and charges for services provided to Stockport Council and Stockport Homes Ltd.

During 2019/20, the management fee and other charges made to the Council by Totally Local Company Ltd amounted to £35.067m (£33.596m during 2018/19). Outstanding balances owed by the Council to Totally Local Company Ltd at the year end amounted to £2.288m (£0.964m at 31 March 2019).

During 2019/20, the Council charged Totally Local Company Ltd £1.223m (£1.168m during 2018/19) for the provision of support services. Outstanding balances owed by Totally Local Company Ltd to the Council at the year end amounted to £9.369m (£10.032m at 31 March 2019) this was made up of £0.564m (£0.319m at 31 March 2019) of trade receivables and loans of £8.805m (£9.713m at 31 March 2019).

Bodies Not Consolidated

Stockport Exchange Phase 2 Ltd
Stockport Exchange Phase 2 Ltd is a wholly owned subsidiary of the Council and was set up to undertake the Stockport Exchange Development, which completed in 2016/17. Two officers of the Council are directors of the Company.

The company is now dormant and had minimal transactions in the current and preceding financial year.

Stockport Hotel Management Company Ltd

On 19 September 2016, the Council incorporated Stockport Hotel Management Company Ltd as the trading company for the Hotel, appointing two Council Officers as Directors and providing £0.100m of share capital. Interstate Ltd was appointed to operate the Hotel under the Holiday Inn Express franchise and it opened for business on 19 December 2016.

As a wholly owned company, the Council must consider consolidating Stockport Hotel Management Company Ltd within its Group accounts. In the latest draft accounts for the year ended 31 December 2019, the company recorded a profit of £0.152m (year ended 31 December 2018 – profit of £0.139m), and net current assets of £0.252m (2018 - £0.241m). Based on qualitative and quantitative assessments, it has been judged that the interest in the entity is not material to the Council and therefore not consolidated into the Council's Group Accounts in 2019/20 or 2018/19.

Other entities
No other entities are considered to be part of the Stockport Council Group for consolidation purposes.

Notes to the Group Accounts

Where figures in the Group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

The Statement of Accounts was authorised for issue on 18 June 2020 by the Corporate Director – Corporate and Support Services (Section 151 Officer). This is the date up to which events after the balance sheet date have been considered and included where relevant.

1. Accounting Policies

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council, Stockport Homes Ltd and Totally Local Company Ltd.

The accounting policies of the Council's consolidated subsidiary companies have been aligned with the Council's Accounting Policies set out in Note 38. Any statutory adjustments between the accounting basis and funding basis included in the Council's accounting policies do not apply to the subsidiary companies, for example in relation to retirement benefits.

The total comprehensive income and expenditure items of the group companies are accounted for within the Group Income and Expenditure Account, including the surplus/deficit on the provision of services, surplus/deficit on revaluation of property, plant and equipment and re-measurement of the defined benefit liability.

2. Short and Long-Term Debtors including Payments in Advance

	Gross Balance £000	Impairment allowance £000	31 March 2020 Short Term £000	31 March 2020 Long Term £000	31 March 2020 Total £000
Financial Assets					
Trade Receivables					
Central Government	**3,817**		**3,817**		**3,817**
Other Local Authorities	**14,671**		**14,671**		**14,671**
NHS Bodies	**6,325**	**(13)**	**6,312**		**6,312**
Other Entities and Individuals:					
Social Services Clients	**8,756**	**(1,103)**	**7,653**		**7,653**
Housing Rents	**3,073**	**(1,846)**	**1,227**		**1,227**
Lease and rental receivables	**7,093**	**(666)**	**6,427**	**1,719**	**8,146**
Other Entities and Individuals	**7,540**	**(477)**	**7,063**		**7,063**
	51,275	**(4,105)**	**47,170**	**1,719**	**48,889**
Other Receivables - Loans					
Loans - Manchester Airport				**21,542**	**21,542**
Loans - Stockport Exchange Phase 3	**14,780**		**14,780**		**14,780**
Car and Other loans	**81**		**81**	**226**	**307**
	14,861	**0**	**14,861**	**21,768**	**36,629**
Total Receivables (Financial Assets)	**66,136**	**(4,105)**	**62,031**	**23,487**	**85,518**
Other Receivables (Non-Financial Assets)					
Central Government (Tax)	**3,037**		**3,037**		**3,037**
Housing Benefits	**4,700**	**(4,018)**	**682**		**682**
Collection Fund:					
Business Rates	**8,611**	**(6,412)**	**2,199**		**2,199**
Council Tax	**12,253**	**(4,966)**	**7,287**		**7,287**
Payments in advance:					
Lease and rental receivables	**304**		**304**	**3,248**	**3,552**
Other payments in advance	**9,704**		**9,704**		**9,704**
Total Receivables (Non-Financial Assets)	**38,609**	**(15,396)**	**23,213**	**3,248**	**26,461**
Total Receivables	**104,745**	**(19,501)**	**85,244**	**26,735**	**111,979**

	Gross Balance restated £000	Impairment allowance restated £000	31 March 2019 Short Term restated £000	31 March 2019 Long Term £000	31 March 2019 Total £000
<u>Financial Assets</u>					
<u>Trade Receivables</u>					
Central Government	3,872		3,872		3,872
Other Local Authorities	14,453		14,453		14,453
NHS Bodies	2,984		2,984		2,984
Other Entities and Individuals:					
Social Services Clients	8,378	(912)	7,466		7,466
Housing Rents	1,886	(1,594)	292		292
Lease and rental receivables	3,833	(743)	3,090	1,454	4,544
Other Entities and Individuals	5,563	(286)	5,277		5,277
	40,969	(3,535)	37,434	1,454	38,888
<u>Other Receivables - Loans</u>					
Loans - Manchester Airport				20,429	20,429
Car and Other loans	189		189	3,283	3,472
	189	0	189	23,712	23,901
Total Receivables (Financial Assets)	41,158	(3,535)	37,623	25,166	62,789
<u>Other Receivables (Non-Financial Assets)</u>					
Central Government (Tax)	4,506		4,506		4,506
Housing Benefits	6,859	(4,396)	2,463		2,463
Collection Fund:					
Business Rates	6,724	(5,561)	1,163		1,163
Council Tax	12,425	(4,655)	7,770		7,770
Payments in advance:					
Lease and rental receivables	167		167	3,200	3,367
Other payments in advance	12,441		12,441		12,441
Total Receivables (Non-Financial Assets)	43,122	(14,612)	28,510	3,200	31,710
Total Receivables	84,280	(18,147)	66,133	28,366	94,499

3. Short and Long-Term Creditors including Receipts in Advance

	31 March 2020 Short Term £000	31 March 2020 Long Term £000	31 March 2020 Total £000
Financial Liabilities			
Trade Payables			
Central Government	**(1,200)**	**(197)**	**(1,397)**
Other Local Authorities	**(7,119)**		**(7,119)**
NHS Bodies	**(6,659)**		**(6,659)**
Other Entities and Individuals	**(52,452)**	**(50)**	**(52,502)**
Finance Lease payables		**(1,386)**	**(1,386)**
	(67,430)	**(1,633)**	**(69,063)**
Other Payables			
Employees Accumulated Absences	**(4,743)**		**(4,743)**
	(72,173)	**(1,633)**	**(73,806)**
Other Trade Payables (Non-Financial Liabilities)			
Central Government (Tax)	**(5,581)**		**(5,581)**
Debt administered by other Councils	**(1,658)**	**(1,327)**	**(2,985)**
Collection Fund:			
Business Rates	**(2,115)**		**(2,115)**
Council Tax	**(2,116)**		**(2,116)**
Receipts in advance:			
Lease and rental receipts in advance	**(2,524)**	**(5,165)**	**(7,689)**
Social Care receipts in advance	**(727)**		**(727)**
Other receipts in advance	**(5,814)**	**(692)**	**(6,506)**
	(20,535)	**(7,184)**	**(27,719)**
Total Payables	**(92,708)**	**(8,817)**	**(101,525)**

	31 March	31 March	31 March

	2019 Short Term £000	2019 Long Term £000	2019 Total £000
Financial Liabilities			
Central Government	(2,484)	(122)	(2,606)
Other Local Authorities	(9,771)		(9,771)
NHS Bodies	(2,349)		(2,349)
Other Entities and Individuals	(34,974)	(25)	(34,999)
Finance Lease payables		(1,183)	(1,183)
	(49,578)	(1,330)	(50,908)
Other Payables			
Employees Accumulated Absences	(4,476)		(4,476)
	(54,054)	(1,330)	(55,384)
Other Trade Payables (Non-Financial Liabilities)			
Central Government (Tax)	(5,637)		(5,637)
Debt administered by other Councils	(1,392)	(2,967)	(4,359)
Collection Fund:			
Business Rates	(2,523)		(2,523)
Council Tax	(2,065)		(2,065)
Receipts in advance:			
Lease and rental receipts in advance	(919)	(5,356)	(6,275)
Social Care receipts in advance	(2,978)		(2,978)
Other receipts in advance	(7,050)	(432)	(7,482)
	(22,564)	(8,755)	(31,319)
Total Payables	(76,618)	(10,085)	(86,703)

4. Provisions

	Insurance Fund £000	Business Rates Appeals £000	Employee Related £000	Other Provisions £000	Total £000	Comparative figures for 2018/19 £000
Long term						
Balance 31 March 2019	(4,953)	(11,068)			(16,021)	(6,465)
Increases in year		(3,705)			(3,705)	(9,556)
Decreases in year	788				788	
Balance as at 31 March 2020	**(4,165)**	**(14,773)**	**0**	**0**	**(18,938)**	(16,021)
Short term						
Balance 31 March 2019	(1,141)	(2,331)	(865)	(1,222)	(5,559)	(8,384)
Increases in year		(3,100)	(200)		(3,300)	(1,834)
Decreases in year	208	2,340	404	499	3,451	4,659
Balance as at 31 March 2020	**(933)**	**(3,091)**	**(661)**	**(723)**	**(5,408)**	(5,559)
Total Provisions	**(5,098)**	**(17,864)**	**(661)**	**(723)**	**(24,346)**	(21,580)

Additional provisions in relation to group companies:

Employee and taxation related provisions
The employee provisions comprise several individual provisions for varied employment issues. No individual provision is material in its nature or size.

Dilapidation provision
This was a provision in relation to a vacated office premises. The provision was settled during the year.

Other provisions
This includes a provision made during the year in relation to a probable legal settlement that is expected to be concluded within the next 12 months.

5. Property, Plant and Equipment

Movements in 2019/20:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**
Cost or Valuation								
At 1 April 2019	**514,546**	**559,022**	**52,307**	**474,166**	**2,005**	**5,023**	**60,909**	**1,667,978**
Additions	**13,518**	**7,642**	**2,175**	**25,627**			**41,601**	**90,563**
Revaluation increases to Group reserve	**4,306**							**4,306**
Revaluation increases/ decreases to Revaluation Reserve	**794**	**43,089**				**(930)**		**42,953**
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	**(8,132)**	**720**						**(7,412)**
Impairment losses to Surplus or Deficit on the Provision of Services		**(940)**						**(940)**
Derecognition - Disposals	**(3,194)**	**(1,401)**	**(324)**	**0**	**0**			**(4,919)**
Reclassifications & Transfers	**6,784**	**5,343**	**191**	**26,270**	**(133)**		**(47,362)**	**(8,907)**
Other Movements		**(1,542)**						**(1,542)**
At 31 March 2020	**528,622**	**611,933**	**54,349**	**526,063**	**1,872**	**4,093**	**55,148**	**1,782,080**
Accumulated Depreciation and Impairment								
At 1 April 2019	**(14,082)**	**(31,790)**	**(33,247)**	**(121,231)**	**(300)**	**(50)**		**(200,700)**
Depreciation Charge	**(12,318)**	**(17,779)**	**(3,642)**	**(17,266)**	**(18)**	**(5)**		**(51,028)**
Depreciation written out to Revaluation Reserve	**65**	**16,171**				**49**		**16,285**
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	**11,074**	**(1,649)**				**(300)**		**9,125**
Impairment losses to Surplus or Deficit on the Provision of Services	**0**	**98**						**98**
Derecognition - Disposals	**114**	**249**	**320**					**683**
Reclassifications & Transfers		**340**						**340**
Other Movements		**1,542**						**1,542**
At 31 March 2020	**(15,147)**	**(32,818)**	**(36,569)**	**(138,497)**	**(318)**	**(306)**	**0**	**(223,655)**
Net Book Value								
At 31 March 2020	**513,475**	**579,115**	**17,780**	**387,566**	**1,554**	**3,787**	**55,148**	**1,558,425**
At 1 April 2019	500,464	527,232	19,060	352,935	1,705	4,973	60,909	1,467,278

The group value of Property, Plant and Equipment comprises Council assets - £1,448.017m; Stockport Homes Ltd assets - £105.948m and Totally Local Company Ltd assets - £4.460m.

Movements in 2018/19:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2018	462,626	579,180	51,298	305,444	2,005	11,034	180,915	1,592,502
Additions	17,588	5,017	999	32,021			52,169	107,794
Revaluation increases to Group reserve	4,614							4,614
Revaluation increases/ decreases to Revaluation Reserve	5,620	(14,760)						(9,140)
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	4,803	347						5,150
Impairment losses to Surplus or Deficit on the Provision of Services		(95)						(95)
Derecognition - Disposals	(5,591)	(12,974)				(53)		(18,618)
Reclassifications & Transfers	24,886	2,307	10	136,701		(5,958)	(172,175)	(14,229)
At 31 March 2019	514,546	559,022	52,307	474,166	2,005	5,023	60,909	1,667,978
Accumulated Depreciation and Impairment								
At 1 April 2018	(12,862)	(34,510)	(29,085)	(110,314)	(288)	(6,005)		(193,064)
Depreciation Charge	(12,027)	(15,422)	(4,162)	(10,917)	(12)	(6)		(42,546)
Depreciation written out to Revaluation Reserve	54	16,657						16,711
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	10,611	667						11,278
Derecognition - Disposals	141	818				3		962
Reclassifications & Transfers	1					5,958		5,959
At 31 March 2019	(14,082)	(31,790)	(33,247)	(121,231)	(300)	(50)	0	(200,700)
Net Book Value								
At 31 March 2019	500,464	527,232	19,060	352,935	1,705	4,973	60,909	1,467,278
At 1 April 2018	449,764	544,670	22,213	195,130	1,717	5,029	180,915	1,399,438

The group value of Property, Plant and Equipment comprises Council assets - £1,372.351m; Stockport Homes Ltd assets - £90.245m and Totally Local Company Ltd assets - £4.682m.

6. Pensions

The Group participate in the Greater Manchester Pension Fund as part of a pooled arrangement, where individual bodies have admitted body status within the Stockport MBC pool for purposes of the actuarial valuation. However, each entity accounts individually for its net defined benefit cost (and the resultant asset or liability).

The single entity also participates in the Teachers' Pension Scheme and the NHS Pensions scheme, details of which are given in the single entity statements Note 26.

In addition, the subsidiaries participate in two separate defined contribution schemes. The pensions charge for the year ended 31 March 2020 was £0.513m (31 March 2019- £0.355m).

The underlying assets and liabilities for retirement benefits attributable to the Group participation in the Greater Manchester Pension Fund as at 31 March are as follows:

	GMPF (SMBC) £000	**GMPF (Stockport Homes) £000**	**GMPF (Totally Local Company) £000**	**Teachers' Discretionary Benefit £000**	**31 March 2020 Total £000**	31 March 2019 Total £000
Estimated Employers' Assets	**892,505**	**69,189**	**86,701**		**1,048,395**	1,129,377
Present Value of Scheme Liabilities	**(1,208,669)**	**(88,255)**	**(89,562)**	**(16,623)**	**(1,403,109)**	(1,542,715)
Net Pension (Liability)/Asset	**(316,164)**	**(19,066)**	**(2,861)**	**(16,623)**	**(354,714)**	(413,338)

The characteristics of the GMPF are set out in the single entity statements Note 26.

For Stockport Homes, the main financial assumptions are 1.8% for pensions increases (31 March 2019 – 2.5%); 2.6% for salary increases (31 March 2019 – 3.3%) and a discount rate of 2.3% (31 March 2019 – 2.4%).

For Totally Local Company, the main financial assumptions are 1.9% for pensions increases (31 March 2019 – 2.5%); 2.7% for salary increases (31 March 2019 – 3.3%) and a discount rate of 2.3% (31 March 2019 – 2.4%).

The weighted average duration of the defined benefit obligation for scheme members is 26 years for Stockport Homes and 21 years for Totally Local Company.

The major categories of group company plan assets as a percentage of total plan assets is as follows:

	Period ended 31 March 2020	Period ended 31 March 2019

	31 March 2020 %	31 March 2019 %
Equities	**69**	69
Bonds	**15**	15
Property	**7**	8
Cash	**9**	8
	100	100

The expected pension scheme contributions to the GMPF for the group for the year ending 31 March 2021 will be approximately £24.5m.

A reconciliation of the group position on the Greater Manchester pension fund is set out below:

Changes in the Fair Value of Plan Assets	Net (liability)/ Assets £000	Assets £000	Obligations £000	Net (liability)/ Assets £000	Assets £000	Obligations £000
Fair Value of Employer Assets	**1,129,377**	**1,129,377**		1,070,770	1,070,770	
Present value of funded liabilities	**(1,512,273)**		**(1,512,273)**	(1,336,916)		(1,336,916)
Present value of unfunded liabilities	**(30,442)**		**(30,442)**	(30,776)		(30,776)
Opening position	**(413,338)**	**1,129,377**	**(1,542,715)**	(296,922)	1,070,770	(1,367,692)
Service Costs:						
- current service cost	**(55,226)**		**(55,226)**	(48,102)		(48,102)
- past service costs (including curtailments)	**(6,431)**		**(6,431)**	(690)		(690)
Total service cost	**(61,657)**	**0**	**(61,657)**	(48,792)	0	(48,792)
Net Interest:						
- interest income on plan assets	**26,894**	**26,894**		28,598	28,598	
- interest cost on defined benefit obligation	**(37,394)**		**(37,394)**	(37,185)		(37,185)
Total net interest	**(10,500)**	**26,894**	**(37,394)**	(8,587)	28,598	(37,185)
Total defined benefit cost recognised in Profit or (Loss)	**(72,157)**	**26,894**	**(99,051)**	(57,379)	28,598	(85,977)
Cashflows:						
- Contributions from Members		**7,993**	**(7,993)**		7,685	(7,685)
- Contributions from Employer	**6,945**	**6,945**		5,635	5,635	
- Contributions in respect of unfunded benefits	**1,938**	**1,938**		1,971	1,971	
- Benefits paid		**(37,297)**	**37,297**		(33,482)	33,482
- Unfunded benefits paid		**(1,938)**	**1,938**		(1,971)	1,971
Cashflows	**8,883**	**(22,359)**	**31,242**	7,606	(20,162)	27,768
Expected closing position	**(476,612)**	**1,133,912**	**(1,610,524)**	(346,695)	1,079,206	(1,425,901)
Remeasurements:						
Changes in demographic assumptions	**45,442**		**45,442**			
- Changes in financial assumptions	**122,266**		**122,266**	(116,378)		(116,378)
- Other experience	**39,707**		**39,707**	(436)		(436)
- Return on assets excluding amounts included in net interest	**(85,517)**	**(85,517)**		50,171	50,171	
Total Remeasurements recognised in CIES	**121,898**	**(85,517)**	**207,415**	(66,643)	50,171	(116,814)
Fair Value of Employer Assets	**1,048,395**	**1,048,395**		1,129,377	1,129,377	
Present Value of Funded liabilities	**(1,377,473)**		**(1,377,473)**	(1,512,273)		(1,512,273)
Present Value of Unfunded liabilities	**(25,636)**		**(25,636)**	(30,442)		(30,442)
Closing Position as at 31 March 2020	**(354,714)**	**1,048,395**	**(1,403,109)**	(413,338)	1,129,377	(1,542,715)

The sensitivity analysis for the group company assumptions is set out below:

Stockport Homes Ltd

Change in Assumptions at 31 March 2020	**Approximate % increase to Employer Liability**	**Approximate monetary amount £000**
0.5% decrease in Real Discount Rate	**13%**	**11,060**
0.5% Increase in the Salary increase rate	**2%**	**1,460**
0.5% Increase in the Pension increase rate	**11%**	**9,486**

Totally Local Company Ltd

Change in Assumptions at 31 March 2020	**Approximate % increase to Employer Liability**	**Approximate monetary amount £000**
0.5% decrease in Real Discount Rate	**10%**	**9,090**
0.5% Increase in the Salary increase rate	**1%**	**940**
0.5% Increase in the Pension increase rate	**9%**	**8,067**

7. Group Expenditure and Funding Subjective Analysis

	Total Group 2019/20 £000	Total Group 2018/19 £000
Expenditure		
Employee Benefit Expenses	**333,648**	309,523
Other service expenses	**338,955**	334,441
Capital charges including depreciation and impairment	**50,083**	26,616
Financing and investment expenditure including interest	**88,359**	88,170
Levies	**40,784**	40,886
Payments to Housing Capital Receipts Pool	**2,315**	2,205
Losses/(gains) on disposal of assets/ impairment of assets held for sale	**(1,171)**	2,432
Taxation expense	**317**	395
	853,290	804,668
Income		
Fees, charges and other service income	**(157,165)**	(147,273)
Financing and investment income including interest	**(53,250)**	(53,791)
Income from Council Tax and Business Rates	**(218,992)**	(222,767)
Government grants and contributions	**(377,215)**	(377,487)
	(806,622)	(801,318)
	46,668	3,350

8. Results of Subsidiaries

The results of subsidiaries within Net Cost of Services comprises:

	2019/20 Expenditure £000	**2019/20 Income £000**	**2019/20 Net £000**	2018/19 Expenditure £000	2018/19 Income £000	2018/19 Net £000
Operating result of Totally Local Company Ltd	**38,913**	**(37,712)**	**1,201**	36,855	(36,130)	725
Operating result of Stockport Homes Ltd	**53,762**	**(53,035)**	**727**	48,685	(49,985)	(1,300)
Consolidation adjustments	**(60,038)**	**60,038**	**0**	(60,104)	60,104	0
	32,637	**(30,709)**	**1,928**	25,436	(26,011)	(575)

Consolidation adjustments relate to revenue expenditure charged between the Group companies which reduces overall expenditure and income for the Group accounts.

9. Cash and Cash Equivalents

	Balance at 31 March 2020 £000	Balance at 31 March 2019 £000
Cash and bank balances	**37,961**	38,047
Short-term investments, considered to be cash equivalents	**32,345**	19,725
	70,306	57,772
Bank Overdraft	**(2,763)**	(7,516)
	67,543	50,256

10. Note to the Cash Flow Statement- Investing Activities

	31 March 2020 £000	31 March 2019 £000
Purchase of property, plant and equipment, investment property and intangible assets	**91,094**	116,063
Purchase of short-term and long-term investments	**89,870**	20,200
Other capital payments for investing activities	**13,967**	16,607
Other payment for investing activities	**39**	88
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(5,120)**	(9,160)
Capital grants	**(38,574)**	(60,418)
Proceeds from short-term and long-term investments	**(17,000)**	(13,200)
Other receipts from investing activities	**(81)**	(2,140)
	134,195	68,040

11. Note to the Cash Flow Statement- Financing Activities

	31 March 2020 £000	31 March 2019 £000
Cash receipts of short- and long-term borrowing	**(384,315)**	(566,083)
Repayments of short- and long-term borrowing	**312,941**	523,811
	(71,374)	(42,272)
Other receipts from financing activities	**(326)**	(979)
	(71,700)	(43,251)

The reconciliation of liabilities arising from financing activities is set out in the Notes to the Single Entity Statements.

PART 2 - OTHER ACCOUNTS (not subject to audit)

This section summarises the accounts of various Trust Funds and other bodies which the Council administers on behalf of their trustees or otherwise. This statement sets out the income and expenditure in relation to those Trusts. These funds do not represent assets of the Council and are not therefore included within the Comprehensive Income and Expenditure Statement or Balance Sheet.

	Balance at 31 March 2019 £	Increases in year £	Reductions in year £	**Balance at 31 March 2020 £**
Hollingpriest Educational Foundation	(1,262)	(9)	0	**(1,271)**
Woodbank Memorial Fund	(2,655)	(19)	19	**(2,655)**
Brookfield Park Shiers Family Trust	(360,106)	(7,194)	23,285	**(344,015)**
Total	(364,023)	(7,222)	23,304	**(347,941)**

Notes

Hollingpriest Educational Foundation

The Fund was established for the provision of academic, social and physical training for young people in Stockport under the age of 25 years.

Woodbank Memorial Fund

The income from the invested funds is to be used for the benefit of the park and its services. The annual interest is to be utilised by Parks Services in connection with Woodbank Park.

Brookfield Park Shiers Family Trust

The Charity was established for the residents of Cheadle and Gatley for health, education and social services purposes as the Council, as Trustees, in its discretion sees fit. The current policy is to maintain the value of the original bequest in real terms.

The Trustees resolved to reserve £25,000 to be used to address the effects of loneliness amongst elderly residents and the consequential effect on their health. A total of £19,134 has been distributed to date.

In 2018, Members approved a further allocation of £35,000, later increased to £50,000, from the Trust to support voluntary groups for children and young people, young carers, addressing loneliness amongst children and young people, and supporting sports groups for people of all ages. A distribution of £1,000 has been during the year.

Glossary of Accounting Terms

Accounting Period
The period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

Accrual
An amount included in the accounts to cover income or expenditure attributable to an accounting period but for which payment has not been received or made by the end of the accounting period. This is based on the concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

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

Amortise
To write off a balance gradually and systematically over a specified period of time. Examples of balances which are amortised include Government Grants Deferred and Premiums and Discounts arising from early repayment of loans.

Asset
Something of value which is measurable in monetary terms.

Billing Authority
An authority responsible for the collection of the Council Tax and Business Rates.

Capital Expenditure
Expenditure on the acquisition of a non-current asset or expenditure which adds to, and not merely maintains, the value of an existing non-current asset. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own non-current assets.

Capital Receipt
The proceeds from the sale of a non-current asset, or the repayment of an advance.

Cash and Non-Cash Limits
Cash limit items are items which are under the direct accountable responsibility of a specified officer, as opposed to non-cash limit items (e.g. insurance, levies and financing costs) which are general council in nature and managed on a corporate basis.

Collection Fund
A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of Council Tax and Business Rates.

Community Assets
Assets that the Council intends to hold in perpetuity, have no determinable finite useful life and in addition may have restrictions on their disposal. Examples of community assets are playing fields and parks.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

Constructive obligation
An obligation that derives from a Council's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the Council has indicated to other parties that it will accept certain responsibilities and
- as a result, the Council has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent asset
A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability
A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Alternatively, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of that obligation cannot be measured with sufficient reliability.

Council Tax
A banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1 April 1991. The level of tax is set annually by each local authority for the properties in its area.

Creditors
Amounts owed by the Council for work done, goods received or services rendered to the Council during the accounting period, but for which payment has not been made by the balance sheet date.

Current Assets
Assets which will be consumed or cease to have value within the next accounting period, e.g. stock and debtors.

Current Liabilities
Amounts which will become payable or could be called in within the next accounting period, e.g. creditors and cash overdrawn.

Current Service Cost (Pensions)
The increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Curtailment
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors
Amounts due to the Council which relate to the accounting period and have not been received by the balance sheet date.

Defined Benefit Scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation
The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers.

Employees Accumulated Absences
Employees Accumulated Absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full, for example, annual leave, flexitime and time in lieu.

Exceptional Items

Material items which arise from events or transactions that fall within the ordinary activities of the Council and which by virtue of their size or incidence need to be disclosed separately to give a fair presentation of the accounts.

Expenditure
Costs incurred by the Council for goods received, services rendered or other value consumed during the accounting period, irrespective of whether or not any movement of cash has taken place.

Events after the Balance Sheet Date
Events after the Balance Sheet date, are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Financial Instrument
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term ‘financial instrument’ covers both financial assets and financial liabilities and can be straightforward financial assets and liabilities, such as trade receivables and trade payables, or very complex ones, such as derivatives.

Finance Lease
A lease that transfers the risks and rewards of ownership of a non-current asset to the lessee. Such a transfer may be presumed to occur if at the inception of the lease, the present value of the total of lease payments, amount to all the fair value of the leased asset.

General Fund
The main revenue account of the Council, which brings together all income and expenditure other than that recorded in the HRA and the Collection Fund.

Housing Revenue Account
A statutory account which local authorities have to maintain if they provide public housing, and which includes all income and expenditure relating to the administration and maintenance of council dwellings and related properties.

Impairment
A reduction in the value of a non-current asset below its value brought forward in the Balance Sheet.

Income
Amounts due to the Council in respect of services performed, taxes levied or grants receivable during the accounting period, irrespective of whether or not any movement of cash has taken place.

Infrastructure Assets
Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Investments
Items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts). A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long-term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.
Investments that do not meet the above criteria should be classified as current assets.

Investment Properties
Interests in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arm's length.

Liabilities
Amounts due to individuals or organisations which will have to be paid at some time in the future.

Leasing
A method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright.

LOBO ("Lender Option Borrower Option")
A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every 2 to 5 years), the lender has the ability to alter the interest rate. Should the lender exercise this option, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

Materiality
The concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a reader.

Minimum Revenue Provision (MRP)
A revenue charge in respect of the repayment of an element of the accumulated capital expenditure funded by borrowing, in accordance with MRP regulations.

Net Assets
Total Assets less total liabilities. This is the amount by which the total assets of the Council exceed its total liabilities, and equals the total Reserves of the Council.

Net Book Value
The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Defined Benefit Liability (asset)
The present value of the defined benefit obligation less the fair value of the plan assets (adjusted for the asset ceiling).

Net Interest Income (expense) – Pensions
The change during the period in the net defined benefit liability (asset) that arises from the passage of time. This includes allowance for interest on the current service cost.

Non-Current Assets
Tangible assets which have value to the Council for more than one year, e.g. land, buildings, equipment.

Non-Domestic Rates (NDR/Business Rates)
A tax levied on business properties, and sometimes known as Business Rates. Previously a Business Rates poundage was set annually by the government and rates, based on properties' rateable value, were collected by billing authorities and paid into a national pool. The proceeds were then redistributed by central government as a grant to local authorities in proportion to adult population. From 1 April 2013 new arrangements came into effect and Business Rates now follows a similar process to Council Tax with the Council retaining a proportion of business rates for use in the direct funding of its services.

Observable and unobservable inputs for fair value measurement
- Observable inputs are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability;
- Unobservable inputs are inputs for which market data is not available and that are developed using the best information available to the Council about the assumptions that market participants would use when pricing the asset or liability.

Operating Lease
A lease where the risks and rewards of ownership of a non-current asset remain with the lessor. Such a lease will be for a fixed period which is significantly less than the useful economic life of the asset.

Past Service Cost
The change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by the plan).

Precept
A levy by one authority which is collected on its behalf by another, e.g. Stockport Metropolitan Borough Council collects Council Tax on behalf of the GMCA Mayoral

Police and Crime Commissioner and the GMCA Mayoral General (including Fire Services).

Premiums and Discounts
Premiums and discounts arise on the early repayment and restructuring of debt.
The repayment sum will be higher than the principal amount borrowed if interest rates are presently lower than the loan rate (premium). The repayment sum will be lower than the principal amount if the current interest rates are higher than the loan rate (discount).
If Premiums and Discounts arise from debt re-scheduling they may be amortised over the lifetime of replacement loans where applicable.

Present value of defined benefit obligation
The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Prior Year Adjustments
Material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

Provisions
Amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur but where there is uncertainty as to the amounts involved or the dates on which they will arise.

Prudence
The concept that income should only be anticipated to the extent that it can be realised with reasonable certainty, whilst full and proper allowance should be made for all known and foreseeable losses and liabilities.

Public Works Loan Board
A Government agency which provides borrowing facilities to local authorities for the financing of capital expenditure.

Reserves

Reserves are split into usable reserves and unusable reserves. Usable reserves are those that derive from Council activities, and can be set aside to spend on services in future years. They include general and earmarked reserves and the capital receipts reserve. Unusable reserves include accounting reserves such as the pensions reserve, revaluation reserve and capital adjustment account, which derive from accounting adjustments and cannot be used for expenditure on services.

Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances, and usually arise as unplanned surpluses of income over expenditure.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Contribution to Capital Outlay (RCCO)
Capital expenditure funded otherwise than from borrowings, grants, contributions or receipts.

Revenue Expenditure
Expenditure incurred on the day-to-day running of the Council, as opposed to items which will last for more than one year.

Revenue Expenditure Funded from Capital Under Statute
Expenditure which may properly be spread over more than one year but which does not result in, or remain matched with, tangible assets. An example of a revenue expenditure funded from capital under statute is a grant of a capital nature to a voluntary organisation.

Revenue Support Grant
A central government grant paid to each local authority to help to finance its general expenditure. The distribution of the grant between authorities is intended to allow the provision of similar standards of service throughout the country for a similar Council Tax levy.

Scheme Liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement
An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks

relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrecoverable annuity contract sufficient to cover vested benefits; and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Subsidiary Undertaking
A subsidiary undertaking is an entity, including an unincorporated entity such as a partnership, which is controlled by the Council.

Transferred Debt
Debt which was created on 1 April 1986 on the dissolution of the former Greater Manchester Council and apportioned over the ten district councils of Greater Manchester, repayable annually on an annuity basis over the 36 years to 31 March 2022.

Vested Rights
In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- for deferred pensioners, their preserved benefits;
- for pensioners, pensions to which they are entitled.