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MANCHESTER
CITY COUNCIL

Audit Committee

Date: Tuesday, 27 July 2021
Time: 10.00 am
Venue: Council Chamber, Level 2, Town Hall Extension

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

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Membership of the Audit Committee

Councillors - Ahmed Ali (Chair), Clay, Hitchen, Lanchbury and Russell

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

Supplementary Agenda

Further Information

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

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This supplementary agenda was issued on **Friday, 23 July 2021** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street Elevation), Manchester M60 2LA

Manchester City Council
Report for Resolution

Report to: Audit Committee – 27 July 2021

Subject: Annual Accounts 2020/21

Report of: Deputy Chief Executive and City Treasurer

Summary

To report the 2020/21 Annual Accounts, which have been signed by the Deputy Chief Executive and City Treasurer, to the Committee.

Recommendations

To note the unaudited 2020/21 Annual Account, signed by the Deputy Chief Executive and City Treasurer, including the narrative report.

Wards Affected: All

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to four years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.
Working papers – consolidation of 2020/21 accounts files

Report of the Deputy Chief Executive and City Treasurer to Audit Committee 16 March 2021 – Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty

1.0 Introduction

1.1 This report sets out the process of approval for the annual accounts.

2.0 Background

2.1 The Accounts and Audit (Coronavirus) (Amendment) Regulations issued by the Ministry for Housing, Communities and Local Government set out the requirements for the production and publication of the Annual Statement of Accounts for 2020/21. These amend the 2015 regulations.

2.2 The accounts are not required to be approved by a Committee of the Council prior to their submission to the external auditors, however it is considered good practice that the Audit Committee should have the opportunity to review the unaudited accounts. The requirement for 2020/21 is that before the first working day of August 2021, the accounts are certified by the Section 151 Officer (for the Council this is the Deputy Chief Executive and City Treasurer) as providing a true and fair view of the financial position of the Council as at 31 March 2021 and its income and expenditure for the year ended 31 March 2021. In previous years this was required by 31 May. The Government has accepted the recommendation of the Independent Review of Local Authority Financial Reporting and Audit (the Redmond Review) for the audit deadline to be extended for local authority accounts for 2020/21 and 2021/22. The deadline for the publication of the audited accounts has again also been extended from 31 July to 30 September for the 2020/21 accounts.

2.3 The audited accounts together with the external audit report will be considered at an Audit Committee before the deadline for publication of the accounts.

3.0 Presentation of the Annual Accounts

3.1 The Annual Accounts are structured into a number of sections:

- The ***Narrative Report*** which sets out the background to the financial year including a summary of the Council's revenue and capital outturn position.

- The ***Statement of Responsibilities for the Annual Statement of Accounts*** which details the responsibilities of the Deputy Chief Executive and City Treasurer and Section 151 Officer.

- The ***Comprehensive Income and Expenditure Statement (CIES)*** shows the accounting cost of the Council's activities rather than the amount to be funded from Council Tax. The analysis of the CIES is now by Council Directorate rather than by the standard service classification previously required by the Service Reporting Code of Practice (SERCOP).

- The ***Movement in Reserves Statement (MIRS)*** which explains the movement in the Council's usable and unusable reserves during the year.

- The ***Balance Sheet*** which shows the total assets, liabilities and reserves of the Council at the end of the financial year (31 March).

- The ***Cash Flow Statement*** which shows the reasons for the change in cash and cash equivalents during the year.

3.2 Each statement is preceded by a note explaining its purpose and followed by notes explaining the statements.

3.3 The main statements and notes are followed by three further sections:

- The ***Housing Revenue Account (HRA)*** reports on the Council's costs of owning and maintaining properties which are let to tenants and associated income, predominantly from renting Council houses to tenants. These costs and income are also shown within the main statements.

- The ***Collection Fund Account*** reports on the collection of local taxes and their distribution to the Council and the preceptors, (Greater Manchester Combined Authority for the Police and Crime Commissioner and Mayoral and Fire and Rescue elements).

- The ***Group Accounts*** shows the full extent of the Council's economic activities by reflecting the full extent of the Council's involvement with its material group companies and organisations. These are Destination Manchester Ltd and the Council's share of Manchester Airport Holdings Ltd (35.5%).

3.4 Each of the statements is supported by explanatory notes to the accounts.

3.5 The ***Annual Governance Statement***, giving a summary of the Council's review of the effectiveness of its overall governance arrangements including its system of internal control, accompanies the accounts.

3.6 The presentation of the accounts is governed by the accounting policies that the Council is required to follow. There are no changes in accounting policies for 2020/21. Further information relating to accounting policies used by the Council are shown in Note 7 - Accounting Policies and Concepts. These were previously reported to the Audit Committee on 16 March 2021.

3.7 Valuations have again been commissioned for the land and buildings assets of Manchester Airports Holdings Ltd and Destination Manchester Ltd and these have been used to produce the 2020/21 Group Accounts. The accounting policies of companies within the group are therefore on the same basis as the Council as required by the Code of Practice on Local Authority Accounting.

4.0 Effect of COVID-19 on the Annual Accounts.

4.1 The challenges associated with COVID-19 have had a significant effect on the Council's financial activities and position at the end of 2020/21 and continuing into 2021/22. As a result, additional disclosures have been included in the 2020/21 annual accounts and reported as outlined in both the reserves and collection fund position. These also include the underlying assumptions surrounding going concern, (note 7.1.1) particularly relating to the Council's group entities.

4.2 Additional allowance for impairment of debt, particularly in relation to council tax and business rates, has been provided in 2020/21. This has been increased based on the experience of the reductions in collection 2020/21 and for the early months of 2021/22.

5.0 **Other Key Issues in the Annual Accounts.**

5.1 The original budget for 2020/21 assumed a transfer to general reserves of £1.597m. The general fund revenue outturn resulted in an underspend across all budgets, of £3.854m, with the total transfer to general reserves being £5.451m. The general fund reserve, after this transfer, stands at £26.803m. It is considered that this is a reasonable level of general reserves for the Council at this time given the level of risks the Council is facing.

5.2 The Housing Revenue Account (HRA) underspent by £20.323m. This mainly relates to reduced revenue contributions to fund capital expenditure for several capital schemes planned across 2021/22 and lower Private Finance Initiative (PFI) payments due to the planned installation of sprinklers at both Miles Platting and Brunswick now expected in 2022/23.

5.3 The Council spent £335.7m on capital related projects in 2020/21 compared to the revised budget of £373.3m with the majority of unused budget being re-profiled into future years.

5.4 The Council's Revenue and Capital Outturn reports give further details and were considered by the Executive on 2 June 2021.

5.5 As a result of the revised statutory deadlines, the requirement for the public inspection period to include the first 10 working days of June has been removed. Instead, local authorities must start the public inspection period on or before the first working day of August 2021. This means that accounts must be confirmed by the responsible finance officer (RFO) and be published by 31 July 2021 at the latest.

5.6 During this period of public inspection the external auditor must give electors or any representative of an elector an opportunity to question them about the accounting records of the Council.

6.0 Summary of the Annual Accounts

6.1 The underspend on the Council's General Fund Account (£3.854m). and the underspend on the Housing Revenue Account (HRA) (£20.323m) total £5.575m underspend. The HRA is fully ringfenced and cannot be used to support the General Fund position. This is the position before notional accounting adjustments. The Consolidated Income and Expenditure Statement (CIES) shows an accounting surplus of £140.089m. The difference of £134.514m is as a result of the notional accounting adjustments predominately relating to capital transactions and pension related costs plus transfers to reserves not shown within the CIES. The CIES is prepared in accordance with International Financial Reporting Standards (IFRS) which seeks to present the figures on a consistent basis across all of the organisations to which they apply.

6.2 The Balance Sheet, which summarises the value of the assets and liabilities of the Council, shows an overall decrease in net worth of £157.152m as at 31 March 2021 when compared to the previous year end. This is due to an increase in usable reserves of £216.837m and a decrease in unusable reserves of £373.999m.

6.3 The £216.837m increase in usable reserves relates to timing differences between government funding being received to support COVID-19 losses and pressures, and the budget impact of such losses. The most significant are as follows:

- The Business Rates section 31 grant reserve new in 2020/21 is reported as increased by £167.690m m which reflects additional Section 31 grant to fund the extended retail relief award of £150.491m offset by reduced Section 31 grants and other movements totalling £2.018m, mainly from the Multiplier Cap, and Taxation Income Support grant of £19.219m.
- £19.901m of the increase relates to COVID-19 related grants which have been carried forward in line with grant conditions to fund eligible spend in 2021/22.
- £22.957m relates to grants to support businesses impacted by COVID-19 restrictions. This was spent by the end of June 21.
- Revenue reserves supporting capital schemes have increased by £18.346m due to the re-profiling of the capital programme and use of short-term borrowing during the financial year.

6.4 The £216.837m decrease in unusable reserves mainly relates to:

- £370.5m increase in pensions reserve due to the first year of the pension pre-payment
- £192.802m decrease in Collection Fund Adjustment Account which reflects the Business Rates Deficit of £178.017m. This is a result of awarding £142.741m extended retail relief (which will be offset by government grant) and reduced collection due to the impact of COVID-19.
- £101.366m increase in Capital Adjustment Account, which includes timing differences arising from financing the acquisition, construction or enhancement of assets and accounting for their consumption
- £94.467m increase in Revaluation reserve, mainly linked to property, plant and equipment revaluations.

6.5 The Collection Fund contains a closing Council Tax Surplus of £1.187m, of which the Council's share is £0.975m the remainder being due to the Greater Manchester Combined Authority for the Police and Fire elements. This is an overall increase of £4.170m when compared to the estimate of the deficit made in January 2021 of £2.985m (Council share £2.482m). This is due to an increased number of properties and a reduced number of student discounts from the position assumed when the deficit was declared. In addition, the bad debt provision has been increased to reflect the reduced collection in 2020/21 and ongoing as a result of the pandemic. The Council's share of the increased surplus is taken into account when setting the 2022/23 budget.

6.6 The 2021/22 budget contains the estimated share of the 2020/21 Business Rates deficit, as calculated in January 2021 which totalled £181.108m with the Council's share being £180.932m. The final Business Rates deficit in the Collection Fund as at 31 March 2021 is £179.815m (Council share £178.017m), a reduction of £1.293m. This is mainly due to a reduction in the provision for appeals based on information on outstanding appeals received from the Valuation Office Agency and increased bad-debt provision. large number of businesses received full relief from business rates in 2020/21, due to the pandemic. The Council was reimbursed for this income loss through a section 31 grant received in 2020/21, totalling £154m. Due to the accounting rules for collection fund the associated deficit is recognised in 2021/22, therefore the grant will be carried forwards in reserve to offset.

6.7 In 2020/21 under new regulation if a billing authority is estimating a Business Rates net deficit position, after adjusting for additional extended retail relief award, this must be spread equally over 3 years (from 2021/22 to 2023/24). This deficit is based on that estimated in January and is fixed and unable to be changed when the outturn figures became available. The net deficit determined as spreadable was £41.454m (Council share £41.039m).

6.8 In addition, Government announced the 75% Taxation Income Guarantee (TIG) scheme in the provisional settlement, which primarily seeks to fund 75% of losses in collection for both Council Tax and Business Rates by comparing budgeted collection with actual collection. In 2020/21 £19.219m is due for Business Rates, there is no TIG due to the Council for Council Tax.

7.0 Timeline of the Annual Accounts Process

7.1 The timeline for the completion and audit of the 2020/21 annual accounts is as follows:

- Submission of unaudited annual accounts to Audit Committee – 27 July 2021
- Handover of annual accounts to External Auditors and publication on the website before 1 August 2021
- Submission of annual accounts, including amendments agreed during the external audit, to Audit Committee – after the publication deadline of 30 September

- Issue of audit opinion by the Council's external auditors, Mazars – after 30 September 2021

8.0 Recommendations

8.1 The recommendations appear at the front of this report.

MANCHESTER
CITY COUNCIL

Annual
Statement of Accounts 2020/21

Contents

Our 2020-21 Narrative Report

Introduction

Our Narrative Report aims to demonstrate a clear link between our resources, our strategy and our performance in a transparent and accessible way. It shows how we've helped deliver intended outcomes and created value throughout 2020-21, and how we are planning ahead to respond as effectively as possible to future challenges.

Our thriving and vibrant city

The city's growing population was estimated to be just over 579,500 in mid-2020, and by 2026 Manchester is forecast to be home to over 636,000 people.[1] The city's growing economy has been crucial to its overall success and resilience. Manchester is the third most visited city in the UK and is renowned both nationally and internationally as a vibrant, inclusive and outward-looking city.

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

We closely monitor the implications of government policy (in relation to COVID-19, and the introduction of Integrated Care Systems (ICSs) from April 2022 for example) so that we are well placed to anticipate and mitigate negative impacts and grasp opportunities. We will continue to work together with other authorities in our city region and use our collective powers and budgets to make local decisions aligned to the needs of our communities, partners and stakeholders.

Our Council

Our commitment to good governance

We make decisions affecting Manchester and its residents on a daily basis. We are made up of 96 councillors elected by residents across the city's 32 wards. These elected representatives have the authority to make decisions affecting the city. Approximately 7,200 Council staff deliver public services across five directorates: Adult Social Care (including Homelessness), Children's Services, Homelessness, Neighbourhoods, Growth and Development and the Corporate Core.

We are responsible for conducting our business in accordance with the law and ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. We are committed to the highest standards of conduct, progressing towards the city's vision with robust controls over the use of resources, intelligent and open decision making, and accountability and transparency. We have set out our governance standards in our Code of Corporate Governance (The Code), which forms part of our Constitution. The Code explains how the vision and values of the organisation – the Our Manchester principles - are at the heart of the Council's approach to governance. Our Annual Governance Statement (AGS) reviews the extent to which we have met the Code's standards, and describes the progress made throughout the year in addressing our key governance challenges.

[1] Estimate based on in-house forecasting model (MCCFM) which accounts for residential building underway in 2020 and is dependent on strong recovery from impacts of COVID-19.

Our strategy and objectives

Our mission is to support the delivery of the vision for the city set out in the Our Manchester Strategy that in 2025 Manchester will be in the top flight of world-class cities. This ambitious strategy was launched in 2016 and was developed through extensive consultation with local people, businesses and service providers and shows how the city came together to address its challenges and strive for a place in the top flight of world class cities.

A Strategy reset, overseen by the Our Manchester Forum, a partnership board of stakeholders from across the city, was completed in 2021 following extensive engagement across the city. The Our Manchester Strategy – Forward to 2025, resets our priorities for the next five years to 2025, acknowledging - but looking beyond the current challenges. The reset maintained our overarching principles of equality, inclusivity and sustainability, building on them to establish the refreshed vision for achieving the city's 2025 aims.

To progress towards the vision described in the Strategy, and to meet the city's challenges, we are continuing to embed the Our Manchester approach. This is a radically transformed way of working so that public services are focused around people and communities rather than organisational silos. We are working with partners such as health, education and housing providers, the police, the voluntary sector and communities in new innovative ways that target the specific challenges we have in Manchester and make Manchester the best it can possibly be.

The Council's Corporate Plan (Our Plan), set out on the next page, has nine priorities for delivering the Our Manchester Strategy for the city. Our Plan was refreshed in February 2021, in light of the events of 2020, to reflect the importance of delivering on our equality, diversity and inclusion commitments. Our Plan's priorities are aligned to the strategy for the city and the city region and they inform the Council Business Plan and Budget Report. Our Revenue Budget Strategy and Capital Budget Strategy are aligned to the Our Manchester Strategy and what Manchester people value most.

Our work towards each priority is underpinned by city-wide leadership which aims to reduce inequalities and promote inclusion and diversity. We pursue our priorities by applying the Our Manchester principles in all that we do, from our Business and Budget planning through our service and team planning, to the 1:1 About You sessions managers have with staff which complete the golden thread (represented in the image below). These principles are 'listening', 'recognising strengths of individuals and communities', 'working together' and 'better lives. The Our People Strategy will be refreshed later this year to align to the Our Manchester Strategy Reset, the Organisations Development Plan (currently in development), and how we need to work in the future.


Greater Manchester Strategy
Our Manchester Strategy (2016-25)
Our Corporate Plan
Council Business Plan
Council Budget Report
Service Plans
Team Plans
About You

Our Manchester

Our Corporate Plan for 2021–22

Our Corporate Plan sets out how we will help make the Our Manchester vision for 2025 a reality.

The vision is for Manchester to secure its position in the top-flight of world-class cities by 2025.

We all need to think about the part we play in making Manchester a city that is:

- **Thriving**
- **Full of talent**
- **Fair**
- **A great place to live**
- **Connected – with technology and transport.**

We can only achieve our vision and ambitions if everyone works together.

Our priorities

Our nine Corporate Priorities reflect what we – as a council – need to do and focus on. We must all keep equality, inclusion and diversity at the heart of everything we do. No matter what job you do, you will make a difference to the lives of Manchester people.

1. Zero-carbon Manchester
We must transform Manchester into a zero-carbon city by 2038 by halving our own direct CO_2 by 2025, reducing citywide CO_2, and improving air quality.

2. Growth that benefits everyone
We will boost productivity in the city to reduce poverty and create an economy that is inclusive and benefits everyone.

3. Young people
We will support Manchester's young people to be safe, happy, healthy and successful, and help them to fulfil their potential by giving them the best start in life, with access to good schools, play, leisure and culture.

4. Healthy cared-for people
We will work with partners to ensure our residents are healthy and well, and we will support whoever needs it most to improve their lives – including reducing homelessness and creating better outcomes for homeless people.

5. Housing
We will deliver the right mix of housing so that Mancunians have a choice of good-quality homes that are safe, secure and affordable.

6. Neighbourhoods
We will work with communities to create clean, vibrant and diverse neighbourhoods that everyone can be proud of, and make sure that we deliver services closer to residents.

7. Connections
We will connect people and places with good roads, greener transport and better technology, and boost sustainable transport by increasing walking and cycling routes.

8. Equality
We will deliver on our equality, diversity and inclusion commitments, creating a progressive city that allows our residents and partners to understand our diverse communities, improving their life chances and celebrating diversity.

9. Well-managed council
We will support our colleagues to be their best and we will make the most of our resources.

MANCHESTER CITY COUNCIL

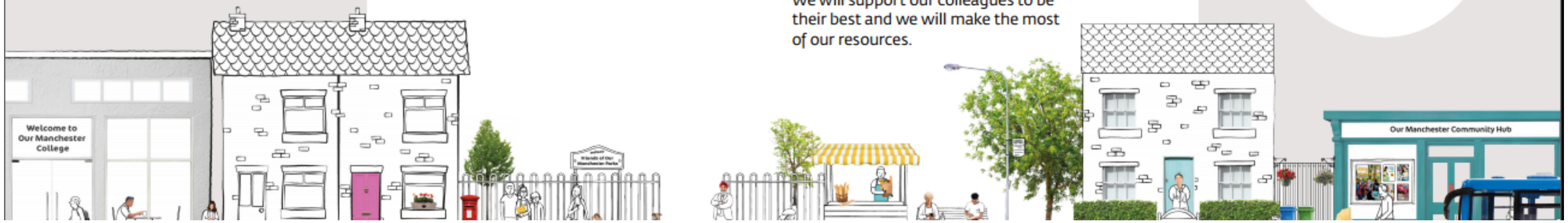
Our Manchester behaviours

Our behaviours demonstrate our values and principles. By putting them into action and working in new ways we will create the future Manchester we're all striving for.

- **We are proud and passionate about Manchester.**
- **We take time to listen and understand.**
- **We 'own it' and aren't afraid to try new things.**
- **We work together and trust each other.**

To deliver Our Corporate Plan we all need to do our bit. We should use it to shape service and team plans, and as part of About You conversations.

Our Manchester – it's the way we do things, not just a thing we do.



Our recovery from COVID-19

The COVID-19 pandemic has had a significant impact on the Council and the city. COVID-19 has exacerbated existing inequalities, which is reflected in the virus' infection and mortality rates. Mortality rates from COVID-19 in the most deprived areas were more than double those in the least deprived areas. One in five deaths involving COVID-19 in Manchester have occurred in care homes. The City's Black, Asian and Minority Ethnic communities make up circa 37% of the population[2], but account for almost 60% of confirmed COVID cases. In the first wave, the COVID mortality rate in these communities was three times that of the City's White British population; in the second wave, the mortality rate reduced for most ethnicities but increased for the Bangladeshi and Pakistani population. Similarly, disabled people account for approximately 17% of the City's population, but for almost 60% of COVID deaths. People with a learning disability are up to six times more likely to die of COVID-19 than those without. These patterns of disproportionately adverse impact are reflected across numerous at-risk groups.

The impacts of the pandemic have increased the scale of the already significant challenge of residents experiencing digital exclusion. Too many residents were left unable to access essential online services such as protected online shopping slots and medical records. Others were left feeling socially isolated because they were unable to benefit from technology to keep in touch with family and friends. Digital exclusion exists where a person lacks one or more of the following: access to the Internet, skills and confidence to use the Internet or motivation to go online. In line with national trends, the Council has identified that those people who are over 65, are disabled, have low incomes, or whose first language is not English are more likely to be digitally excluded. The Council has supported digital inclusion for over 20 years now with libraries being a key venue for this. To help address the challenge of access to digital, the Council has developed various workstreams that now form the Digital Inclusion Action Plan. Since May 2020, the Manchester Digital Device Scheme has gifted 1,140 devices to residents most in need and Digital Inclusion Volunteers have supported 835 to use technological equipment which they had access to. The Council has invested in supporting third sector organisations to scale up and sustain their hyper local digital inclusion activity. For example, coordinating a Digital Inclusion Working Group has enabled the funding of projects delivered through community organisations which have targeted those people most at risk of digital exclusion. A key part of the Manchester Digital Strategy is investing in the city's digital infrastructure including full fibre connections and 5G.

Whilst a balanced budget for 2021/22 is expected to be achieved, the financial position is challenging with significant budget gaps remaining for 2022/23 and 2023/24 and beyond. It is clear that the pandemic will have a significant impact on the Council's resources, in terms of both increased expenditure and significantly reduced income for at least the next two to three years. Fundamentally, the government has not provided any support for the loss of dividend income that we would achieve through our economic strategy for Manchester, and this is a key factor in the requirement to make over £40m of cuts in 2021/22 and the ongoing budget gap. The likely reduction in reserves is also a cause for concern. Despite the pressures being faced the Council remains determined to deliver the agreed priorities for Manchester. The budget is not just about how to manage within available resources but also on where funding should be invested to deliver on resident priorities and working with partners to jointly develop new ways of delivering services such as prevention and early help, giving families strengths and self-reliance so they will benefit from greater self-determination and improved life chances - and in so doing reducing the need for more costly support in the future. The difficult balance must be maintained between protecting investment to generate growth (and grow the revenues available to

[2] 2019/20 Annual Population Survey, ONS

the Council), provide high quality universal services, and to protect the most vulnerable.

12-point COVID-19 action plan

Manchester's 12-point COVID-19 action plan aligns with the national and Greater Manchester approach and it covers:

1. Ensure that strategic and operational decisions in respect of COVID-19 are informed consistently by high quality data and intelligence.
2. Increase access to and uptake of testing.
3. Increase capacity to respond to local outbreaks including infection control, contact tracing, environmental health and non-specialist support.
4. Develop and implement community engagement plans for targeted work in specific areas and with specific groups.
5. Reinforce basic public health messages and amplify key communication messages in relation to the restrictions.
6. Work with and support the hospitality sector in responding to changing guidance and regulations when they are agreed.
7. Continue to support residents and patients who are vulnerable and ensure health equity issues are addressed.
8. Provide advice to organisers of events.
9. Work collaboratively with Early Years settings, Schools and Colleges to ensure these settings remain open.
10. Work collaboratively with Universities on COVID secure arrangements for both on and off campus activities with a focus on outbreak management.
11. Build on the learning from the first wave to inform the Winter/Spring planning for support to Care Homes
12. Consider the suite of contain measures that have been developed for Greater Manchester to inform the Manchester Local Escalation Plan

Tackling climate change and generating social value

The Council declared a Climate Emergency in July 2019 which recognised the need for the Council, and the city as a whole, to do more to reduce CO2 emissions and mitigate the negative impacts of climate change. It also demonstrated the Council's commitment to be at the forefront of the global response to climate change and to lead by example. The Council had already adopted a science-based carbon budget for Manchester of 15 million tonnes of CO2 between 2018 and 2100 following analysis by the Tyndall Centre for Climate Change Research. This also committed the city to become zero carbon by 2038 at the latest.

The Council's Climate Change Action Plan 2020-25 was developed to ensure that all aspects of the Climate Emergency Declaration were converted into clear actions with tonnes of CO2 savings included where applicable. The Plan builds on over a decade of previous activity which has seen the Council's direct CO2 emissions reduce by 54.7% between 2009/10 and 2019/20. It sets an ambition for the Council to reduce its direct CO2 emissions by 50% between 2020 and 2025 based on a 13% year on year reduction trajectory. The Plan also recognises the Council's unique leadership role in supporting and influencing the city to reduce its emissions and in ensuring that the city's residents are protected from the impacts of climate change. The actions in the plan are under five themes:

- Buildings and energy;
- Transport and travel;
- Reducing consumption-based emissions and influencing suppliers;
- Climate adaptation, carbon storage and carbon sequestration;
- Influencing behaviour and being a catalyst for change.

Since declaring a Climate Emergency, the Council has set about transforming the way it works to ensure that climate change is at the heart of the organisation and our work with partners, residents and with our young people. Our Corporate Plan priorities have been refreshed for 2021/22 and reflect the city's zero carbon ambitions, with the inclusion of the 'Zero Carbon Manchester' priority. As the Climate Change Action Plan is delivered, quarterly progress reports are available which highlight key achievements and statistics. Recent achievements include:

- £19.1m secured from the Public Sector Decarbonisation Scheme (PSDS) to support heat decarbonisation, energy efficiency and renewable energy generation in 11 Council buildings
- Carbon Literacy 'Silver' status awarded to the Council by the Carbon Literacy Project
- The 'sponge park' in West Gorton was tested by Storm Christoph and its nature-based flood alleviation measures proved effective at diverting excess rainwater into its swales
- Streetlight replacement is now complete with 56,000 LEDs installed

The Council has a long history of promoting social value in Manchester through its procurement, its wider influence with external organisations and through its own operations. Social value outcomes can be economic, social and environmental in nature. Since 2015, the Council has applied a minimum 20% weighting to social value when evaluating tenders for Council contracts. At the time this was, and remains to our knowledge, the highest weighting for social value in the country.

The Council is signed up to UNISON's Ethical Care Charter which includes a commitment to pay workers in the Care Sector the 'real' Living Wage, and in 2020 the Council became accredited as a Living Wage Foundation living wage employer. The Council has also signed up to the following initiatives, and encourages suppliers and partners to similarly support:

- Care Leavers Covenant
- Armed Forces Covenant
- Unite Construction Charter
- Unite Charter for Ethical Employment Standards in the Voluntary and Community Sector

The Council requires that all its suppliers, service providers, contractors and their suppliers and subcontractors adhere to the Ethical Procurement Policy.

The Council has engaged the Centre for Local Economic Strategies (CLES) for over 10 years to carry out an independent evaluation of the local economic impact of the Council's spend. Key figures from 2019/20 (released March 2021) include:

- £511m spent by the Council with its top 300 suppliers
- £353m spent with Manchester based organisations, which is 69.2% of the total spend with the top 300 suppliers, up from 51.5% in 2008/9
- 62.9% procurement spend with SMEs (increased from 46.6% in 2014/15)
- 2,251 jobs in Manchester estimated to have been created by suppliers to the Council
- 576 apprenticeships estimated to have been created by suppliers to the Council

The Council is also committed to improving our practices to prevent slavery and human trafficking and understands its responsibilities to residents, service users, employees and the local community in relation to this. More information on policies which are in place to ensure that these commitments are met can be found in the Slavery and Human Trafficking Statement.

Residents and communities

The city's residents came together in response to the COVID-19 pandemic with the pride and spirit that is typical of Manchester, rooted in the strengths of their communities. Neighbourhood led approaches have been led by people who have strong local relationships and know their areas well. Working with neighbourhoods in this joined up way has reduced duplication, supported the development of local solutions to local problems and connected residents to local assets. Capitalising and building on the strengths of residents and communities is a key part of both our recovery plans and the re-set of the Our Manchester Strategy.

The Council and its partners have provided support to our residents, including those at greater risk and further disadvantaged by COVID-19 through the recovery period. The interventions and support required will be different for different communities and different sectors within communities. Work has included:

- The Covid response hub, set up to provide support to residents, focusing on five key areas: food, medicines, support for isolation, fuel and help getting online.
- Council Food Response Team, set up during the initial Covid lockdown to ensure that vulnerable residents affected could access a food offer.
- Domestic Violence and Abuse - Council colleagues in Community Safety and Commissioning continue to liaise closely with our in-house and commissioned service providers, as we move out of restrictions in order that any potential demand and capacity issues can be identified early and acted upon.
- Poverty & Welfare Provision including Welfare Provision Scheme, Discretionary Housing Payments (DHP) and Council Tax Support Hardship Fund and Test and Trace Support Payments.

To best understand what might be needed within different neighbourhoods whilst considering their unique strengths and assets, various public services and community organisations work together as a 'Team Around the Neighbourhood'. The team includes representatives from the Council's Neighbourhoods Service, Work and Skills Service, Community Safety Service, and Early Help and Early Years teams as well as representatives from Housing Providers, Greater Manchester Police and the Manchester Local Care Organisation. The team is connected to a wider team which includes representatives from the Voluntary and Community Sector Enterprise (VCSE), Adult Social Care, General Practitioners, health and mental health services. This joined up approach at the heart of each specific neighbourhood reduces duplication and provides the right services, at the right time and in the right way. Teams around the Neighbourhood continue to support engagement activity, particularly in respect of vaccination roll out in areas where coverage is less than the city average.

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

Health and Social Care - Health and Social Care leaders are developing a refreshed Locality Plan for the city building on the unique experiences of the pandemic and seizing the opportunities of changes being made in the response phase. The Health and Wellbeing recovery workstream has developed a framework that covers:

- Resuming services and working through backlog of health and social care that residents need
- Addressing the physical and mental health impacts on the population of Manchester
- The contribution of health and social care to the wider city recovery

Future Shape of the Council

Our response to COVID-19 has been a catalyst for change in terms of our workforce and has allowed us to reimagine what it will look like in the coming months and years. There is a programme of transformation work underway which will transform how our workforce are supported to excel and be well, ensuring they have the right tools, tech and skills to do their job well, our workspaces will be transformed and become hives of collaboration in the heart of our communities and a large proportion of our staff will be working in a hybrid way, across our worksites and at times at home, trusted to work where they will be most efficient. We are committed to continuing to embed the Our Manchester (OM) approach throughout the Council, Our Ways of Working will support staff to work even more flexibly across different locations and services as we move into our 'new normal'

Future Shape of the Council is a whole-Council organisational change programme that will change what we do and how we work over the next two years. This is important given the level and complexity of change and challenge we face in Manchester including ongoing response to COVID, the city's recovery, inclusion and equalities, deprivation and poverty, climate change, Brexit, the need to improve outcomes for all our residents, and significant financial uncertainty. The objectives of the programme are to:

- Make the Council a more desirable place to work with an emphasis on an inclusive culture and modern ways of working.
- Improved and consistent quality services for the residents of Manchester.
- Improved organisational resilience, making best use of capacity and resources to mitigate future demand and maintain focus on delivering vital services for residents.
- Strengthened ability to deliver against the Our Manchester Strategy and the Council's Corporate Plan.
- Provide a framework for future budget planning.

Initially the work will focus on the following workstreams, reflecting the major changes that will need to be delivered:

- A digitally integrated Council - includes expanding the Council's current digital offer, modernising how the Customer Service Centre operates and replacing the Customer Relationship Management (CRM) system with a holistic digital platform and addressing digital exclusion
- A more purposeful and effective Corporate Core - a review of the Corporate Core and its relationships with other areas within the Council
- Embedding Place Based working across the Council - to ensure services are designed to meet the needs of each of our neighbourhoods and increase the number of preventative measures in place (including greater use of other community assets that are closer to residents and ensuring a place-based approach to decision making)
- A new model for Housing - create a new housing operations service as a result of Northwards Housing being brought back in house to drive better outcomes for residents by providing these in conjunction with other services including employment and social care services
- Joined up Health and Social Care - focusses on how the Council supports the supercharging of the Manchester Local Care Organisation (MLCO)[3] and the future of Health and Social care Integration.

[3] A public sector organisation that brings together NHS community health and mental health services, primary care and social care services in Manchester

Economic Recovery

Manchester is a city with a long and proud tradition of triumphing over adversity to meet the challenges ahead. Manchester has achieved this by developing a unique set of mature cross-sector partnerships to create a shared vision for the future, and deliver pragmatic and innovative solutions to our problems. Manchester's Economic Recovery and Investment Plan, published in November 2020, has been produced by the Council in partnership with the private sector and other stakeholders, and complements the Greater Manchester Combined Authority and Greater Manchester Local Enterprise Partnership city region proposals. It sets out what Manchester is doing to respond to the COVID-19 pandemic and reinvigorate its economy, with plans to protect and create jobs, and support new business opportunities in the city's economy.

As identified in the Our Manchester Strategy and the Our Manchester Industrial Strategy, the city continues to look forwards, building on the historic developments and assets delivered in previous decades, delivering a more inclusive economy, supporting the foundational economy, and achieving the ambition to be zero carbon by 2038, at the very latest. The Plan has reinforced the three-pillar approach based on:

- People - Equip residents and workers with the qualifications and softer skills that will enable them to access more opportunities.
- Place - Ensure sustainable growth is achieved in key assets, including the city centre and around the Airport. Create the conditions that will deliver a more inclusive, zero-carbon economy by investing in transport infrastructure, digital infrastructure and the environment.
- Prosperity - Create higher-quality job opportunities, including better pay, improved working conditions and flexibility, particularly within the foundational economy.

The Plan has two main elements: early actions to cushion the immediate impact of the COVID-19 pandemic downturn on Manchester people and businesses, and a ready-made, long-term investment programme in key sectors to help power the recovery by creating new jobs at all levels and acting as a catalyst to further investment. In particular, four strategic areas of investment can drive this growth:

- Innovation - Manchester has the potential to leverage GM's science, research, innovation and teaching-asset base to create new large-scale clusters of high-value economic activities to drive regional growth and create a more productive, more R&D-intensive economy.
- Manchester city centre Urban Realm - where investment in public space and mobility will accelerate new development and redevelopment proposals.
- Zero-carbon (including housing retrofit) - a phase one set of innovative retrofit measures for residential properties that are scalable alongside existing investment plans, with solutions developed for a range of property types. Work will transition properties away from a reliance on gas heating, achieved through fabric retrofit and renewable technologies. This is the first phase of a 15 to 20-year programme.
- North Manchester - an innovative healthcare and residential-led approach to civic regeneration that sets out a radical approach for transforming the delivery of health and care services. A new general hospital anchoring a health campus and the Victoria North investment in housing provides £2billion of investment in the north of the city.

Our Funding and Spending 2020/21

The tables below show how our gross revenue and gross capital spending programmes were funded and where we targeted our revenue spend and capital investments throughout 2020/21 to help support the people of Manchester to achieve and enjoy a better quality of life.

Revenue funding and spending 20/21

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

	2020/21 £m
Expenditure	
Employee Benefit Expenses	455.2
Other Service Expenses	898.9
Business Rates Tariff	39.5
Capital Charges including Depreciation and impairment	136.9
Interest Payments	34.7
Pensions Interest Costs	80.9
Precepts and Levies	69.2
Payments to Housing Capital Receipts Pool	2.6
Total Expenditure	1,717.9
Income	
Fees, Charges and Other Service Income	(228.8)
Interest and Investment Income	(35.1)
Return on Pension Assets	(64.2)
Capital Charges related income	(51.9)
Income from Council Tax	(175.5)
Business Rates Income	(158.6)
Government Grants and Contributions	(1,133.5)
Gain on Disposal of Fixed Assets	(10.5)
Total Income	(1,858.1)
Deficit on the Provision of Services	(140.1)

Capital funding and Spending 2020/21

Capital expenditure relates to spending on the purchase or improvement of assets that have a long-term value to the Council and residents, such as land and buildings.
The total value of capital funding in 2020/21 was £335.7m and this was used for the following capital expenditure:

	2020 / 21 £m
Capital Funding	
Government Grants	63.3
External Contributions	35.5
Revenue Contributions by the Council	18.8
Borrowing :	
Manchester City Council	180.8
Capital Receipts :	
Manchester City Council	21.4
Housing Revenue Account – Major Repairs Reserve	15.9
Total Resources Available	**335.7**
Capital Spending	
Children's Services	32.1
Corporate Services	114.8
Neighbourhoods Directorate	4.9
Growth and Development	72
ICT	3.5
Town Hall refurbishment	30
Greater Manchester Programme	52.2
Housing – Housing Revenue Account	17.6
Housing – Private Sector	14.6
Highways	46.2
Total Capital Spending	**335.7**

Our Performance

The performance of the Council and its partners against the goals of the city's Our Manchester Strategy is reported in detail each year in the State of the city Report and this analysis will consider the impacts that the COVID-19 pandemic has had on key performance metrics. However, a high-level view of delivery of the **shorter-term Council priorities** outlined in Our Corporate Plan is summarised below. Many key performance metrics have been impacted by COVID-19 and in instances where this impact has been very significant it is not appropriate to compare to the results of the previous year. The Council's key performance report (the State of the city Report) should be referred to for the comprehensive performance narrative.

Zero Carbon Manchester

- Total provisional estimated Council emissions[4] in 2020/21 (25,429 tonnes CO_2) were 18% below the annual budget for 2020/21 (31,080 tonnes CO_2). Total Council emissions in 2019/20 (32,284 tonnes CO_2) were 10% below the annual budget for 2019/20 (35,724 tonnes CO_2)[5]. Source: MCC

Growth that Benefits Everyone

- The percentage of the city's 50-64 year olds claiming out of work benefits in November 2020 was 30.7%, which was an undesirable increase from that of November 2019 (26.0%). Source: DWP.
- The percentage of the Council's procurement spend which was spent with local suppliers in 2019/20 was 69.2%, which was broadly comparable with that of 2018/19 (69.9%). Source: CLES.
- The numbers of enrolments on foundation courses including Literacy/Numeracy/ESOL in the period August 2019 to July 2020 was 2,861, which was a small undesirable decrease from the 3,026 seen in the period August 2018 to July 2019. Source: MCC (Enrolments were notably affected by COVID-19)
- There were 15 planning applications processed by the Council with fees of £50,000 and above in 2020/21, which was the same as that seen in 2019/20. Source: MCC

Young People

- The percentage of the city's primary schools rated good or outstanding in 2020/21 was 92.5%, which was an undesirable small decrease from that of 2019/20 (93.3%). Source: Ofsted. (There are 135 primary schools, including academies and independents. NB: COVID-19 has impacted on inspections, staff availability and has disrupted children's learning experience.)
- The percentage of the city's secondary schools rated good or outstanding in 2020/21 was 69.2%, which was an undesirable decrease from that of 2019/20 (73.1%). Source: Ofsted. (There are 29 secondary schools, including academies and independents)
- The number of Looked After Children in Manchester in 2020/21 was 1,371 (a rate of 110.7 per 10,000 children), which was a desirable decrease from that of 2019/20 (1,431 Looked After Children, a rate of 117 per 10,000 children). Source: MCC.
- The provisional number of Children In Need in Manchester in 2020/21 was 5,357 (a rate of 436 per 10,000 children), which was broadly similar to that reported for 2019/20 (5,370 Children In Need, a rate of 440 per 10,000 children). Source: MCC.

[4] Council emissions are associated with the Council's buildings, streetlights, waste collection, staff travel and operational fleet.

[5] 2019/20 emissions and annual budget exclude traffic signalling for comparative purposes, these emissions are included by TfGM in their emissions accounting.

Healthy, cared-for people

- The number of carers receiving carers specific services (per 10,000 population) in 2020/21 was 41.26, which was an undesirable increase from that of 2019/20 (29.51). Source: NHS Digital.
- The proportion of directly provided services which have been rated "Good" or "Outstanding" by CQC in 2020/21 was 92%, which was a desirable increase from that of 2019/20 (82%). Source: CQC.
- The number of emergency hospital admissions for Manchester in 2020/21 per 1,000 population was 81, which was a decrease from the 136 recorded for 2019/20. Source: Healthcare Evaluation Data (HED)/NHS
- 20% of households moved to settled accommodation provided by registered providers in 2020/21, which was a very slight decrease from 2019/20 (21%). Source: MCC.
- The number of households moved to settled accommodation in the private sector in 2020/21 was 523, which was a desirable increase from that of 2019/20 (408). Source: MCC.
- The number of households prevented from becoming homeless via supporting them to stay in existing or alternative accommodation in 2020/21 was 789, which was an undesirable decrease from that of 2019/20 (1,178). Source: MCC.
- The number of households presented as homeless or threatened with homelessness and were owed a duty in 2020/21 was 5,787, which was an undesirable increase from that of 2019/20 (5,200). Source: MCC.

Housing

- The number of new homes completed in Manchester in 2020/21, which were defined as affordable by the government was 461, a desirable increase of 5.2% from that of 2019/20 (437). Source: MCC.
- The number of new builds which became available for buying or renting in Manchester in 2020/21 was 4,260, which was a desirable small increase of 1.9% from that of 2019/20 (4,180). Source: MCC.

Neighbourhoods

- The percentage of household waste recycled in 2019/20 was 40.4%, which was a small desirable increase from that of 2018/19 (40.1%). Source: DEFRA.
- 13,658 tonnes of waste from street cleansing was collected in 2020/21, which was an increase on the 13,347 tonnes collected in 2019/20. Source: Weighbridge data - Viridor/Suez and Redgate Holdings
- In 2020/21 the total number of recorded visits to Manchester's libraries, galleries and sports and leisure facilities was 725,593. Comparisons to the previous year are not appropriate due to the impact of COVID-19. Source: MCC

Connections

- The total amount of resurfacing work delivered in 2020/21 in m^2 (excluding footways) was 773,362m^2, which was a desirable increase from that of 2019/20 (538,760m^2) Source: MCC.
- The percentage of journeys into Manchester city centre by bicycle in 2020/21 was 2.2%, which was very similar to that of 2019/20 (2.3%). Source: TfGM
- The percentage of road network (excl. footways) rated as in poor condition in 2020 was 17.7%, which was a desirable decrease from that of 2019 (19.98%). Source: MCC via GAIST.
- The percentage of residents with access to high-speed broadband (>30Mbits/s) in 2020 was 95%, which was a desirable small increase from that of 2019 (94.2%). Source: Ofcom.

Equality

We've been rated as 'excellent' under the Equality Framework for Local Government (EFLG). This accreditation, for the period June 2018 – 2021, indicates the delivery of excellence in the areas of: knowing our communities, leadership, partnership and organisational commitment, involving our communities, responsive services and customer care, and skilled and committed workforce. We remain committed to measuring our equalities performance in these areas to maintain and build on the high standards that we have set ourselves. We produce an annual report on the equality profile of our workforce, which helps us identify trends and hotspots so we can keep progressing equality within the workforce and in turn, for Our Manchester. The Workforce Equality Report is available for download.

Well-managed Council

- The percentage of annual due Council Tax collected in 2020/21 was 90.15%, which was an undesirable decrease from that of 2019/20 (92.73%). Source: MCC.
- The percentage of annual due Business Rates collected in 2020/21 was 87.91%, which was an undesirable decrease from that of 2019/20 (97.58%). Source: MCC.
- The number of Stage 1 and 2 corporate complaints responded to within 10 working days in 2020/21 was 60.5%, which was an undesirable decrease from that of 2019/20 (75.9%). Source: MCC

Our Financial Performance 2020/21

Revenue budget 20/21

The Budget and Council Tax for 2020/21 were approved at the Council meeting on 6 March 2020, with a total net budget for Council services of £666m and a gross budget of £1,462m. This reflected as increase in Council Tax for district purposes of 3.99%, including a 2% Adult Care precept. In setting the revenue budget the Chief Finance Officer also has the responsibility to report formally on the robustness of the budget and the adequacy of general balances and reserves. These balances need to reflect spending requirements, and risks to which the Council might be exposed. Budget Council considered and approved a report on 6 March 2020 recommending that General Balances for 2020/21 should be set at £21m.

Our 2020/21 budget is summarised in the table below. There are three columns as follows:

- The Gross Budget of £1,462m as approved by Council - which includes all our spend including that which we pay out on benefits, passport to schools and social care costs funded directly by residents.
- Our original net budget of £666m which includes costs funded from the main funding available to the Council, Business Rates, Council Tax, Government Grants, dividends and reserves.
- Our revised net budget of £871m at Outturn, this includes COVID-19 funding and other changes approved by Executive in year.

	Original Gross Budget 2020 / 21 £m	Original Net Budget 2020 / 21 £m	Revised Net Budget 2020 / 21 £m
Resources Available			
Business Rates Related Funding	339.5	339.5	478.0
Council Tax	174.5	174.5	174.5
Grants and other External Funding	695.9	66.6	133.2
Dividends	28.4	15.8	0.9
Use of Reserves	106.3	69.7	84.6
Sales, Fees and Charges	117.5	0.0	0.0
Total Resources Available	**1,462.0**	**666.0**	**871.0**
Resources Required			
Corporate Costs:			
Levies / Statutory Charge	41.3	41.3	41.3
Contingency	0.9	0.9	0.9
Capital Financing	44.5	44.5	44.5
Transfer to Reserves	18.3	18.3	156.7
Sub Total Corporate Costs	*105.0*	*105.0*	*243.0*
Directorate Costs:			
Additional Allowances and other pension costs	9.6	9.6	9.6
Insurance Costs	2.0	2.0	2.0
Inflationary Pressures and budgets to be allocated	10.3	10.3	2.4
Directorate Budgets	1,335.4	539.4	613.8
Subtotal Directorate Costs	*1,357*	*561*	*628*
Total Resources Required	**1,462.0**	**666.0**	**871.0**
Shortfall / (surplus)	**0.0**	**0.0**	**0.0**

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The table below shows the budget per Directorate for 2020/21

	Original Gross Budget 2020 / 21 £m	Original Net Budget 2020 / 21 £m	Revised Net Budget 2020 / 21 £m
Children's	464.1	130.3	135.7
MHCC Pooled Budget	275.0	216.9	230.4
Adult Social Care - Services out of scope of Pooled Budget	0.0	4.4	4.9
Homelessness	36.5	15.3	17.8
Corporate Core	310.2	70.0	97.5
Neighbourhoods	194.3	93.8	114.7
Growth and Development	55.3	8.7	12.8
Total	**1,335.4**	**539.4**	**613.8**

Revenue position 2020/21

This section provides a high-level analysis of our financial performance within 2020/21 and complements the more detailed financial statements published within the accounts. It shows how our position at the end of the financial year relates to our budget and the key variances. Our **net revenue budget** is the total amount of corporate resources available to us. It is mainly funded from retained business rates, council tax receipts, government grants, dividends and use of reserves. The table below shows our year-end position (spend) compared to this budget. The variance is broken down over COVID-19 related pressures and other variances.

	Revised Budget	Outturn	Total Variance	Memo: Breakdown of Variance COVID	Other over / underspends	Total Variance
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Total Available Resources	(871.1)	(859.5)	11.6	14.9	(3.3)	11.6
Total Corporate Budgets	257.4	253.6	(3.8)	0.0	(3.8)	(3.8)
Children's Services	135.7	133.9	(1.8)	1.0	(2.8)	(1.8)
Adult Social Care	235.2	239.3	4.1	8.3	(4.2)	4.1
Homelessness	17.8	25.2	7.4	5.2	2.3	7.4
Corporate Core	97.5	101.8	4.2	5.6	(1.4)	4.2
Neighbourhoods	114.7	127.9	13.2	16.2	(3.0)	13.2
Growth and Development	12.8	16.0	3.1	4.8	(1.7)	3.1
Total Directorate Budgets	**614**	**644**	**30.3**	**41.0**	**(10.7)**	**30.3**
Total Use of Resources	**871**	**898**	**26.5**	**41.0**	**(14.6)**	**26.5**
Total over / (under) spend	**0.0**	**38.1**	**38.1**	**55.9**	**(17.8)**	**38.1**
COVID 19 Government grant income (tranche 1 to 4) - Confirmed			(64.8)	(64.8)		(64.8)
COVID-19 Sales Fees and Charges grant Income - Forecast			(12.4)	(12.4)		(12.4)
Reprofile the use of reserves			35.2	35.2		35.2
Net over / (under) spend			**(3.9)**	**(3.9)**	**(3.9)**	**(7.7)**

At the end of the year we had underspent against our net revenue budget by £3.9m, which was transferred to our General Fund Reserve. The main variations are shown in the table above.

The position includes £55.9m of pressures directly relating to the impact of COVID-19 on our services and income. We spent £8.3m on Adult Social Care including providing support to homecare providers and additional social care workers, £5.2m on additional services for the homeless, saw a reduction of £9.1m in our sales fees and charges income and £14.9m in our budgeted dividends and £0.9m rental income. Government funding was sufficient to cover the additional costs but has not compensated for the loss of our commercial income. As we use much of that income a year in arrears to protect against economic shocks, the main impact has been on the 2021/22 budget position.

In order to mitigate some of the COVID-19 related risks the Council made £17.8m in year budget savings. We have also received £7.7m support from returned GMCA funding and reserves. This has enabled us to reprofile our planned use of reserves to compensate for the loss of income in future years. The intention being to deliver an underspend for 2020/21 and support future years position. This recognises that COVID-19 continues to impact on the City Council finances after the government funding ends.

HRA position

The Council also operates a Housing Revenue Account (HRA), which contains the costs of owning and maintaining properties let to tenants, and rental income from those properties. This is held separately from the net revenue budget position shown in the previous table. The Council was responsible for managing an average of 15,655 dwellings during 2020/21. The budget for the year included a contribution of £18.6m from reserves, but reserves increased by £1.723m, due to a combination of:

- Significant slippage in the capital programme, largely due to Covid
- Reduced PFI costs due to delays in anticipated capital works
- Increased rental income as a result of a reduced number of Right to Buy sales due to Covid

General reserves now stand at £75.047m. In addition, there are further HRA reserves relating to other potential liabilities of £36.119m. It is anticipated that as a result of planned capital expenditure HRA reserves will reduce considerably over the next four years.

Capital position

Our revised capital budget for the 2020/21 year was £373.3m, and the table below shows our year-end position (spend) compared to this budget.

Manchester City Council programme	Capital Budget for 2020/21 £m	Capital expenditure in 2020/21 £m	Overspend or (underspend) for 2020/21 £m
Highways	53.8	46.2	(7.6)
Neighbourhoods Directorate	10.8	4.9	(5.9)
Growth and Development	87.6	72.0	(15.6)
Town Hall refurbishment	34.6	30.0	(4.6)
Housing – private sector	13.9	14.6	0.7
Housing – HRA	16.1	17.6	1.5
Children's Services	37.2	32.1	(5.1)
ICT	3.8	3.5	(0.3)
Corporate Services	115.6	114.8	(0.8)
Total	**373.3**	**335.7**	**(37.6)**

At the end of the year we had underspent against our capital budget by £37.6m. During the year the programme saw a number of changes, reflecting the impact of the COVID-19 pandemic on work programmes and site activity. This has meant that some projects have started later than expected, and also that for a period there was reduced productivity on site for projects such as the Our Town Hall refurbishment and The Factory. The budget has been updated to reflect this, and the final outturn variance is against the adjusted programme.

The Council's underspend at outturn is largely due to the timing of spend and will be carried forward into the next financial year. Projects such as the acquisition of electric refuse vehicles, and the Victoria North (Northern Gateway) financial support did not progress to expected timescales due to factors outside of the Council's control. Further details on the capital programme can be found in a report to Executive in June 2021. The nature of the capital budget requires flexibility to manage the funding across the life of projects in a transparent manner. As such some variations within the year are to be expected as projects are developed, and budgets are re-profiled on a regular basis and reported to members for approval in order to reflect these changes.

COVID-19 Grants 2020/21

During the financial year the Council has administered a significant number of COVID-19 grant schemes on behalf of Government to support businesses and residents during the pandemic. The financial impact of these grants is included within the outturn and Statement of Accounts. The grants and Business Rates reliefs were administered by the Council in line with the guidance received from Central Government. These schemes have been a mix of non-discretionary, where schemes and eligibility criteria has been set nationally by Government, and discretionary, where schemes and eligibility criteria have been set locally by the Council. The Council has had to determine whether it was acting as a principal or agent of government when administering the grants. Where the Council was acting as agent the following conditions applied:

• It was acting as an intermediary between the recipient and the Government Department;

• It did not have "control" of the grant conditions and there was no flexibility in determining the level of grant payable.

Where the Council acted as principal, it was able to use its own discretion when allocating the amount of grant payable.

Accounting standards only require the Council to record transactions in its accounts where it is acting as principal and has control of the grants awarded. To provide a complete picture, the tables below provide a full summary of all the COVID-19 grant schemes administered by the Council during 2020/21. It also shows how much of each grant was spent in year and how much will be spent in 2021/22, in line with government conditions

	The Council Acting as Principal			The Council Acting as Agent	
	Expenditure as at 31 March 2020	Grant remaining as at 31 March 2020	Total Grant	Total Grant	Total Grants
	£,000	£,000	£,000	£,000	£,000
General Grants:					
COVID - 19 Local Authority Support Grant	46.6	0.0	46.6	0.0	46.6
Taxation Income Guarantee	0.0	19.2	19.2	0.0	19.2
Sales Fees and Charges Support Grant	12.4	0.0	12.4	0.0	12.4
COVID-19 New Burdens Funding	0.4	0.0	0.4	0.0	0.4
Total Credited to taxation and non-specific grant income	**59.4**	**19.2**	**78.6**	**0.0**	**78.6**

	The Council Acting as Principal			The Council Acting as Agent	
	Expenditure as at 31 March 2020	Grant remaining as at 31 March 2020	Total Principal	Total Agency	Total Grant
	£,000	£,000	£,000	£,000	£,000
Credited to services:	0.0	0.0	0.00	0.0	0.0
Infection Control	1.7	0.0	1.7	4.5	6.1
Workforce Capacity Fund	1.2	0	1.2	0.0	1.2
Rapid Testing Fund	0.8	0	0.8	0.0	0.8
LA Framework / Practical Support for those Self-Isolating	0.0	0.2	0.2	0.0	0.2
Community Testing	1.2	0.0	1.2	0.0	1.2
Council Tax Hardship Grant	0.6	0.0	0.6	6.8	7.5
Contain Outbreak Management Fund	1.8	18.3	20.1	0.0	20.1
Cultural Recovery	0.9	0.0	0.9	0.0	0.9
Covid 19 - Community Champions	0.1	0.5	0.6	0.0	0.6
Local Authority Compliance and Enforcement Grant	0.5	0.0	0.5	0.0	0.5
National Leisure Recovery Fund	0.5	0.9	1.4	0.0	1.4
Domestic Violence	0.1	0.0	0.1	0.0	0.1
Local Welfare Assistance Fund	1	0.0	1	0.0	1
Clinically Extremely Vulnerable	0	1.6	1.6	0.0	1.6
Winter Grant Scheme / Easter Hardship Fund	3.5	0	3.5	0.0	3.5
Next Step Accommodation Grant	2	0.0	2	0.0	2
Emergency Support for Rough Sleepers	0.1	0.0	0.1	0.0	0.1
Test and Trace Support Payments Grant	0.2	0.8	1.1	0.8	1.8
Reopening High Streets Safely Fund	0.2	0.0	0.2	0.0	0.2

Support to business:	0.0	0.0	0.0	0.0	0.0
Expanded Retail Discount	0.0	148.5	148.5	0.0	148.5
Local Authority Discretionary Grant Fund	5.4	0.0	5.4	0.0	5.4
Additional Restrictions Grant	8.9	7.7	16.6	0.0	16.6
Business Support Grant (Small Business Grant Fund and Retail Hospitality and Leisure Grant Fund)	0.0	0.0	0.0	105.9	105.9
Local Restrictions Support Grant (various)	0.0	0.0	0.0	53.9	53.9
Closed Business Lockdown Payments	0.0	0.0	0.0	21.1	21.1
Christmas Support Payments	0.0	0.0	0.0	0.2	0.2
Total service specific	**30.6**	**178.5**	**209.1**	**193.2**	**402.3**
Total all grants	**90**	**197.7**	**287.7**	**193.2**	**480.9**

The accounting treatment of these grants is varied. The principal elements of £287.7m are included within note 16 (£78.6m) and note 17 (£209.1m). The amounts carried forward £197.7m are included in the Balance Sheet usable reserves Note 40.

The Agency elements of £193.2 are fully spent in 2020/21 except for the Local Restriction Support grants (£14.049m unspent) and Closed Business Lockdown Payments (£1.229m unspent). The funds remaining at 31 March are included in the Councils Balance Sheet (Short Term Creditors).

Our Risks and Outlook

During the response to COVID-19, risk and impact assessment has been a key feature of organisational decision making. In the early stages of the pandemic, daily risk and issue reporting was established and fed up to SMT and Executive through Situation Reports. Risk management processes have had to be agile but organisational competence in risk assessment and response has underpinned decision making. Our risk management and business continuity arrangements continue to be tested as we emerge from the pandemic and the unprecedented challenges it presents. In addition, we have successfully navigated major changes to our IT systems, while staff predominately work from home.

Risk workshops have continued at Directorate level and these have informed the Council's strategic risk register, which was refreshed to capture risks and mitigations emerging from the pandemic. Business Continuity and Civil Contingency plans have also coped well in this fast moving environment. Our attitude to risk and robust risk management arrangements mean we are well placed to tackle challenges and grasp the opportunities as we return to more business as usual arrangements. More detail can be found in Risk Management Strategy 2020 -22 and Our Business Continuity Strategy 2017–20

At a corporate level, significant risks are captured within our Corporate Risk Register (CRR), which articulates the risk, quantifies its likelihood and potential impact, names the strategic director who owns the risk, and articulates how the risk is managed and any mitigating actions. In March 2021, the CRR was refreshed and risk scores (in terms of likelihood and impact) were updated. The table below includes the four risks from the CRR which had the highest risk scores in March 2021. It highlights the risk and the planned mitigating actions.

Risk Description	Planned Mitigating Actions
Medium Term Financial Resources are insufficient to support achievement of priorities for the Council and the City after 2021/22. 2021/22 is a one year Finance Settlement so funding for local government not confirmed for after this year. This reflects the impact of COVID-19 on costs and shortfall in future income; as well as the financial uncertainty arising from Spending Review, Fair Funding Review, Business Rates reset, uncertainty over Shared Prosperity Fund and wider financial / fiscal risks linked to EU Exit and macro-economic factors.	Budget reports 2021/22 approved and budget set to provide strong basis for the next MTFS. Maintenance of reserves and the availability to support the budget. Engagement and lobbying of national decision makers including direct to Government and via Core Cities and the LGA. Maximisation of COVID-19 related grant funding for Council and City Wide activities as well as support to residents and businesses. Ongoing intelligence and lobbying alongside robust future financial planning and budget proposals and savings / income generation options based on prudent assumptions – linked to Future Shape programmes across all aspects of the Council

As a result of COVID-19 the **Economy of the City** has seen a sharp increase in the number of people on benefits and a significant impact on businesses and this could continue to grow and the impact deepen.	Administration and promotion of discretionary schemes and other support for businesses and lobbing for further support. Signposting business support via City Centre Regeneration and Work and Skills teams as well as via GMCA, Local Economic Partnership, Chamber of Commerce, Business Growth Hub and other networks. THINK report commissioned in June 2021 with recommendations to focus the City's efforts in dealing with the labour market issues, as a result of COVID-19. Skills & Labour Market workstream focused on implementation of the recommendations. Continued access and signposting to sources of support for residents. Homelessness strategy and risks / response around Council provision tracked via Homeless Service risk register.
Climate Change: The Council does not produce, or deliver on, a sufficiently ambitious plan to become a zero carbon Council by 2038 or earlier if possible. The Council does not undertake its leadership role effectively for Manchester to become a zero carbon city by this date, and stay within the science-based budget for the City. The Council does not plan or implement measures effectively to adapt to the impacts of climate change on Manchester in the longer term (e.g. increased risks of extreme weather, flooding and heat	Climate Change Action Plan 2020-25 which plans 50% reduction in use of carbon budget over 5 years, with regular reporting to the Executive. New Committee established with focus on carbon reduction. Very high level of ambition on this agenda will require fundamental changes to how we operate and significant investment across all aspects of the Council, and for many partners in the City. This is impacted by COVID-19 and this is reflected in the risk score.
Failure to achieve the desired and intended outcomes of **health and social care integration** increases further pressure on Council and health budgets; and impacts on the ability to achieve improved health outcomes for Manchester residents.	Refresh and revision of approach as part of 'supercharging' the Local Care Organisation (LCO) developments and the H&SC White Paper. Ongoing engagement at GM and City Wide levels in establishment of Integrated Care Partnerships and supporting governance and infrastructure arrangements. Work underway to establish future Council support role for future MLCO infrastructure.

Medium Term Financial Plan

Our MTFS that was refreshed and approved in March 2021 considers the local and national financial climate, describes some of the key challenges we are facing and the key changes in our resources before setting out the anticipated savings requirement for the financial year 2021/22.

This also included the approval of the annual council tax level being an increase in Manchester's Council Tax of 4.99% in 2021/22; 1.99% attributable to the Council element and 3% for the Adult Social care precept as well as the Greater Manchester Mayoral and Police and Crime Commissioner precepts. The increase in the adult funding will be used to support the most vulnerable people.

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

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

The strategic framework remains the Our Manchester Strategy, the Corporate Plan and the Locality Plan. Prior to COVID-19 there was an underlying budget gap of c£22m for 2021/22 rising to c£80m by 2024/25, as a result of cost pressures including inflationary increases and demography. This was to be addressed in the Medium-Term Financial Planning process. Since then, the Council has seen the financial impact of COVID-19.

Prior to COVID-19 the Council had established a Medium-Term Financial Plan and Balance Sheet strategy with capacity to offset shocks and provide investment where necessary. This had included for example using the majority of the airport dividend in arrears and smoothing budget investment in social care. However, the depth and breadth of this pandemic could not have been foreseen and the Council, like many other authorities across the country, is facing a significant and long-term financial challenge.

As a result of the COVID-19 pandemic there has been additional demand for services and reductions to Council's income. The budget impact of the pandemic was £56m in 2020/21 increasing to a forecast £144m in 2021/22. It is anticipated the losses will continue to be felt over the five-year period. The losses have been partly supported by central government through emergency funding which totals £64.8m in 2020/21 and £22.2m in 2021/22. In addition, support is anticipated through the Sales, Fees and Charges compensation scheme which is based on a claims process and estimated at £14.2m in 2020/21 and £4.5m relating to quarter one of 2021/22.

The impact of COVID-19 combined with the pressures of increased demand has resulted in a need to make savings of £40.7m in 2021/22. The additional funding announced, alongside the proposed savings will enable a balanced budget to be delivered in 2021/22. The budget cuts proposals are detailed in the directorate budget reports.

Financial Statements

The Statement of Accounts provide an overview of the Council's financial position for 2020/21.

It is important to note that the deadline for the production of the Annual Accounts has been changed for 2020/21. The Ministry of Housing Communities and Local Government (MHCLG) have introduced the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations 2015. This is following consultation with all key stake holders and in recognition of the impact of COVID-19.

The publication date for audited accounts has moved from 31 July to 30 September 2021 for all local authority bodies.
As a result of the revised statutory deadlines, the requirement for the public inspection period to include the first 10 working days of June has been removed. Instead, local authorities must start the public inspection period on or before the first working day of August 2021.

This means that accounts must be confirmed by the responsible finance officer (RFO) and be published by 31 July 2021 at the latest.

The Basis of the Preparation and Presentation of the Annual Statement of Accounts

The accounts that follow have been prepared to be:

a. Relevant: The accounts provide information about the Council's performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

b. Reliable: The financial information

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

c. Comparable: In complying with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ('the Code') and consistent Local Authority reporting.

d. Understandable: These accounts are based on accounting concepts, treatments and terminology that require reasonable knowledge of accounting and Local Government. However, every effort has been made to use plain language and where technical terms are unavoidable, they have been explained in the glossary of terms.

Throughout, consideration has been given to the significance ('materiality') of an item i.e. whether its misstatement or omission might reasonably be expected to influence assessments of the Council's financial management.

Underlying Assumptions

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

Accruals Basis

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

Going Concern

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

Primacy of Legislation Requirements

- In accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards. The following is an example of legislative accounting requirements having been applied when compiling these accounts

The Local Government Act 2003 requires the Council to set aside a minimum revenue provision

<u>The Financial Statements: Purpose and Summary</u>

The annual statement of accounts has been prepared in accordance with the 2020/21 CIPFA Code of Practice on Local Authority Accounting (The Code) and International Financial Reporting Standards (IFRS). Changes in accounting requirements over the past few years have led to an increase in complexity of the accounts and the level of detail they contain.

One of the purposes of this introduction is to provide a guide to the Council's accounts and the most significant financial matters contained within the statements.

The financial statements are:

- The Comprehensive Income and Expenditure Statement (CIES)
- The Movement in Reserves Statement (MIRS)
- The Balance Sheet
- The Cash Flow Statement

Each statement is preceded by a note explaining its purpose and followed by notes explaining the main items within the statements.

These statements are followed by three further statements:

- The Housing Revenue Account (HRA) sets out the costs and income of owning and maintaining council properties which are let to tenants. The costs and income are also shown within the main statements.
- The Collection Fund Account includes the collection of local taxes (council tax and business rates) and their distribution to the Council, the Greater Manchester Combined Authority (Police and Crime Commissioner) and Greater Manchester Combined Authority (Fire and Rescue).
- The Group Accounts show the full extent of the Council's economic activities by including the Council's involvement with its group companies and organisations. The Group Accounts are of equal prominence to the Council in compiling the financial statements.

These are also followed by notes explaining these statements.

Accounting Changes

The way the accounts are presented is governed by the accounting policies that the Council has to follow. This has undergone major change over the last few years in order to bring public sector accounting in line with that of the private sector. The most significant change was the move to International Financial Reporting Standards (IFRS) in 2010/11. These accounts are compliant with the IFRS based Code.

The intended adoption of IFSR16 Leases for the 2020/21 accounts has been deferred. IFRS16 is being introduced for local authorities from 1 April 2022 which means that the annual accounts for 2022/23 will be the first set of accounts produced in accordance with this standard.

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

Business Rates 100% Retention Pilot

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

Any business rates income in excess of Manchester's assessed funding need is still paid back to central government to be redistributed in the form of tariffs and top ups but the Council now retains all of the growth it achieves in its business rates base. Under the new regime Revenue Support Grant and Public Health grant are not received but are met from within the Business Rates income with the assessed funding need adjusted accordingly.

The Government has guaranteed that the individual authorities within Greater Manchester will not be any worse off under the 100% Rates Retention Pilot than they would otherwise have been. This is referred to as the 'No Detriment' principle.

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

The Council was again a member of the Greater Manchester, Cheshire East and Cheshire West and Chester Business Rates Pool in 2020/21. The purpose of pooling rates across the individual authorities is not intended to alter individual authorities income levels but to retain any levy that might be payable by some authorities to Central Government enabling it to be invested in the locality.

As a result of participation in the business rates retention pilot in 2020/21 the Greater Manchester authorities within the pool no longer generate a levy payment. However, any levy that would have been paid is taken into account when measuring the 'no detriment' principle.

Cheshire East and Cheshire West and Chester retain 50% of any levy saved. The remainder of the levy is retained centrally by the Pool.

The use of the levy held centrally is agreed with the Greater Manchester District Councils, the Greater Manchester Combined Authority, Cheshire East and Cheshire West and Chester Councils to benefit the Region.

The summary of the pool position for 2020/21 is shown below:

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

The Financial Statements

The Council's Comprehensive Income and Expenditure Statement

The analysis within the Comprehensive Income and Expenditure Statement (CIES) is shown by Council Directorates. This format aims to be meaningful for users of the financial statements as it follows that of the budget and financial monitoring reports produced by the Council.

As the Council operates and manages most of its corporate and support services separately from the other Directorates these services are shown separately and not apportioned across the other Directorates.

The Directorate figures in the CIES show the accounting cost of Council activities including the notional accounting entries, such as depreciation, that have to be made. Information is provided in note 11 showing a subjective analysis of the deficit on the provision of services.

The CIES is broken down into three sections:

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

This Net Cost of Services is the cost of providing the Council's services as reported in the revenue monitoring reports, however it also includes accounting adjustments for items such as depreciation and impairment. These would be a significant cost in a commercial organisation, but legislation is in place that ensures these costs are not required to be funded by council taxpayers. (The details of the accounting adjustments are shown in the Expenditure and Funding Analysis Note). These items are transferred to unusable reserves in the Movement in Reserves Statement.

The Total Net Cost of Services (including the technical accounting adjustments) totals £496.516m.

Other Operating Expenditure includes costs such as levies paid and payments made in relation to the pooling of HRA capital receipts (capital receipts relating to right to buy sales council dwellings are pooled between the Council and central government) as well as technical adjustments such as the loss on the disposal of non-current assets (including schools transferred to Academies). These total £61.249m.

Corporate Expenditure and Income includes:

- other income and expenditure on the provision of services such as interest paid and received, investment property rental income and the change in values of investment properties (net income totalling £4.080m)
- general income due to the Council from Council taxpayers, National Non-Domestic ratepayers (NNDR) and general government grants).

These three sections are totalled to produce an overall accounting surplus on the provision of services of £140.089m.

The CIES is then reconciled to the change in the balance sheet by adding the impact of the following accounting entries:

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

Note 12 to the accounts shows the notional accounting adjustments that do not affect the Council's 'bottom line' i.e. the level of council tax or housing rents.

The Council's Movement in Reserves Statement (MIRS)

This statement sets out the movements in the main reserves and balances of the Council from 1 April 2018 to 31 March 2020.

The reserves are distinguished between

- *usable (those that can be used to finance expenditure) and*
- *unusable (those that contain technical accounting adjustments and cannot be used to finance expenditure).*

Of the usable reserves only the General Fund Reserve has not been allocated for specific purposes. The usable reserves are cash backed. The unusable reserves are mostly noncash backed.

It is a requirement placed on all Councils that the level of reserves is reviewed regularly by the Deputy Chief Executive and City Treasurer and due consideration is given to all local financial risks and liabilities when doing so. The reserves are fully reported in the Budget Report presented to Full Council each year.

Usable Reserves

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

Based on the numbers alone it appears the Council is at the more resilient end of the reserve spectrum, however there are considerable risks within this position. The Council is an extremely complex organisation with a wide scale and diversity of assets, interests, liabilities and other responsibilities. By their nature many of the risks are unknown and cannot be quantified, particularly in the current challenging financial climate. It is therefore essential that the Council maintains adequate general reserves.

The reserves should be viewed in the context of the future budget position, which is extremely challenging. The resilience of the Council has been eroded and the Council's reserves are expected to significantly reduce over the Medium Term. The forecast impact on the Council's reserve position was set out in the Medium-Term Financial Strategy report to 17 February 2021 Executive meeting. This showed earmarked reserves were expected to reduce from £349m in April 21 to £98m by April 2025. This incorporated an indicative use of a further £51m in 2022/23 which is available to support the future budget position. The only unearmarked reserve is the General Fund reserve. This was increased from £21.4m to £26.8m recognising the scale of the budget cuts being delivered and uncertainty facing the Council in the future.

The reserves appear artificially high due to the accounting treatment of business rates reliefs and losses, and the government funding provided to reimburse such losses. Reserves for this purpose total £167.7m. In addition, government funding received to support the response to the COVID-19 pandemic is being used over two years in line with the grant conditions, the carried forward amounts total £30m.

The annual movement in usable reserves, excluding those held for COVID-19, is £37.3m which largely relates to changes in the delivery of the capital programme and long-term funding for the Factory (funded from business rates growth in previous years). The usable reserves (as reported at Note 40 to the financial statements) are held for the following purposes:

Type of Reserve	Re-stated 1 April 2020	31 March 2021
	£m	£m
Capital (can not be applied to revenue spend):		
Reserves held for capital purposes including capital receipts and capital grants unapplied	203.3	194.0
Sub Total	**203.3**	**194.0**
Revenue:		
Statutory reserves that have to be set aside e.g. On street parking reserve, bus lane enforcement	25.0	20.3
Reserves held for PFIs to meet contracted future costs	2.1	2.2
Reserves held to smooth risk or for assurance including the insurance reserve of £18.6m and airport dividend reserve of £50m	117.8	128.1
Business Rates Reserve	25.5	23.4
Revenue reserves held to support capital including the Capital Fund	116.8	135.2
Reserves held to encourage economic growth or for public sector reform e.g. Our Manchester reserve, Town Hall reserve	30.8	25.8
Small specific reserves	4.3	4.3
Grants and contributions held to meet expenditure commitments over more than one year	8.2	21.0
COVID-19 related Grants and contributions held to meet expenditure commitments over more than one year	18.2	197.7
Sub Total Earmarked Revenue Reserves	**348.7**	**557.9**
Housing Revenue Account reserve	109.4	111.2
General Fund reserve	21.4	26.8
Schools reserves (these belong to schools and are for their use only)	11.7	21.5
Total usable reserves	**694.6**	**911.4**
Amounts relating to the carry forward of COVID-19 related Funding	(18.2)	(197.7)
Total excluding COVID-19 carry forwards	**676.4**	**713.7**

Reserves to smooth risk include several reserves that support the Council's budget position over the life of its Medium-Term Financial Plan. Many of these have reduced due to the impact of COVID-19, with the dividend reserve reducing by £11.9m for example and scheduled to run out in 2022/23. However, in line with budget decisions there has also been the addition of the Manchester International Festival work, where business rates growth in that area prior to COVID-19 of £10.7m has been held in a reserve to fund the grant agreement to Manchester International Festival for the next 10 years once the Factory opens. This is important as it means the long-term funding agreement required for the opening of a venue of this size is not now a call on our revenue budget. Additional funds received from GMCA totaling £7.7m have been added to the budget smoothing reserve to support the large budget gap that remains for the next three years. In addition, £4.2m was added to the Adult Social Care reserve at year end relating to c200 individuals discharged from hospital, where support costs were funded through health partners. Once assessments are carried out it is expected a large number will require social care support through the council and this reserve will support the associated costs. In the event any balance remains this can be utilised to extend the life of the Adult Social Care reserve where spend is due to be mainstreamed in 2022/23 or support the Council's budget process

The COVID-19 emergency funding received alongside budget mitigations enabled £35.2m of the planned use of reserves to be reprofiled into future years. The intention being to deliver a balanced budget for 2020/21 and support future years position. This recognised that COVID-19 will have an impact on the City Council finances after the government covid funding ends.

Reserves to support capital schemes have increased by £18.3m in line with changes to the delivery of the planned capital programme due to the impact of COVID-19.

COVID-19 related grants - As detailed earlier in this report the Council has administered a considerable number of COVID-19 grant schemes on behalf of Government to support businesses and residents during the pandemic. The most significant being the 100% Business Rates Relief awarded to retail hospitality and leisure properties in the city. The collection fund deficit resulting from the lost income will come through in 2021/22. The income loss was reimbursed by government via a Section 31 grant of £148.4m. In addition, the government as provided a Taxation Income Guarantee Scheme which reimburses the council for 75% of losses in 2020/21 Business Rates Income. The collection fund deficit resulting from the lost income will be spread over three years as mandated by government. This reserve will be drawn down over the three years to partly mitigate the budget impact. This grant is carried forward in reserve and will be applied in 2021/22 to offset the collection fund deficit. The remaining unspent COVID-19 grants total £30m and will be spent in 2021/22.

The General Fund Reserve is held to meet costs arising from any unplanned event. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to "smooth" expenditure across years. The expected level of the General Reserve is therefore seen as the minimum level required to be held to protect the Council from the financial risks inherent within the proposed budget strategy. The opening 2020/21 General Fund reserve position was £21.4m and the 2020/21 budget assumed a transfer to the General Fund reserve of £1.6m giving a balance of £23m. At 2021/22 budget setting the City Treasurer determined that it was prudent, considering the higher level of risk being faced by the Council, that the reserve be increased to at least £25m, funded through a £2m transfer from Business Rates reserve.

Given the outturn position and the risks and volatility around Business rates income it was agreed the increase to general fund reserve be funded from the 2020/21 underspend instead. The forecast position excluded the impact of any variance at the end of the 2020/21 financial year. As the actual outturn position is an underspend of £3.9m the balance on the General Fund Reserve at 31 March 2021 is £26.8m. There outturn report to Executive included requests to carry forward resources totalling £1.5m, these were approved and are a first call on the General Fund reserve in 2021/22, reducing it to £25.334m.

Unusable Reserves

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

The unusable reserves are shown in the table below:

Unusable Reserve	Re-stated 1 April 2020 £m	31 March 2021 £m
Revaluation Reserve	1,273.1	1,367.9
Financial Instruments Revaluation Reserve	13.0	10.3
Pensions Reserve	(689.6)	(1,060.0)
Capital Adjustment Account	1 296.4	1,397.1
Deferred Capital Receipts Reserve	3.6	3.9
Financial Instruments Adjustment Account	(4.3)	(4.9)
Collection Fund Adjustment Account	15.8	(177.0)
Short-term Accumulated Absences Account	(5.8)	(6.7)
Dedicated Schools Grant Reserve	(4.3)	(2.3)
	1,898.0	**1,528.2**

The negative pension reserve of £1,060.0.m has increased by £370.5m from the previous year. This matches the pension liability in the balance sheet as measured under International Accounting Standard (IAS) 19.

The purpose of IAS19 is to provide a consistent accounting valuation of all Council's pension liabilities based on the pension benefits earned by staff at the balance sheet date. The IAS19 calculations are carried out using a prescribed method. This is different to the formal actuarial triennial valuations of the fund which set the level of contributions that need to be paid into the pension fund. With the triennial funding valuation any calculated deficit can be spread and paid off over a number of years by an addition to the contribution rate.

For the first time the DSG deficit is presented as an unusable reserve. This is the result of the introduction on 29 November 2020 of a new Statutory Instrument to amend the Local Authorities (Capital Finance and Accounting Regulations 2002) by establishing new accounting practices in relation to the treatment of schools' budget deficits. Further detail is included in Note 41 in the accounts.

Overall, the net worth of the Council has decreased by £70.7m during 2020/21, made up of a decrease in unusable reserves (£287.5m) and an increase in usable reserves (£216.8m).

The total decrease in unusable reserves of £369.8m is mainly due to:

- £94.5m increase in the revaluation reserve from the revaluations of non-current assets, during 2020/21 mainly in relation to council dwellings and other land and buildings.
- £100.7m increase in the capital adjustment account. This includes the costs of depreciation and impairment losses in addition to amounts set aside to finance capital expenditure including grants, contributions and capital receipts
- £370.5m decrease in the pension reserve due to the first year of the pension pre-payment
- £192.8m decrease in the Collection Fund Adjustment Account

The increase in usable reserves of £216.8m is mainly due to:

- £180m increase due to the accounting treatment of COVID-19 government funding - these will be applied in 2021/22 and are not available to support other council spending.
- £18.3m increase in Revenue reserves held to support capital due to capital expenditure being delayed into future years due to COVID-19.
- £10.2m long term funding for the Factory, from business rates growth in previous years
- £9.8m increase in school reserves, these are not available to the council.
- £5.4m increase in General Fund in recognition of the higher level of risk being faced by the Council. This is the only unringfenced reserve available

- £9.3m decrease in reserves held for capital purposes

The decrease in the net worth is matched by an decrease in value of net assets of the Council of £70.7m.

The Council's Balance Sheet

The Balance Sheet shows a summary of the Council's financial position as at the 31 March 2021, the last day of the financial year. This shows what the Council owns (its assets) and its debts (its liabilities) as well as the net worth of the Council assets less liabilities.

Assets	£000	Liabilities	£000
Council Dwellings	623,195	Borrowing	763,230
Other Property and Equipment	2,103,128	Provisions for Future Liabilities	286,711
Heritage Assets	635,802	Liability for Pension Scheme	973,590
Investment Properties	474,953	Capital Grants Received in Advance	9,420
Other Assets	54,404	Money owed by the Council	261,911
Investments	151,367		
Money owed to the Council	691,674		
Total	**4,734,524**	**Total**	**2,294,681**
	Net Worth of the Council		**2,429,653**

The net worth of the Council is £2,526.081m. This is split between usable reserves of £911.408m and unusable reserves of £1,528,245m.

The Council's Cash Flow Statement

This shows the reasons for the change in cash, cash equivalents (investments made for a period of less than three months) and the bank balance during the year. The cash balance at 31 March 2021 had decreased by £90.5m from 31 March 2020.

The Council's Group Accounts

The Council conducts activities through a variety of undertakings, either under ultimate control or in partnership with other organisations. The standard financial statements consider the Council as a single entity accounting for its interests in other undertakings as investments. For a full picture of the Council's involvement in other activities group accounts are prepared. These reflect the figures contained in the single entity accounts consolidated with figures for the Council's material subsidiaries, associates and joint ventures.

Subsidiaries are defined as organisations that the Council controls by having power over the organisation, exposure or rights to variable returns from its investment and the ability to use its power over the organisation to affect the amount of the return. The subsidiary considered to be material is Destination Manchester Limited.

Associates are defined as organisations where the Council has significant influence. Significant influence is defined as the power to participate in financial and operating policy decisions of the investee. The assumption is that a holding of more than twenty percent of the voting power of an investee would bring significant influence. The Council has no associates considered to be material.

Joint Ventures are defined as arrangements under which two or more parties have contractually agreed to share control such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control and have the rights to the net assets of the arrangement The joint venture considered to be material is Manchester Airports Holdings Ltd.

In producing the group accounts the Council is required by the CIPFA Code of Practice on Local Authority Accounting to make consolidation adjustments to take account of any differences in accounting policies between the Council and its subsidiaries, associates and joint ventures so that the group accounts are prepared on a standard set of policies.

Land and buildings in the Council's single entity accounts are valued at current value (i.e. the amount that would be paid for an asset in its existing use). Where sufficient market evidence is not available, the value is estimated at depreciated replacement cost, using the modern equivalent asset method (i.e. the market value of the land on which the building sits plus the current gross replacement cost of the building less an allowance for physical deterioration of the building).

Manchester Airport Holdings Limited (MAHL) accounts are prepared using deemed cost for land and buildings. Deemed cost is the cost or valuation of assets as at 1 April 2005. Consequently property, plant and equipment is included in MAHL's accounts at cost or deemed cost less accumulated depreciation. A valuation of MAHL's land and building assets has been undertaken in order to align the accounting policy with that of the Council. This valuation has been used for the Council's group accounts.

The land and building assets of Destination Manchester Limited (DML), which is a subsidiary within the Council group, are included in DML's accounts at cost less accumulated depreciation and impairment. A valuation of DML's land and building assets has been undertaken in order to align the accounting policy with that of the Council. This valuation has been used for the Council's group accounts.

All other accounting policies within the group have been aligned to those of the Council.

The Group Accounts contain the Group Consolidated Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the Group Accounts.

Housing Revenue Account

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to an authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring-fenced from the rest of the General Fund, so that rents cannot be subsidised from council tax (or vice versa).

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase in the year, on the basis upon which rents are raised, is shown in the movement on the Housing Revenue Account Statement.

Collection Fund

The Collection Fund is a fund administered by the Council that shows the transactions of the billing authority (the Council), in relation to the collection of Council Tax and Non-Domestic Rates (NNDR), or business rates, and how the income from these sources has been distributed to precepting authorities and the Council's General Fund. The expenditure includes the precept payment for the services delivered across the borough by the Greater Manchester Combined Authority, specifically for the Mayoral Police and Crime Commissioner and Fire and Rescue services. It is a statutory requirement to maintain a Collection Fund to account for all the Council tax and Business rates income and expenditure the Council collects each year.

The COVID 19 has had a material impact on the Collection Fund and several government schemes have been announced in response to the pandemic and collection of local taxation.

As per the announcement in the Provisional Local Government Finance Settlement any in-year deficit forecast in business rates or council tax must be spread over 3 years, from 2021/22 to 2023/24, in equal thirds instead of being fully reflected in 2021/22. This spreadable
deficit was determined by the estimate calculated and declared in January 2021. For business rates the introduction of Expanded Retail Discount, which offered 100% relief to retail, hospitality and leisure businesses, resulted in an additional relief award of £148.471m. The spreadable deficit was calculated gross of this relief.

The Taxation Income Guarantee (TIG) scheme was also announced in the provisional settlement and aimed to fund billing authorities for 75% of losses in collection when compared to budget. Government has released specific calculators to determine if any funding is due, and the Council estimates to receive £19.219m for losses in business rates. There is no TIG due for council tax.

Government's council tax hardship scheme, totalling £6.835m, included a deduction of £150 from annual council tax bills for the most vulnerable residents in the city, and was applied in 2020/21. This scheme was fully funded and credited to the Collection Fund.

Collection rates of both council tax and business rates reduced in 2020/21. Council tax was down by 2.65% from 92.80% in 2019/20 to 90.15% in 2020/21; and business rates down by 9.86%, from 97.77% to 87.91% in 2020/21.

Borrowing Limit

In 2020/21 the Council had an authorised limit for borrowing of £1,574.5m (£1,384.5m for external debt and £190.0m for other long-term liabilities such as PFIs and finance leases). The actual level of external debt at 31 March 2021 is £763.2m. The borrowing limit is based on the Council's Capital financing Requirement or CFR. The Council may meet this need from external borrowing or from 'internal borrowing' from its cash flow and cash backed reserves.

During 2020/21 the Council has taken some temporary debt to manage cash flow. The Council has also repaid c. £3.4m of government debt which was due for repayment.

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

External Borrowing	2019/20 £m	2020/21 £m
Long-term Borrowing	585.4	578.5
Short-term Borrowing	32.9	184.7
Total	**618.3**	**763.2**

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

Whilst the 2020/21 Capital Programme was funded notionally by borrowing of £180.8m, the debt outstanding on the balance sheet at 31 March 2021 has increased by £114.9m as the Council's Treasury Management Strategy is to use cash backed reserves, i.e. internal borrowing, in lieu of external borrowing where possible.

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

Major Acquisitions and Disposals

The Council's significant acquisitions of non-current assets during 2020/21 included:

· The former Showcase Cinema Site, Belle Vue £10.1m

· The former Creamline Dairy site, Red Bank £2.1m

Significant disposals in 2020/2021 in 2020/21 included land for the Beaver Road Primary Academy School on Wilmslow Road in Didsbury. The value upon disposal was £2.8m.

Investment in Manchester Airport Group

The Council's shareholding remains at 35.5%. The Council did not receive any dividend income during the year from this investment, due to the impact of COVID-19 on the aviation industry. The shareholder holders of Manchester Airport Holdings Ltd have agreed to lend MAHL a total of £300m in order to ensure the ongoing stability of MAHL following the COV1D19 pandemic to ensure that the benefits of the Airport to the region and the financial interests of the shareholders are protected. The Council share the loan was £106.5m (35.5%) was advanced on 2 July 2020. This loan is repayable in full by 30 September 2058. A further loan of £102m, (Council's share £36.2m) has been approved to provide continued support if required.

Investment in Manchester Airport Car Park Limited

In March 2020 the Council, along with the other nine Greater Manchester Authority shareholders in the Manchester Airport Group, made an equity investment in Manchester Airport Car Parking Ltd to finance the development of a new airport carpark, which opened at the end of 2020. The Council's total investment was to assist in funding the capital build of a car park in return for the issue of 3 C shares in Manchester Airport Car Park Limited. Manchester City Council holds 10% of the issued C shares in Manchester Airport Car Park Limited. As in 2019/20, the shareholding will be classed as a financial instrument and held at fair value on the Council's Balance Sheet. The Councils Shareholding in Manchester Airport Car Park limited is valued at £5.7m.

Private Finance Initiatives (PFI)

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

As at 31 March 2021, the Miles Platting Housing, Plymouth Grove Housing, Brunswick Housing, Temple School, Wright Robinson Sports College and Street Lighting PFI schemes were ongoing. The Housing Energy Services PFI ended in 2019/20.

The schemes were funded as follows:

Scheme	Funding Source
Housing schemes	PFI grant and Housing Revenue Account (HRA)
Schools schemes	PFI grant and Dedicated Schools Grant (DSG)
Street Lighting scheme	PFI grant and Council resources

Further details on these schemes are shown in Note 13.

Private Public Partnership (PPP) Schemes

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

- Manchester Working was responsible for undertaking repairs and maintenance of council houses managed by Northwards and the facilities management estate for the Council; the Council did not have a contract with Manchester Working in 2020/21.
- Indoor Leisure PPP – the renovation, maintenance and management of some indoor leisure facilities has been undertaken via a trust for more than ten years. A contract has again been awarded to Greenwich Leisure Ltd for the operation and maintenance of Leisure Buildings and Provision of Leisure Management Services.
- Wythenshawe Forum PPP – the Council has established a trust, which has responsibility for the renovation, maintenance and facilities management of Wythenshawe Forum.
- The joint venture with National Car Parks (National Car Parks (Manchester) was first established in 2000, and this arrangement ceased at 31st December 2020. The City Council car park assets came back into the Council with effect from 1st January 2021 and are now managed and operated within the City Council.

- Eastlands Trust – the Council has established a trust which has responsibility for the management of the National Cycling Centre, the National Squash Centre, the National Taekwondo Centre, the Regional Athletics Centre, the Regional Tennis Centre, the Regional Gymnastics Centre and Belle Vue Leisure Centre / Regional Hockey Facility.

Events after the Balance Sheet Date

Events after the balance sheet date are those events that occur between the end of the reporting period (i.e., 31 March) and the date when the Statement of Accounts is authorised for issue. The Council is required to disclose any material events as a note to the accounts.

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

The Statement of Responsibilities for the Annual Statement of Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Deputy Chief Executive and City Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

The Deputy Chief Executive and City Treasurer's Responsibilities

The Deputy Chief Executive and City Treasurer is responsible for the preparation of the Council's and Group's statement of accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2020/21.

In preparing this statement of accounts, the Deputy Chief Executive and City Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority code.

The Deputy Chief Executive and City Treasurer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The statement of accounts gives a true and fair view of the financial position of the Council and Group as at 31 March 2021 and their income and expenditure for the year ended 31 March 2021.

Carol Culley
Deputy Chief Executive and City Treasurer
27 July 2021

Comprehensive Income and Expenditure Statement

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of non-current assets actually consumed and the real projected value of retirement benefits earned by employees in the year. A full explanation is provided as part of the introduction to the accounts.

Restated 2019/20 Gross Expenditure £000s	Restated 2019/20 Gross Income £000s	Restated 2019/20 Net Expenditure £000s		Notes	2020/21 Gross Expenditure £000s	2020/21 Gross Income £000s	2020/21 Net Expenditure £000s
			Continuing operations				
272,674	(60,059)	212,615	Adults Social Care		272,014	(81,530)	190,484
36,318	(24,491)	11,827	Homelessness		45,915	(31,574)	14,340
567,681	(386,914)	180,767	Children's Services		518,986	(399,577)	119,409
332,904	(248,094)	84,810	Corporate Core		310,462	(243,894)	66,568
173,851	(54,805)	119,046	Neighbourhoods and Highways		146,179	(59,886)	86,294
86,058	(40,096)	45,962	Growth and Development		75,038	(40,178)	34,860
5,492	(11,152)	(5,660)	Corporate Items	1	7,001	(10,630)	(3,629)
7,729	0	7,729	Council - Wide Costs	2	4,774	0	4,774
64,537	(85,088)	(20,551)	Housing Revenue Account		69,852	(86,436)	(16,584)
1,547,244	**(910,699)**	**636,545**	**Net cost of services**		**1,450,221**	**(953,705)**	**496,516**
			Other operating expenditure				
52,586	(7,129)	45,457	Gain (Loss) on disposal of non-current assets	22	0	(10,483)	(10,483)
68,687	0	68,687	Levies		69,166	0	69,166
2,553	0	2,553	Payments to government housing capital receipts pool	41a(1)	2,566	0	2,566
123,826	**(7,129)**	**116,697**	**Total other operating expenditure**		**71,732**	**(10,483)**	**61,249**
166,943	(246,068)	(79,125)	Financing and investment income and expenditure	15	155,254	(159,334)	(4,080)
44,150	(712,691)	(668,541)	Taxation and non-specific grant income and expenditure	16	40,757	(734,531)	(693,775)
1,882,163	**(1,876,587)**	**5,576**	**(Surplus) / Deficit on provision of services**		**1,717,964**	**(1,858,053)**	**(140,089)**
			Items that will not be subsequently classified in the Deficit of Provision of Services				
		(76,583)	(Surplus) on revaluation of property, plant and equipment assets	41a			(121,671)
		12,357	Impairment losses on non-current assets charged to the Revaluation Reserve	41a			7,996
		(335,501)	Re-measurements of the net defined benefit liability	41a			321,765
			Items that will be subsequently classified in Deficit of Provision of Services				
		980	(Surplus) / deficit from investments in equity instruments designated at fair value through other comprehensive income	41b			2,733
		(398,747)	**Total other comprehensive income and expenditure**				**210,823**
		(393,171)	**Total comprehensive income and expenditure**				**70,734**

Carol Culley
Deputy Chief Executive and City Treasurer
27/07/2021

Balance Sheet

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

31 March 2020 £000s		Note		31 March 2021 £000s
	Non-current assets			
2,528,643	Property, plant and equipment	21	2,726,063	
604,821	Heritage assets	24	635,802	
475,227	Investment properties	30	474,953	
324	Intangible non-current assets		260	
136,951	Long-term investment in subsidiaries, associates and joint ventures	33	138,964	
12,536	Other long-term investments	33	12,403	
310,231	Long-term debtors	34	446,633	
4,068,733	**Total non-current assets**			**4,435,078**
	Current assets			
20,098	Short-term investments	33	0	
505	Inventories and long-term contracts		541	
170,855	Short-term debtors	34	245,042	
133,984	Cash and cash equivalents	48	43,524	
9,474	Short-term assets held for sale	26	10,339	
334,916	**Total current assets**			**299,446**
4,403,649	**Total assets**			**4,734,524**
	Current liabilities			
(32,904)	Short-term borrowing	39	(184,675)	
(216,596)	Short-term creditors	35	(260,885)	
(31,570)	Short-term provisions	38	(19,993)	
(11,453)	Short-term deferred liabilities	37	(12,143)	
(292,523)	**Total current liabilities**			**(477,696)**
4,111,126	**Total assets less current liabilities**			**4,256,828**
	Long-term liabilities			
(1,243)	Long-term creditors	35	(1,026)	
(73,159)	Long-term provisions	38	(110,306)	
(585,397)	Long-term borrowing	36	(578,555)	
(155,196)	Long-term deferred liabilities	37	(144,269)	
(9,743)	Capital grants receipts in advance	35	(9,420)	
(689,573)	Pensions liability	43	(973,598)	
(1,514,311)	**Total long-term liabilities**			**(1,817,174)**
2,596,815	**Net assets**			**2,439,653**
	Financed by:			
(694,571)	Usable reserves	40		(911,408)
(1,902,244)	Unusable reserves	41		(1,528,245)
(2,596,815)	**Total reserves**			**(2,439,653)**

Carol Culley
Deputy Chief Executive and City Treasurer

27/07/2021

Movement In Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure) and unusable reserves. The deficit on the Provision of Services line includes accounting adjustments for such items as depreciation that would be a significant cost in a commercial organisation but which do not need to be funded by Council Tax. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

	Note	General Fund Reserves £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Major Repairs Reserve £000s	Total Usable Reserves £000s	Total Unusable Reserves £000s	Total Council Reserves £000s
Balance at 1 April 2019		**(353,784)**	**(104,452)**	**(81,860)**	**(57,516)**	**(2,913)**	**(600,525)**	**(1,603,119)**	**(2,203,644)**
Movement in reserves during 2019/20									
Total comprehensive income and expenditure	CIES	21,059	(15,483)	0	0	0	5,576	(398,747)	**(393,171)**
Adjustments between accounting basis and funding basis under regulations	4b and 12	(49,070)	10,489	(14,989)	(46,538)	485	(99,622)	99,622	**(0)**
(Increase) or decrease in year		**(28,011)**	**(4,993)**	**(14,989)**	**(46,538)**	**485**	**(94,046)**	**(299,125)**	**(393,171)**
Balance at 31 March 2020		**(381,795)**	**(109,445)**	**(96,849)**	**(104,055)**	**(2,427)**	**(694,571)**	**(1,902,244)**	**(2,596,815)**
Re-classification of Dedicated Schools Grant (DSG) reserve		**(4,281)**	**0**	**0**	**0**	**0**	(4,281)	**4,281**	**0**
Restated Balance at 1 April 2020		**(386,076)**	**(109,445)**	**(96,849)**	**(104,055)**	**(2,427)**	**(698,852)**	**(1,897,963)**	**(2,596,815)**
Movement in reserves during 2020/21									
Total comprehensive income and expenditure	CIES	(129,489)	(8,576)	0	0	0	(138,065)	208,799	70,734
Adjustments between accounting basis and funding basis under regulations	4b and 12	(90,646)	6,852	2,893	10,050	(3,641)	(74,491)	160,919	86,428
(Increase) or decrease in year		**(220,135)**	**(1,724)**	**2,893**	**10,050**	**(3,641)**	**(212,556)**	**369,718**	**157,162**
Balance at 31 March 2021		**(606,211)**	**(111,169)**	**(93,956)**	**(94,005)**	**(6,067)**	**(911,408)**	**(1,528,245)**	**(2,439,653)**

Cash Flow Statement

The Cash Flow Statement shows the reason for changes in the Council's cash balances (including investments for periods of less than three months) during the year. It shows whether that change is due to operating activities, investing or financing activities (such as repayment of borrowing or other long term liabilities).

2019/20 £000s		Note	2020/21 £000s
(5,576)	Net deficit on the provision of services		140,089
246,318	Adjustments to net deficit on the provision of services for non-cash movements	49	(21,559)
(144,477)	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	50	(97,015)
96,265	**Net cash flows from operating activities**		**21,515**
(86,845)	Investing activities	52	(243,453)
20,087	Financing Activities	53	131,478
29,507	**Net increase or (decrease) in cash and cash equivalents**		**(90,460)**
104,477	Cash and cash equivalents at the beginning of the reporting period		133,984
133,984	**Cash and cash equivalents at the end of the reporting period**	48	**43,524**

Notes to the Core Financial Statements

Note 1. Corporate Items

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

	2019/20 £000s	2020/21 £000s
Gross Expenditure		
Insurance Costs	3,439	3,285
Apprentice Levy	942	1,002
Other Central Expenditure	1,111	2,714
	5,492	7,001
Gross Income		
Insurance Income	(267)	(203)
Department of Education - (Inherited Staff Liabilities)	(1,045)	(966)
Contribution from CCG	(4,000)	(4,000)
Fortuitous Income including events income and rental income	(1,994)	(2,048)
Other Central Income	(3,846)	(3,412)
	(11,152)	(10,630)
Total Corporate Items	**(5,660)**	**(3,629)**

Note 2. Council - Wide Costs

The table below analyses the figure included in the council wide costs line of the Comprehensive Income and Expenditure Statement.

	Restated 2019/20 £000s	2020/21 £000s
Pensions Past Service Costs	5,826	675
Depreciation - Non Operational Properties	673	706
Impairment - Non Operational Properties	1,230	3,394
Total Council Wide Costs	**7,729**	**4,774**

The 2019/20 figure has been restated as impairment relating to IFRS9 financial assets has been reclassified within the financing and investment income and expenditure line.

Note 3. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows for each of the Council's directorates, a comparison of the net expenditure as per the revenue outturn reports to Executive and the net expenditure in the CIES and explains the differences between the two.

2019/20						2020/21				
As reported to Members	Adjustments to arrive at net amount chargeable to the general fund and HRA balances	Net expenditure chargeable to the general fund and HRA balances	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement		As reported to Members	Adjustments to arrive at net amount chargeable to the general fund and HRA balances	Net expenditure chargeable to the general fund and HRA balances	Adjustments between funding and accounting basis	Net expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
	Note 4a		Note 4b				Note 4a		Note 4b	
205,222	(1,091)	204,131	8,484	212,615	Adult Social Care	239,298	(43,507)	195,791	(5,306)	190,484
14,235	(3,828)	10,407	1,420	11,827	Homelessness	25,200	(9,471)	15,730	(1,390)	14,340
122,491	19,696	142,187	38,580	180,767	Children's Services	133,911	(10,702)	123,209	(3,800)	119,409
66,814	3,186	70,000	14,810	84,810	Corporate Core	102,029	(30,493)	71,537	(4,969)	66,567
94,884	(21,556)	73,328	45,718	119,046	Neighbourhoods and Highways	127,646	(62,775)	64,870	21,423	86,293
7,826	14,964	22,790	23,172	45,962	Growth and Development	15,693	9,934	25,627	9,233	34,860
5,294	(10,958)	(5,664)	4	(5,660)	Corporate Items	17,372	81,869	99,241	(102,870)	(3,629)
(547)	0	(547)	8,276	7,729	Council-Wide Costs	0	0	0	4,774	4,774
(4,993)	(5,068)	(10,061)	(10,490)	(20,551)	Housing Revenue Account	(1,723)	(36,783)	(38,506)	21,922	(16,584)
511,226	(4,655)	506,571	129,974	636,545	Net Cost of Services	659,428	(101,929)	557,499	(60,984)	496,515
(515,527)	(24,047)	(539,574)	(91,395)	(630,969)	Other Income and Expenditure	(665,005)	(118,634)	(783,638)	147,032	(636,606)
(4,301)	(28,702)	(33,003)	38,579	5,576	Deficit on Provision of Services	(5,577)	(220,563)	(226,139)	86,049	(140,090)
Opening General Fund and HRA Reserves		458,237				Opening General Fund and HRA Reserves		491,240		
Surplus on General Fund and HRA Reserves in year		33,003				Surplus on General Fund and HRA Reserves in year		226,139		
Closing General Fund and HRA Reserves at 31 March		491,240				Closing General Fund and HRA Balance at 31 March		717,380		

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

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

The split of the general fund and HRA reserves is shown in the movement in reserves statement.

Note 4. Note to the Expenditure and Funding Analysis

(a) Adjustments to arrive at net amount chargeable to the general fund and HRA balances 2019/20				
Other Adjustments	Adjustments relating to other income and expenditure (i) £000	Adjustments relating to transfers to / from reserves (ii) £000	Adjustments relating to internal recharges (iii) £000	Total Adjustments £000
Adults Social Care	(315)	1,805	(2,581)	(1,091)
Homelessness	0	183	(4,011)	(3,828)
Children's Services	2,022	17,629	45	19,696
Corporate Core	(3,734)	98	6,822	3,186
Neighbourhoods and Highways	(24,766)	7,002	(3,792)	(21,556)
Growth and Development	13,753	927	284	14,964
Corporate Items	(10,191)	(998)	231	(10,958)
Housing Revenue Account	(5,068)	0	0	(5,068)
Net Cost of Services	(28,299)	26,646	(3,002)	(4,655)
Other Income and Expenditure from the Expenditure and Funding Analysis	28,299	(55,348)	3,002	(24,047)
Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	0	(28,702)	0	(28,702)

(a) Adjustments to arrive at net amount chargeable to the general fund and HRA balances 2020/21				
Other Adjustments	Adjustments relating to other income and expenditure (i) £000	Adjustments relating to transfers to / from reserves (ii) £000	Adjustments relating to internal recharges (iii) £000	Total Adjustments £000
Adults Social Care	(16,384)	(25,799)	(1,324)	(43,507)
Homelessness	(3,163)	22	(6,330)	(9,471)
Children's Services	33	(9,647)	(1,088)	(10,702)
Corporate Core	(27,082)	(12,128)	8,717	(30,493)
Neighbourhoods and Highways	(44,240)	(14,249)	(4,286)	(62,775)
Growth and Development	8,203	1,479	252	9,934
Corporate Items	238,049	(160,240)	4,060	81,869
Council-Wide	0	0	0	0
Housing Revenue Account	(36,783)	0	0	(36,783)
Net Cost of Services	118,634	(220,563)	0	(101,929)
Other Income and Expenditure from the Expenditure and Funding Analysis	(118,634)		(0)	(118,634)
Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	0	(220,563)	0	(220,563)

(i) Adjustments relating to other income expenditure include levies, PFI grants, transactions relating to investment properties and service specific interest payments and receipts which are reported as part of service costs in the outturn report but are not included in net cost of services in the CIES.

(ii) Transfers to and from reserves which are included in the outturn report but are not shown within the CIES.

(iii) Internal recharges between services are included in the outturn report but are not shown within the CIES.

(b) Adjustments between Funding and Accounting Basis 2019/20					
Adjustments between funding and accounting basis	Adjustments for Capital Purposes (i) £000	Pension Adjustments (ii) £000	Collection Fund Adjustments (iii) £000	Other Adjustments (iv) £000	Restated Total Adjustments £000
Adults Social Care	1,316	7,160	0	8	8,484
Homelessness	0	1,418	0	2	1,420
Children's Services	15,994	22,462	0	124	38,580
Corporate Core	3,502	11,303	0	5	14,810
Neighbourhoods and Highways	38,020	7,690	0	8	45,718
Growth and Development	19,664	3,538	0	(30)	23,172
Corporate Items	0	0	0	4	4
Council-Wide Costs	2,450	5,826	0	0	8,276
Housing Revenue Account	(10,657)	167	0	0	(10,490)
Net Cost of Services	70,289	59,564	0	121	129,974
Other Income and Expenditure from the Expenditure and Funding Analysis	(116,625)	12,900	5,904	6,426	(91,395)
Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	(46,336)	72,464	5,904	6,547	38,579

(b) Adjustments between Funding and Accounting Basis 2020/21					
Adjustments between funding and accounting basis	Adjustments for Capital Purposes (i) £000	Pension Adjustments (ii) £000	Collection Fund Adjustments (iii) £000	Other Adjustments (iv) £000	Total Adjustments £000
Adults Social Care	1,179	(6,487)	0	2	(5,306)
Homelessness	(76)	(1,317)	0	4	(1,390)
Children's Services	13,132	(18,226)	0	1,294	(3,800)
Corporate Core	4,224	(9,285)	0	92	(4,969)
Neighbourhoods and Highways	27,838	(6,428)	0	12	21,423
Growth and Development	12,402	(3,043)	0	(126)	9,233
Corporate Items	59,502	14,647	0	(177,019)	(102,870)
Council-Wide Costs	4,099	675	0	0	4,774
Housing Revenue Account	21,977	(56)	0	0	21,922
Net Cost of Services	144,278	(29,521)	0	(175,741)	(60,984)
Other Income and Expenditure from the Expenditure and Funding Analysis	(38,820)	(7,323)	192,802	374	147,032
Difference between General Fund and HRA Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	105,458	(36,844)	192,802	(175,367)	86,049

(i) Adjustments relating to capital include depreciation, amortisation of intangible assets impairment, revenue funded from capital under statute, movements in investment property valuations, gain / loss on disposal of non current assets, capital grants and contributions, HRA PFI adjustments, minimum revenue provision and revenue contribution to capital outlay.

(ii) Adjustments relating to pensions are the removal of employee pension costs for the Local Government Pension Scheme and their replacement with current service costs and past service costs plus the net interest on the defined pension liability.

(iii) This represents the difference between what is chargeable under statutory regulations for council tax and NNDR i.e. the amount estimated in the preceding January and the actual income due on an accruals basis. This difference and is held within the Collection Fund.

(iv) Other adjustments include soft loans, employee benefit accruals and the payment to the housing capital receipts pool.

Note 5. Prior Period Restatement

The prior period is restated so that 2020/21 is presented in a comparable way to 2019/20.

Consolidated Income and Expenditure Statement (CIES)

Expenditure and income on services are shown in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

The Code requires that authorities present expenditure and income on services on the basis of its 'reportable segments'; these are based on the Council's internal management reporting structure.

(b) In line with CIPFA guidance the impairment of financial assets in line with IFRS9 should be shown within financing and investment income and expenditure rather than council wide costs within net cost of services. In order to provide a consistent comparison the 2019/20 figures have been restated.

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

	As reported in the 2019/20 CIES £000	(a) Transfer of services between directorates £000	(b) Impairment of financial assets in accordance with IFRS9 £000	As restated 2019/20 £000
Net Expenditure				
Directorate Line				
Adults Social Care	212,615	0	0	212,615
Homelessness	11,827	0	0	11,827
Children's Services	180,767	0	0	180,767
Corporate Core	84,810	0	0	84,810
Neighbourhoods and Highways	121,418	(2,372)	0	119,046
Growth and Development	43,590	2,372	0	45,962
Corporate Items	(5,660)	0	0	(5,660)
Council Wide Costs	8,276	0	(547)	7,729
Housing Revenue Account	(20,551)	0	0	(20,551)
Total Net Cost of Services	637,092	0	(547)	636,545
Financing and Investment Income and Expenditure	(79,672)	0	547	(79,125)
Taxation and non-specific grant income and expend	(668,541)	0	0	(668,541)
Total	(111,121)	0	0	(111,121)

Gross Expenditure				
Directorate Line				
Adults Social Care	272,674	0	0	272,674
Homelessness	36,318	0	0	36,318
Children's Services	567,681	0	0	567,681
Corporate Core	332,904	0	0	332,904
Neighbourhoods and Highways	173,851	0	0	173,851
Growth and Development	86,058	0	0	86,058
Corporate Items	5,492	0	0	5,492
Council Wide Costs	8,276	0	(547)	7,729
Housing Revenue Account	64,537	0	0	64,537
Total Net Cost of Services Gross Expenditure	1,547,791	0	(547)	1,547,244
Financing and Investment Income and Expenditure	166,396	0	547	166,943
Taxation and non-specific grant income and expend	44,150	0	0	44,150
Total	1,758,337	0	0	1,758,337

Gross Income				
Directorate Line				
Adults Social Care	(60,059)	0	0	(60,059)
Homelessness	(24,491)	0	0	(24,491)
Children's Services	(386,914)	0	0	(386,914)
Corporate Core	(248,094)	0	0	(248,094)
Neighbourhoods and Highways	(52,433)	(2,372)	0	(54,805)
Growth and Development	(42,468)	2,372	0	(40,096)
Corporate Items	(11,152)	0	0	(11,152)
Council Wide Costs	0	0	0	0
Housing Revenue Account	(85,088)	0	0	(85,088)
Total Net Cost of Services Gross Income	(910,699)	0	0	(910,699)
Financing and Investment Income and Expenditure	(246,068)	0	0	(246,068)
Taxation and non-specific grant income and expend	(712,691)	0	0	(712,691)
Total	(1,869,458)	0	0	(1,869,458)

Other Statements

Balance sheet

The Dedicated School's Grant (DSG) reserve, a debit balance of £4.281m, was reclassified from Usable Reserve to Unusable Reserve in 2020/21. This represents a re-classification rather than a restatement of the 2019/20 balances.

The effect of this adjustment is shown in the table below.

	Unusable Reserves	Usable Reserves
	£000	£000
As reported in the Balance Sheet at 31 March 2020	(1,902,244)	(694,571)
Change during 2020/21	4,281	(4,281)
Restated at 31 March 2020	(1,897,961)	(698,852)

Movement in Reserves Statement

The reduction in unusable reserves and increase usable reserves are reflected in the Movement in Reserves Statement.

Cash Flow Statement

No Restatements

Group Accounts

These amendments have also been reflected in the Group Accounts.

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the Council to disclose information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2020/21 Code.

The Code has introduced changes in accounting policies which will be required to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning across two financial years.

The changes introduced by the 2021/22 Code that will be adopted by the Council and its Group are:

- Definition of a business: amendments to IFRS3 Business Combinations
- Interest Rate Benchmark Reform: amendments to IFRS9, IAS39 and IFRS7
- Interest Rate Benchmark Reform Phase 2: amendments to IFRS9, IFRS37, IFRS4 and IFRS16

Definition of a business – these amendments were issued to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements to be a business.

Interest Rate Benchmark Reform – the Financial Reporting Council have announced a transition away from the London Interbank Offered Rate (LIBOR) to the Sterling Overnight Index Average (SONIA). As a result, amendments have been made to accounting standards to address issues resulting from this charge in benchmark. Phase 1 of this change provided exemptions to specific hedge accounting requirements.

Interest Rate Benchmark Reform Phase 2 – this phase includes the potential reinstatement of hedge relationships that were discontinued solely due to changes directly required by this reform and a change in the basis of determining contractual cash flows.

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

7. Accounting Concepts and Policies

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end 31 March 2021. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003.

As local authorities need to reflect statutory conditions, specific statutory adjustments are complied with so that the Council's accounts present a true and fair view of the financial position and transactions of the Council. All accounting policies are disclosed where they are material.

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

7.1. Underlying Assumptions

7.1.1 Going Concern

The Accounting Code, (standard IAS 1) requires management to make an assessment of an entity's ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The authority discloses that the accounts have been prepared on a going concern basis and that the Council will continue in existence for the foreseeable future.

This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. The Code is clear that transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern. However, if there are material concerns about the financial health of the authority this would be raised as part of the statutory responsibilities of the Section 151 Officer.

The accounts have been prepared on the assumption that the Council will continue and there are no material concerns over its financial position which would impact on this conclusion.

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

Manchester Airports Holdings Ltd (MAHL)

The Directors have prepared the Group and Company financial statements on a going concern basis. In assessing the going concern position of the Group, the directors have considered the ongoing impact of COVID-19 on the cash flow and liquidity of the Group, for a period in excess of 12 months, and the corresponding impact on cash headroom and financial covenants associated with the Group's financing arrangements.

The Group is subject to financial covenants on its Bonds and Bank facilities, being leverage (Net Debt / adjusted EBITDA) and interest cover (adjusted EBITDA less tax / net finance charges). The covenants are tested half yearly on 31 March and 30 September. Following the Group's strategic financial response in 2020 MAG obtained waivers on its covenant testing on 30 September 2020 and 31 March 2021.

At the year ended 31 March 2021, the Group had significant financial liquidity available of £540.2m comprising net cash in hand of £530.2m together with £10.0m in undrawn committed overdraft facilities. The Group also has access to a committed £90.0m Liquidity Facility (available until June 2023) to ensure interest payment obligations can be complied with for over 12 months from the date of approval of these financial statements. The Group does not currently expect to utilise the Liquidity Facility. Of the Group's current borrowings, the £500.0m Revolving Credit Facility ("RCF") matures in June 2023 and a £360.0m bond matures in April 2024.

The actual impact of COVID-19 upon the aviation sector has continued to evolve throughout the year ended 31 March 2021 ("FY21"). The re-introduction of travel restrictions during September and October 2020 followed by the suspension of all travel corridors in January 2021 coupled with revisions to quarantine requirements has significantly impacted demand levels at our airports in the second half of the year. The timing of the recovery in passenger numbers in FY22 will be heavily dependent upon: the country keeping to the UK Government's roadmap out of lockdown; the success of the ongoing vaccination programme; the impact of new variants of the virus; and the respective success of our travel destinations in successfully lifting COVID-19 containment measures.

MAG has continued to take further decisive and proportionate mitigating actions to reduce costs and protect the business during this unprecedented impact upon the economy and the aviation sector.

Since the issue of the 2020 Annual Report, MAG has implemented further actions to support the long-term viability of the Group by: securing over £400.0m of funds from the disposal of the non-core investment properties; claiming over £75.0m of available Government funding under the Job Retention Scheme and the Airport and Ground Operations Support Scheme; streamlining of the leadership and back office population by circa 33%; the reduction of up to 2,100 roles from the wider organisation; and additional pay reduction measures. These actions, coupled with the planned reductions in forecast non-employment costs and capital expenditure, are expected to deliver operational savings of £185m for FY21 and FY22 and capital savings in excess of £435.0m over a two-year period, in comparison to the pre-COVID-19 plan. Further details of the actions the Group has taken are included in the Chief Executive Officer's statement and the Financial Review.

The Group's most recent base case forecasts include passenger number projections of 40% of pre-COVID-19 levels for FY22 and the planned mitigating actions where they are in management's control. The gradual increase in passengers, as a result of the rollout of vaccine programmes in the UK and overseas, are expected to deliver passenger levels for FY22 in a range of 25% to 50% compared to pre COVID-19 levels. These Group forecasts anticipated that there was a risk that the Group would breach its financial covenants when next tested in September 2021. Consequently, the Group promptly engaged with its bank and bondholders to obtain waivers for the covenant testing in September 2021 and March 2022 and a modification to the covenant test to be performed in September 2022. The Group successfully obtained consent to these proposals from its bank and bondholders on 3 June 2021.

In addition to the Group's base case forecasts the Directors have also considered a number of downside and severe, but plausible, downside scenarios including:

A delayed recovery with continuing travel restrictions through Summer 2021 (downside scenario); and

A scenario of no lifting of UK travel restrictions resulting in negligible passenger volumes until March 2022 with a gradual recovery through Summer 2022 (severe but plausible downside scenario).

In the downside scenario the Group is expected to maintain positive cash headroom in excess of £245.0m for the 12-month period beyond the signing date of these financial statements. This headroom reduces to £100.0m in the severe but plausible downside scenario.

The impact of COVID-19 continues to exert significant uncertainty over the aviation industry. However, based upon their assessments detailed above the Directors have concluded that the Group can maintain sufficient liquidity over the next 12 months.

This, coupled with the loan waivers obtained for September 2021 and March 2022 testing periods, have resulted in the Directors concluding that it is appropriate to continue to account for the Group as a going concern. However, there remains significant uncertainty and it is plausible that there could be an extended impact on the aviation industry that would impact on liquidity, the Group's refinancing of its RCF and bond which mature in 2023 and 2024 respectively and the Group's covenant ratios. In the event that the UK travel restrictions continue beyond March 2022 into FY22, with a gradual recovery through Summer 2022, then whilst the severe, but plausible, downside scenario does not impact covenant compliance testing in September 2021 and March 2022 given the aforementioned successful consent obtained from bank and bondholders, there would be uncertainty as to whether the Group would breach its covenants when next tested in September 2022.

Whilst the Group has further options to further manage liquidity or address any potential covenant breaches, this uncertainty represents a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern and, therefore, that the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. These financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the financial statements had not been prepared on a going concern basis.

Destination Manchester Ltd.

In addition to the notes included within the principal risks and uncertainties section of the strategic report, at the time of approving the financial statements, the Directors have a reasonable expectation that the company has adequate resource to continue in operational existence for the foreseeable future. The latest advice from the Government is that conferences with reduced capacity will be able to run from 17th May and events will be able to run in full from late July 2021 and therefore the Director's have a reasonable expectation that the company will resume income generation from this date.

Net current assets of £485k as at 31 March 2021 (31 March 2020: net current liability £120k) demonstrate the liquidity of the company and the going concern expectation is based on the company's'; strong future pipeline of business for when the venue is able to open and operate again; strong cash position; the value of the cash generating assets; and flexible repayment terms are available from the ultimate parent company.

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

Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

7.2. Accounting Policies

7.2.1 Property, Plant and Equipment (PPE)

Property, Plant and Equipment assets have physical substance and are held for use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year (e.g. land and buildings).

Expenditure on the acquisition, creation and enhancement of property, plant and equipment has been capitalised on an accruals basis provided that it yields benefit to the Council, and the services it provides, for more than one financial year. Expenditure on repairs and maintenance is charged to revenue as it is incurred.

Capital expenditure is initially added to the value of an asset but if expenditure is not considered to increase the value of the asset the value is reduced by this expenditure. In addition, all property, plant and equipment, where expenditure in excess of £500,000 has been incurred during 2020/21, have been considered by the Council's Valuers who have quantified the amount of impairment.

Measurement

Property, plant and equipment are initially shown on the Balance Sheet at cost, comprising the purchase price and all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The Council does not capitalise borrowing costs incurred whilst the assets are under construction. The assets are then revalued using methods of valuation on the basis recommended by CIPFA and in accordance with the guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

Land and buildings and other operational assets are valued at current value, determined as the value that would be paid for the asset in its existing use. Where enough market evidence is not available, for example schools and leisure centres, current value is estimated at depreciated replacement cost, using the modern equivalent asset method.

Short life assets, such as vehicles, are held at depreciated historical cost as a proxy for current value on the grounds of materiality.

Council dwellings are valued at existing use value – social housing.

Community assets and infrastructure are measured at depreciated historical cost.

Assets under construction are held at historical cost and are not depreciated until brought into use.

Surplus assets are valued at fair value based on the highest or best use of the asset from a market participant's perspective. These are assets that are not in use by the

Council but do not meet the definition of investment property or assets held for sale. Surplus assets mainly relate to land that is being held for regeneration purposes and future sale.

Council dwellings are revalued annually. Other assets included in the Balance Sheet at current or fair value are valued sufficiently regularly to ensure that their carrying amount is not materially different from their value at year end, but as a minimum every five years.

Valuations have a valuation date of 28 February 2020. Any material change that occurs after the valuation date is taken account of in the balance sheet value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where the increase is reversing a previous loss charged to the Deficit / Surplus on the Provision of Services on the same asset, the increase in valuation is credited to the Comprehensive Income and Expenditure Statement.

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

Where revaluation gains or losses are credited or charged to the Comprehensive Income and Expenditure Statement, they are reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

The Revaluation Reserve contains gains recognised since 1 April 2007 only, the date of its formal implementation. Revaluation gains arising before that date are included in the Capital Adjustment Account.

The land and building elements of all properties are valued separately and treated as separate assets for accounting purposes. In addition to this and subject to an appropriate materiality level, any individual component within buildings which has a cost that is significant in relation to the total cost of the building is accounted for separately unless the components have a similar useful life to the main building.

In considering assets for potential componentisation (i.e. the significant elements of the asset are valued separately) the Council has included all general fund buildings with a carrying value of more than £2m. Within each building the Council has set the threshold for recognition of components as 20% of the cost of the building. The following components have been valued separately in council dwellings – main building, roof, windows, external doors, kitchens, bathrooms, heating and electrical systems.

7.2.2 Depreciation on Property, Plant and Equipment

Depreciation has been calculated using a straight-line method (i.e. apportioned equally over each year of the life of the asset) for all assets. The estimated useful life of each property is determined by a qualified valuer. Land and assets not yet available for use (assets under construction) are not depreciated. Each component of property, plant and equipment that is significant in relation to the total cost of the asset is depreciated separately based on its estimated useful life.

Depreciation is charged to the service with a corresponding reduction in the value of the asset. The depreciation charge is reversed in the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account. Residual values, useful lives and depreciation methods are reviewed at each financial year end.

Depreciation has been charged to the Housing Revenue Account (HRA) in accordance with proper practices and credited to the Major Repairs Reserve (MRR).

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been charged on their historical cost being transferred from the Revaluation Reserve to the Capital Adjustment Account.

7.2.3 Derecognition of Property, Plant and Equipment

An item of property, plant or equipment is derecognised by disposal or when no future economic benefit or service potential is expected from its use.

The carrying amount of a replaced or restored part of an asset is derecognised with the carrying amount of the new component being recognised.

When an asset is disposed of the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Sale proceeds from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal.

Any revaluation gains on the Revaluation Reserve, for assets disposed of or decommissioned, are transferred to the Capital Adjustment Account.

Income from an asset disposal in excess of £10,000 is classed as a capital receipt. Capital receipts from Right to Buy (RTB) sales of council dwellings are pooled between the Council and central government. The net RTB receipts received (after reduction of regional transaction costs and allowable debt) are split based on a share ratio provided by central government. If the government share of capital receipts, as calculated by the Office of Budget Responsibility, is exceeded the Council retains the remainder of the receipts to be used for the provision of new homes. If these receipts are not used within three years, they must be returned to the government (with interest at 4% above base rate). Non-RTB receipts are exempt from the capital pooling rules.

The balance of capital receipts is credited to the Capital Receipts Reserve and used to fund new capital expenditure or repay debt.

The written off value of disposals is reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

7.2.4 Private Finance Initiatives (PFIs) and Similar Contracts

PFI and similar contracts (service concessions) are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under the contract and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council holds the Property, Plant and Equipment used under the contracts on its Balance Sheet.

The original introduction of these assets onto the balance sheet is matched by the recognition of a deferred liability for amounts due to the operator to pay for the assets. Where the assets come into use at different stages the asset and matching liability are introduced in stages. For some PFI schemes the liability is written down by an initial capital contribution. This capital contribution was either in the form of a cash contribution or assets transferred to the contractor.

Property, Plant and Equipment relating to PFIs and similar contracts, recognised on the Balance Sheet, is revalued, depreciated and impaired in the same way as other property, plant and equipment owned by the Council.

The amounts payable to the operator each year are analysed as follows:

- Value of the service received (including facilities management) during the year - debited to the relevant service line in the Deficit / Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Interest cost based on the outstanding deferred liability - debited to the Financing and Investment Income and Expenditure line in the Deficit / Surplus on the Provision of Services.
- Payment towards liability - debited to the deferred liability on the Balance Sheet thus reducing the liability. For non-HRA contracts this reduction in the charge in the Deficit / Surplus on the Provision of Services is replaced by an equivalent amount of Minimum Revenue Provision (MRP) in the Movement in Reserves Statement. For HRA contracts this reduction in unitary charge is reversed in the Movement in Reserves Statement to the Capital Adjustment Account.
- Lifecycle replacement costs - these are posted to the Balance Sheet as a prepayment and then included as additions to Property, Plant and Equipment when the works are carried out. Where lifecycle costs can be identified as capital in nature they have been recognised as capital expenditure. This expenditure relates to enhancements or replacement of assets.

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

7.2.5 Heritage Assets

Heritage assets are those assets that are intended to be preserved for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage. Heritage assets include civic regalia, museum and gallery collections and works of art. Community assets (including parks and cemeteries) are not heritage assets, but are accounted for as property, plant and equipment.

Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the Council for other activities or to provide other services) are accounted for as operational assets rather than heritage assets and valued in the same way as other assets of that general type (e.g. buildings such as the Central Library).

Heritage assets are shown in the Balance Sheet at market value where this is available. For those assets where no market value is available the insurance valuation is used. Where a valuation is not available and cannot be obtained at a cost which is commensurate with the benefits to the users of the financial statements the assets are held at cost. Where the cost information is not available, they are not recognised in the balance sheet.

Depreciation is not provided for as these assets are considered to have infinite lives.
Any impairment is recognised and measured in accordance with the Council's general policies on impairment (policy 7.2.8). The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the de-recognition of property, plant and equipment (policy 7.2.3).

7.2.6 Investment Properties

Investment Properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to provide services by the Council or is held for sale.

Investment Properties are initially measured at cost. After initial recognition they are measured at fair value - highest and best use. The fair value reflects market conditions at the balance sheet date. A gain or loss arising from a change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Investment Properties are not depreciated but are revalued annually according to market conditions at year end.

An investment property is derecognised on disposal. Gains or losses arising from the disposal are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are reversed in the Movement in Reserves Statement and posted to the Capital Adjustment Account and sale proceeds over £10,000 to the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment income line in the Other Comprehensive Income and Expenditure Statement.

7.2.7 Schools

In accordance with the Code of Practice on Local Authority Accounting the Council has assessed the legal framework underlying each school. The Council controls the non-current assets of community schools and foundation schools, vested with the governing body as a Trustee, as future economic benefits associated with the assets will flow to the Council and therefore the land and buildings of those schools are shown on the Council's balance sheet. The land and buildings of voluntary aided, voluntary controlled and foundation schools, where the trust is not the governing body are owned and controlled by the trustees of the schools or the foundation body and are therefore not shown on the balance sheet of the Council.

Any schools held on the balance sheet, which are transferred to academy status form part of the loss on disposal of non-current assets. This includes schools managed under a PFI contract.

Capital expenditure on schools shown on the Council’s balance sheet is added to the value of those schools. Capital expenditure on schools not on the Council’s balance sheet is treated as REFCUS (Revenue Expenditure Funded from Capital under Statute) expenditure and written off each year to the Comprehensive Income and Expenditure Statement as part of the Children's Services line. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

All revenue income, expenditure, assets and liabilities of maintained schools, after the removal of transactions between schools and the Council, are included in the Council’s single entity accounts.

Individual schools' balances are included in the balance sheet of the Council as any unspent delegated schools budget remains the property of the Council although these can only be spent by the school.

The Dedicated Schools Grant (DSG) is allocated between the central council budgets and budgets allocated to individual schools (delegated school budgets). Expenditure from central council budgets and delegated schools’ budgets is charged to the Comprehensive Income and Expenditure Statement as part of the Children's Services line.

The new accounting regulations introduced relating to the Dedicated Schools Grant deficit balances are applicable to local authority accounting periods beginning on 1 April 2020. The financial statement will continue to be produced under IFRS with the DSG being accounted for in the normal way (through the CIES). A deficit must be carried forward to funded from future DSG income. An accounting adjustment is then made via the MIRS to move any DSG deficit balances on a time limited basis to an unusable reserve established for that purpose.

7.2.8 Impairment

Assets are reviewed for impairment at the end of each reporting period. Examples of impairment include a significant reduction in a specific assets value and evidence of physical damage (e.g. fire damage).

The amount of impairment is charged to the Revaluation Reserve to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset. Thereafter the impairment is charged to the Deficit / Surplus on the Provision of Services.

This charge is reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

Where an impairment loss is subsequently reversed (for example if the damage is made good), the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

7.2.9 Provision for Redemption of Debt

The Council is required to make provision for the repayment of an element of the accumulated General Fund capital expenditure, financed by borrowing, through a revenue charge, in accordance with the Minimum Revenue Provision (MRP) requirements. Regulations replaced the detailed formula for calculating MRP with a requirement to be prudent. The MRP policy (which details the basis of the provision) is agreed annually by the Council within the Treasury Management Strategy.

For all non-HRA capital expenditure funded by supported borrowing, otherwise known as supported capital expenditure, the Council's policy is to charge 2% of the capital financing requirement.

For all non-HRA unsupported borrowing MRP is calculated using the estimated life of the asset. Dependent upon the nature of the capital expenditure, a straight line (equal amount of MRP over the life of the asset) or annuity method (equal amount of MRP plus interest over the life of the asset) is used to link MRP to the future flow of benefits from the asset.

Where capital expenditure is incurred through providing loans to organisations, and those loans are indemnified or have financial guarantees protecting against loss, no MRP is charged in relation to the capital expenditure.

MRP starts in the year after the capital expenditure is incurred or in the case of new assets, in the year following the asset coming into use.

MRP is provided for non-HRA PFI related assets on the Council's Balance Sheet. This equates to the amount of unitary charge charged against the deferred liability on the Balance Sheet.

MRP is provided for assets held under finance leases (including embedded leases) where the Council is the lessee. This equates to the amount of the lease payment charged against the deferred liability on the Balance Sheet.

There is no MRP charge to the Housing Revenue Account.

7.2.10 Revenue Expenditure Funded from Capital under Statute

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. These are generally grants and expenditure on property not owned by the Council. Expenditure is charged to the Deficit / Surplus on the Provision of Services as it is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

Details of the accounting policy relating to grants and external contribution funding of REFCUS expenditure is shown in policy 7.2.15c.

7.2.11 Non-Current Assets held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than its continued use it is reclassified as an asset held for sale. Before an asset can be classed as held for sale it must be available for immediate sale in its present condition, the sale must be highly probable, the asset must be actively marketed and the sale should be expected to be completed within one year of the date of classification. In situations where it is not necessary to carry out active marketing, for example because the Council is able to identify prospective purchasers willing to pay a reasonable price without marketing (such as transfers to a joint venture) or because a buyer initiates the transaction (such as right to buy sales), this test is not applicable. Where events or circumstances extend the period beyond one year and there is sufficient evidence that the Council remains committed to the plan to sell the assets they are classed as long-term assets held for sale.

The held for sale asset is carried at the lower of the carrying amount or the fair value less costs to sell. Where this results in a loss in value this loss is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Once an asset is classed as held for sale it is no longer depreciated.

If assets no longer meet the classification as assets held for sale they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classed as held for sale) or their recoverable amount at the date of the decision not to sell.

7.2.12 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not when cash payments are made or received. In particular, revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Supplies are recorded as expenditure when they are consumed.

Provision is made for debts that are not considered to be collectable – referred to as impairment of financial assets. This provision is calculated based on the expected amount that will not be collected for differing types of debt applied to the amount of outstanding debt. The balance of debtors on the Balance Sheet is reduced by the amount of provision made.

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.

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.

7.2.13 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of no more than twenty-four hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents are shown net of bank overdrafts that form an integral part of cash management.

7.2.14 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits and a reliable estimate can be made of the amount of the obligation, but the timing of the transfer is uncertain. Examples include a legal case that will probably result in a payment of compensation.

Contributions to provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation based on the best estimate of the likely settlement. When payments are made, they are charged to the provision. Estimated settlements are reviewed at the end of each financial year and where it becomes likely that a transfer of economic benefits will not be required the contribution to the provision is reversed and credited back to the service line.

Provisions are classified as either short or long term depending on the likely date of settlement.

7.2.15 Government Grants and Contributions

Government grants and contributions are not recognised until there is reasonable assurance that the Council will comply with the conditions attached to them and the grant or contribution will be received. Grants and contributions are credited to the Comprehensive Income and Expenditure Statement except where the grant or contribution has a condition that has not been met. Conditions are stipulations that must be satisfied, or the grant or contribution must be returned. Monies advanced as grants and contributions for which conditions are not yet met are carried in the Balance Sheet as receipts in advance.

a. Revenue Grants and Contributions

Revenue grants and contributions are credited to the relevant service line for specific grants and the Taxation and Non-Specific Grant Income line for grants that cover general expenditure (e.g. New Homes Bonus Grant) except where the grant or contribution has a condition that has not been met. When the specific grant has been recognised but the expenditure relating to it has not been incurred the Council has elected to make a contribution equivalent to the unspent amount of grant to an earmarked reserve. This reserve will be released in future financial years when the expenditure to which the grant relates is incurred.

b. Capital Grants and Contributions

Capital grants and contributions are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement except where the grant or contribution has a condition that has not been met. The amount of the grant or contribution that has been used to finance expenditure is transferred to the Capital Adjustment Account via the Movement in Reserves Statement. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the Capital Grants Unapplied Reserve via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account when they are used to fund capital expenditure.

c. Grants and Contributions attributable to Revenue Expenditure Funded from Capital under Statute (REFCUS)

These grants and contributions are credited to the relevant service line in the Comprehensive Income and Expenditure Statement except where the grant or contribution has a condition that has not been met. The amount of the grant or contribution that has been used to finance expenditure is transferred to the Capital Adjustment Account via the Movement in Reserves Statement. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the Capital Grants Unapplied Reserve via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account when they are used to fund expenditure.

7.2.16 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year. The reserve is then appropriated back into the Movement in Reserves Statement so that there is no net charge for the expenditure on the General Fund balance.

Certain reserves are kept to manage the specific accounting treatment for Property, Plant and Equipment and retirement benefits and do not represent usable resources for the Council. These are shown as unusable reserves in the Movement in Reserves Statement and Balance Sheet.

7.2.17 Revenue Recognition

Revenue is a subset of income and is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

Revenue is measured at the fair value of the consideration received or receivable. In most cases, the consideration receivable is in the form of cash and cash equivalents and the amount of revenue is the amount of cash and cash equivalents receivable.

Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

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

Revenue for Council Tax and Business Rates is recognised when the amount of revenue can be measured reliably, and it is probable the revenue will be received by the Council.

7.2.18 Value Added Tax (VAT)

VAT is only included in expenditure, either revenue or capital, to the extent that it is not recoverable from HM Revenues and Customs. VAT receivable is excluded from income.

7.2.19 Leases

Leases are classified as either finance or operating leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or lessee. Whether the lease is a finance lease, or an operating lease depends on the substance of the transaction rather than the contract. Leases are classed as finance leases where the terms of the lease transfer the majority of the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Land and building elements of a lease are considered separately for the purpose of lease classification.

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

Finance Leases

Lessee
Property, Plant and Equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its current value at the time of inception (or the present value of the minimum lease payments if lower). The asset recognised is matched by a deferred liability for the obligation to pay the lessor.

Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the deferred liability and a finance charge which is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

These property, plant and equipment recognised are subject to depreciation. The MRP on these assets equates to the amount of the lease payment that is applied to write down the deferred liability.

The deferred liabilities are classified as either short or long term in line with the lease repayments.

Operating Leases

Lessee
Leasing payments for operating leases are charged to revenue on a straight-line basis over the term of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease) and are shown within service expenditure in the Comprehensive Income and Expenditure Statement.

Lessor
Rental income from operating leases is recognised on a straight-line basis over the period of the lease even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease) and is shown in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Assets held for use as operating leases are recorded as assets in the Council's Balance Sheet.

7.2.20 Benefits Payable during Employment

Short-term employee benefits are those due to be settled within twelve months of the year end. They include such benefits as wages and salaries, paid annual leave, flexi time leave and paid sick leave for current employees. They are recognised as an expense for services in the year in which employees undertake the service for the Council. An accrual is made for the cost of holiday entitlement (including flexi time leave), earned by employees but not taken before the year end, which employees can carry forward into the next financial year. The accrual is made at the wages and salary rates applicable in the following financial year, being the period in which the employee takes the benefit and includes employer national insurance and pension contributions.

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

7.2.21 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary severance and are shown on an accruals basis in the Deficit / Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer or when it recognises the costs for a restructuring that involves termination benefits.

Where the employee makes the decision, the liability is recognised at the earlier of when the employee accepts the offer or when a restriction on the Council’s ability to withdraw the offer takes effect.

7.2.22 Post-Employment Benefits

a. Teachers’ Pension Scheme

The payment of statutory pensions to former teachers is administered by Capita Teachers’ Pensions on behalf of the Department for Education (DfE). Contributions from teachers together with the employer's contribution are paid by the Council. The arrangements for this scheme mean that liabilities for benefits cannot be identified to the Council. The scheme is therefore accounted for as a defined contribution scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Children’s Services line within the Comprehensive Income and Expenditure Statement is charged with the employer’s contributions payable in the year.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers’ scheme. These benefits are fully accrued in the pension liability.

b. National Health Service (NHS) Pension Scheme

Under the arrangements for Public Health, staff performing public health functions who were compulsorily transferred from the Primary Care Trusts to local authorities and had access to the NHS Pension Scheme on 31 March 2013 retained access to that Scheme on transfer at 1 April 2013.

The NHS pension scheme is an unfunded, defined benefit scheme that covers NHS employers and is a multi-employer defined benefit scheme. This means that liabilities for benefits cannot be identified to the Council. The scheme is therefore accounted for as a defined contribution scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Adult Social Care line within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable in the year.

c. Local Government Pension Scheme

The Council pays an employer's contribution into the Greater Manchester Pension Fund, which is a fully funded defined benefits scheme administered by Tameside Metropolitan Borough Council from whom an Annual Report is available.

The liabilities of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a basket of high-quality corporate bonds, government gilts and other factors.

The assets of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

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

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

- The current service cost (the increase in the liability as a result of pension earned by Council employees in the year) is charged to the net cost of services.

- Past services costs (the increase in the liability arising from current year decisions whose effect relate to years of service earned in earlier years) are shown within council wide items as they are costs that are not attributable to a particular service. An example of when past service costs would occur is where there was a change in the basis of up-rating annual pensions.

- Gains and losses on settlements and curtailments (the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees) are also shown as council wide items.

- The net interest on the net defined benefit liability, i.e. net interest expenses for the period that arises from the passage of time, is shown within the Financing and Investment Income and Expenditure line.

Re-measurements comprising:

- The return on plan assets excluding amounts included in net interest on the defined benefit liability;
- change in demographic assumptions re-measurements; and
- actuarial gains and losses on changes in financial assumptions – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their financial assumptions (such as percentage increase in salaries) are shown within Other Comprehensive Income and Expenditure.

In relation to retirement benefits, statutory provisions require the General Fund and HRA balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and HRA of being required to account for retirement benefits based on the cash flows rather than as benefits are earned by employees. The balance will be presented differently as a result of the upfront payment as set out below:

Upfront pension payment

The Council is liable to make contributions towards the cost of post-employment benefits. For the 3 year period 2020/21 – 2022/23, the Council has agreed with the Greater Manchester Pension Fund (GMPF) that the employer’s contribution to the Local Government Pension Scheme will be paid as a single up-front payment. This will be made in order to make a budget saving in line with the Council’s accounting policies The amounts paid each year will be offset against the pension liability on the balance sheet. These amounts will then be reflected in the pensions reserve in the years to which they relate. In the final year of the triennial period all amounts will have been reflected in the pension reserve to align to the pension liability.

Financial Instruments

7.2.23 Financial Assets

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

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

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

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

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

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

Fair Value through Other Comprehensive Income (FVOCI)
These assets relate to financial instruments where the amounts received relating to them are solely principal and interest, but they are held to collect cash and sell the assets (e.g. money market funds).

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

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

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

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

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

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

Under capital accounting regulations where these assets were treated as capital expenditure the gain or loss is reversed through the Movement in Reserves Statement and charged to an unusable reserve - the Capital Adjustment Account.
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An equity instrument that has been classed as FVPL can be designated as FVOCI if it is not held for trading (e.g. a strategic investment). Once this designation has been made it cannot be reversed. This designation would mean that any gains and losses would be held in the Financial Instruments Revaluation Reserve.

Credit loss

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

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

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

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

The Council has made several loans to individuals at less than market rates of interest (these are known as soft loans). When the loans are made the amount of interest foregone over the life of the loan is charged to the Comprehensive Income and Expenditure Statement (debited to the appropriate service line) and the outstanding principal is reduced on the Balance Sheet. This represents the present value of the interest that will be foregone over the life of the loan agreement. Statutory provisions require that the impact of the soft loans on the General Fund balance is the interest receivable in the year, so the amount of foregone interest charged is managed by a transfer from the Financial Instruments Adjustment Account to the Movement in Reserves Statement.

7.2.24 Embedded Derivatives

The Council has given equity mortgages and loans to individuals to assist with the purchase and improvement of properties. The repayments of these are based on a proportion of the value of the property in a number of years. This type of loan is classed as an embedded derivative as the amount of repayment is linked to future property values. When these mortgages and loans are granted, long-term debtors and deferred capital receipts are written onto the balance sheet. At the end of each financial year the long-term debtors and deferred capital receipt are adjusted in line with the change in property values.

7.2.25 Financial Liabilities

Financial liabilities (e.g. borrowings and creditors) are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Council. For instance, when the Council takes out a loan, the advance of cash from the lender initiates the obligation to repay at some future date, and the loan would be recognised as a liability on the Balance Sheet when the advance is received.

Charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. (The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised).

For many of the borrowings that the Council has, this means that the amount shown in the Balance Sheet is the outstanding principal repayable plus accrued interest, and the amount charged to the Comprehensive Income and Expenditure Statement is the amount payable per the loan agreement.

For Lender Option Borrower Option (LOBO) loans the effective interest rate has been calculated over the life of the loan. This is an average and differs from the amounts actually paid in the year. The difference between the calculated interest charge and interest paid has been adjusted in the carrying amount of the loan on the balance sheet. The amount charged in the Comprehensive Income and Expenditure Statement is the effective interest rate for the life of the loan rather than the amount payable per the loan agreement.

Where the Council is in receipt of loans that are interest free or at less than prevailing market interest rates if material, the effective interest rate is calculated so that the value of the financial assistance to the Council by the lender is separated from the financial cost of the transaction. This gain is calculated by working out the net present value of all future cash payments using the interest rate for a similar loan taken by the Council. This results in a lower figure for the fair value of the loan with the difference from the loan received treated as a government grant. This gain is reversed out in the Movement in Reserves Statement to the Financial Instruments Adjustment Account.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However, if the repurchase takes place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is deducted from or added to the amortised cost of the new or modified loan. In this scenario the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts (amounts paid or received on the rescheduling of a loan) have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact of premiums on the General Fund balance to be spread over the longer of the outstanding period of the replaced loan or the period of the replacement loan or any other shorter period that the Council wishes to choose. Discounts are required to be credited to revenue over a maximum period equal to the outstanding term of the replaced loan or ten years (if shorter). The difference between the amount charged to the Comprehensive Income and Expenditure Statement and the net charge against the General Fund balance is transferred to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement.

Following the HRA debt settlement there are no outstanding HRA premiums and discounts.

7.2.26 Contingent Assets and Liabilities

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts (as applicable) where it is probable that there will be an inflow of economic benefits or service potential.

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts as applicable.

7.2.27 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period.

7.2.28 Material Items of Income and Expenditure

Where items of income and expenditure are material, their nature and amount is disclosed separately either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

7.2.29 Events after the Balance Sheet Date

Events after the balance sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Where these provide evidence of conditions in existence at the balance sheet date, the amounts recognised in the accounts are adjusted (e.g. settlement of a court case that confirms the amount of obligation at the balance sheet date). Where these are indicative of conditions that arose after the balance sheet date the amounts in the accounts are not adjusted (e.g. significant decline in market investments after 31 March). This is known as a non-adjusting event and is disclosed as a note to the accounts.

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

7.2.30 Interests in Companies and Other Entities

The Council has material interests in companies and other entities and therefore group accounts have been prepared for the Council and its material interest in subsidiaries, associates and joint ventures. Inclusion in the Council group is dependent upon the extent of the Council's interest and power to influence an entity. The determining factor for assessing the extent of interest, power or power to influence is either through ownership of an entity, a shareholding in an entity or representation on an entity's board of directors. An assessment of all the Council's interests has been carried out during the year, in accordance with the Code of Practice, to determine the relationships that exist and whether they should be included in the Council's group accounts. In the Council's single entity accounts the Council's interest in those companies included in its group accounts are recorded as long-term investments at cost.

7.2.31 Joint Operations

Joint Operations are arrangements where the parties are bound by a contractual arrangement, have joint control of the arrangement and have rights to the assets and obligations for the liabilities relating to the arrangement. The Council recognises its share of the assets, liabilities, income and expenditure of the joint operation in its single entity accounts.

7.2.32 Local Taxation

The Council, as a billing authority act as an agent, collecting Council Tax and national non-domestic rates (NNDR) on behalf of the major preceptors and, as principals, collecting Council Tax and NNDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NNDR. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of Council Tax and NNDR collected could be less or more than predicted.

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

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

7.2.33 Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses Valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value of its assets and liabilities are categorised within the fair value hierarchy as follows:

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

8. Critical Accounting Judgements

In applying the accounting policies set out in note 7 the Council has to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

8.1 Schools Non-Current Assets

The Council has assessed the legal framework underlying each type of school.

Community schools property, plant and equipment are owned by the Council and remain on the balance sheet as future economic benefits associated with the assets will flow to the Council.

The plant, property and equipment of voluntary aided, voluntary controlled and foundation schools are owned and controlled by the religious body or the trustees of the schools and are therefore not shown on the balance sheet of the Council unless the trustees are the governing body.

The Council does not control the schools' property, plant and equipment owned by the religious bodies or the trustees, there has been no past events which have transferred the ownership or control of the property, plant and equipment to the Council and any future benefits from the property, plant and equipment would be for the benefit of the religious body or trustee and not the Council.

An asset must be controlled by the Council for that asset to be recognised in the single entity accounts. Usage of the asset does not demonstrate control in form or substance without rights that are either legal or substantive.

The religious bodies or trustees own the assets, there has not been a reassignment of those assets to the Council and the rights to the asset are still maintained by the religious body or the trust. The religious bodies or trustees have a legal right to take back these assets.

The religious bodies or trustees have provided a licence for the Council to use the asset however these licenses are not provided in a written form. These licences do not create control of the asset by the Council. The religious bodies or trustees assert their continued control over the asset by permitting the asset to be used for precisely the purpose that the school wishes by the objectives of the religious bodies or trustees being the same as the governing bodies.

The religious bodies or trustees have decided that their asset is to be used as a school and therefore continue to have the rights to the resources in the asset. The continued agreement to permit the schools to use the asset means that the religious bodies or trustees are perpetually reasserting their control, and this has not been passed to the school.

The right of termination of the arrangement at any time by the religious body or trust provides evidence that the risks and rewards of ownership of the asset have not transferred to the Council.

Details of the value of schools land and building assets are shown in the notes to the accounts.

8.2 PFI and Similar Arrangements

The Council is deemed to control the services provided via its PFI arrangements and to control the residual value of the assets at the end of the contract. The accounting policy for PFIs and similar contracts has been applied to these arrangements and the assets valued at £227.849m (£217.077m in 2019/20) are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

The operators' models were examined to identify the service element of the unitary charge. Where that charge could not be clearly separated the relevant costs were obtained from the models and a margin was applied to the costs to provide an amount for the service costs. The margin used was based on advice received from expert external advisors. The service element of the unitary charge is inflated annually by an agreed indicator (e.g. RPI) as per the contract.

The implicit interest rate (IIR) was calculated by discounting the non-service element of the unitary charge at a rate that brings it back to the fair value of the asset. The fair value of the asset is taken as the construction or refurbishment costs of the scheme. The IIR calculated is compared to the closing swap rate in the financial model to check the reasonableness of the assumptions made.

8.3 Investment Properties

The Council has reviewed all assets to ensure they meet the accounting policy for investment properties (i.e. they are solely used to earn rentals and / or for capital appreciation) and as a result, assets valued on that basis total £474.953m (£475.227m in 2019/20) are recognised as Investment Properties in the Council's Balance Sheet.

8.4 Valuation of Property Plant and Equipment

The Council's property, plant and equipment assets are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS):

- plant and machinery are included in the valuations of buildings when it is an integral part of the building.
- properties classified as operational, excluding council dwellings, were valued on the basis of net realisable value in existing use or, where a market did not exist, on the basis of depreciated replacement cost.
- council dwellings were valued in accordance with Ministry of Housing, Communities and Local Government (MHCLG) guidance at open market value less a specified, notified percentage known as the social housing discount.
- community assets and infrastructure have been valued at depreciated historical cost.
- properties classified as non-operational have been valued on the basis of market value for the highest or best use.

Council dwellings are revalued annually. All other non-current assets, with the exception of those valued at depreciated historical cost are valued sufficiently regularly to ensure that their carrying amount is not materially different from their value at year end, but as a minimum every five years. Valuations are undertaken during the year by internal council Valuers and Jacobs, external Valuers commissioned by the Council with a valuation date of 28 February 2021. Jacobs provide indexation factors for the percentage increase in value from the date of the last valuation to 31 March 2021 for each category of asset. These were not material so were not applied to the asset values.

8.5 Valuation of Heritage Assets

The Code permits councils to measure community assets in the same way as heritage assets. However, the Council has decided that these should continue to be measured at depreciated historical cost.

The Code states that valuation of heritage assets may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers. The Council has therefore chosen to use market valuation, where this is available. Where a market valuation is not available insurance valuation has been used. Where this information is not available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets are not recognised in the Balance Sheet. Items with a value of less than £100,000 are excluded from the balance sheet.

As a result, assets valued at £635.802m (£604.821m in 2019/20) have been classified as Heritage Assets.

8.6 Classification of Financial Assets

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

8.7 Better Care Fund (BCF)

The Better Care Fund Pooled Budget arrangements commenced on 1 April 2015. The Council is the host for the Manchester BCF. The accounting arrangements for the BCF are dependent on whether the Council, as host, has control of the fund. The agreement with the Manchester Clinical Commissioning Group (CCG) states that relevant decisions must have unanimous agreement, all members of the fund hold providers to account for delivery of services and risks are borne in line with the agreement. The Council's view is that the BCF should be accounted for as a joint operation and as a result accounts for its share of the fund's assets, liabilities, expenditure and income.

8.8 Composition of the Council's Group

The Council undertakes its activities through a variety of undertakings, either under ultimate control or in partnership with other organisations. Those considered to be material are included in the group accounts. Profit and loss, net worth and value of non-current assets for each organisation are considered as a percentage of the Council's single entity accounts to determine those that are material. Turnover, assets and liabilities (including the pension liability) are assessed individually. An entity could be material but still not consolidated (if all of its business is with the Council and eliminated on consolidation) – i.e. the consolidation would mean that the group accounts are not materially different to the single entity accounts. The assessment of materiality also considers qualitative factors such as whether the Council depends significantly on these entities for the continued provision of its statutory services or where there is concern about the level to which the Council is exposed to commercial risk

9. Key Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2021 for which there is a risk of adjustment in the following financial year are:

9.1 Revaluation of Property, Plant and Equipment (PPE)

Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and small value items of vehicles, plant and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. This includes examination of capital expenditure incurred in the financial year to ascertain whether or not it has resulted in an increase in value of an asset. Advice has been provided by valuers employed by the Council. If the actual results differ from the assumptions the value of PPE will be over or understated. This would be adjusted when the assets were next revalued.

It is estimated that the carrying value of property, plant and equipment would increase by £18.81m for every 1% increase in valuation.

9.2 Depreciation of Property, Plant and Equipment.

Assets are depreciated based on useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to maintain the expenditure on repairs and maintenance resulting in uncertainty in the useful lives assigned to assets by the Valuers. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls.

It is estimated that the annual depreciation charge would increase by £7.5m for every year the useful lives are reduced.

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

Jacobs have provided percentages, based on their professional judgement, for various components of council houses and flats. These percentages have been applied to the valuations of houses and flats to obtain valuations of the components to which useful lives are applied to calculate the depreciation on council dwellings. If these percentages were amended, the value of the council dwellings and the related depreciation would be over or under stated.

9.3 Revaluation of Investment Property

Investment properties are initially measured at cost. After initial recognition they are measured at fair value – highest and best use. The fair value reflects market conditions at the balance sheet date.

It is estimated that the carrying value of investment property would increase by £4.7m for every 1% increase in valuation.

9.4 Compensation Provisions

The Council has made various provisions in relation to compensation claims submitted to the Council. These provisions are based on the number of claims outstanding at the end of the financial year, the average settlement amount for each type of claim and the likelihood of each type of claim being settled. It is not certain that the precedents set in previous years will be applicable to the current outstanding claims.

An increase of 1% in the estimated average settlement value would have the effect of adding £102k to the provision required. An increase in the likelihood of each claim being settled would have the effect of adding £0.075m to the provision.

9.5 Provision for Business Rate Appeals

The Council has made a provision for a reduction in business rate income due to appeals made against rateable values set by the Valuation Office Agency (VOA). This is based on percentage reductions in rateable values for hereditaments where there was an outstanding appeal on 31 March 2021. This provision includes the estimated impact on 2020/21 income of appeals anticipated to be lodged in future years. The percentages used for appeals against the 2010 valuation list are based on information from the VOA on the percentage reductions, per category of property and type of appeal, to the valuation list following previously settled appeals. Appeals raised against hereditaments with larger RVs have been considered separately. The percentage used for the reduction in the 2017 valuation list is based on the percentage that the 2010 list has fallen by adjusted by the reduction in value that has already occurred as a result of new check, challenge, and appeal process.

An increase of 1% in the percentage reduction would have the effect of adding £2.157m to the total provision required (Council's share £2.135m at 99%).

9.6 Arrears

At 31 March 2021 the Council had a balance of short-term debtors of £245.042m. This included sundry debtors (housing benefit overpayments), housing rent debtors £20.030m , council tax debtors of £72.993m and business rates debtors of £56.637m. A review of these outstanding balances suggests that an impairment of doubtful debts of £178.841m (including £6.663m housing rents, £55.119 council tax and £45.450m business rates) was appropriate.

9.7 Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions. A firm of actuaries are engaged by the Pension Fund to provide expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £426.259m, a 0.5% increase in the salary increase rate would result in a £38.915m increase in the pension liability and a 0.5% increase in the assumed pension rate increase would result in a £378.471m increase in the pension liability.

Note 10. Significant items warranting additional disclosure

The following items of material expenditure occurred during the year:

Impairment including downward revaluation and reversal of past impairment

Impairment and revaluation of property plant and equipment and revaluation of investment properties of £47,504,000 (£42,030,000 in 2019/20) has been included within the deficit on provision of services:

	2019/20 £000s	2020/21 £000s
Adults Social Care	174	36
Children's Services	3,507	1,758
Neighbourhoods and Highways	3,438	3,078
Growth and Development	431	11,800
Council Wide Costs	1,230	3,394
Housing Revenue Account	5,149	674
Investment properties	28,101	26,314
Total	**42,030**	**47,504**

Note 11. Expenditure and Income Analysis

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

	2019/20 £000	2020/21 £000
Expenditure		
Employee Benefit Expenses	543,083	455,197
Other Service Expenses	890,110	898,907
Business Rates Tariff	40,398	39,534
Capital Charges including Depreciation and impairment (a)	150,229	136,947
Interest Payments	38,511	34,738
Pensions Interest Costs	96,006	80,909
Precepts and Levies	68,687	69,166
Payments to Housing Capital Receipts Pool	2,553	2,566
Loss on Disposal of Non-current Assets	52,586	0
Total Expenditure	1,882,163	1,717,964
Income		
Fees, Charges and Other Service Income	(259,837)	(228,848)
Interest and Investment Income	(97,355)	(35,053)
Return on Pension Assets	(72,570)	(64,178)
Capital Charges related income	(170,552)	(51,901)
Income from Council Tax	(161,477)	(175,479)
Business Rates Income	(330,268)	(158,618)
Government Grants and Contributions	(777,399)	(1,133,493)
Gain on Disposal of Fixed Assets	(7,129)	(10,483)
Total Income	(1,876,587)	(1,858,053)
Deficit /(Surplus) on the Provision of Services	5,576	(140,089)

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

	2019/20 £000	2020/21 £000
Adults Social Care	1,316	1,553
Children's Services	17,656	17,223
Corporate Core	4,205	5,296
Neighbourhoods and Highways	46,663	37,396
Growth and Development	27,080	24,830
Council Wide Costs	30,005	30,414
HRA	23,304	20,235
Total Capital Charges including Depreciation and Impairment	150,229	136,947

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Note 12. Adjustments Between Accounting and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. It shows the technical items that are removed that do not impact on the funded position and replaces them with other items that are funded.

The table below shows the adjustments made in 2019/20

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

The table below shows the adjustments made in 2020/21

	Usable Reserves						Unusable Reserves
	General Fund Reserves £000s	Housing Revenue Account Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Major Repairs Reserve £000s	Total Usable Reserves £000s	Total Unusable Reserves £000s
Reversal of items debited or credited to the comprehensive income and expenditure statement:							
Depreciation	(57,652)	0	0	0	(19,557)	(77,209)	77,209
Amortisation of intangible assets	(64)	0	0	0	0	(64)	64
Impairment / revaluation losses charged to the comprehensive income and expenditure statement	(46,830)	(674)	0	0	0	(47,504)	47,504
Movement in fair value of investment property	39,015	0	0	0	0	39,015	(39,015)
Financing of capital expenditure on council dwellings	0	0	0	0	15,916	15,916	(15,916)
Capital grants and contributions	74,213	1,207	0	23,410	0	98,830	(98,830)
Revenue expenditure funded from capital under statute	1,194	(2)	0	(13,360)	0	(12,168)	12,168
Gain / (loss) on disposal of non-current assets	7,989	2,494	0	0	0	10,483	(10,483)
Amount by which pension costs calculated in accordance with IAS19 are different from pension contributions due	37,463	277	0	0	0	37,740	48,688
Private finance initiative charges to the HRA	0	3,397	0	0	0	3,397	(3,397)
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	(1,047)	0	0	0	0	(1,047)	1,047
Amount by which council tax and business rates income adjustment included in the comprehensive income and expenditure statement is different from the amount taken to the general fund in accordance with regulation	(192,802)	0	0	0	0	(192,802)	192,802
Statutory provision for the repayment of debt - minimum revenue provision	25,662	0	0	0	0	25,662	(25,662)
Statutory provision for the repayment of debt - private finance initiatives	4,022	0	0	0	0	4,022	(4,022)
HRA capital receipts to housing central pool	(2,566)	0	2,566	0	0	0	0
Revenue contribution to finance capital	18,636	154	0	0	0	18,790	(18,790)
Premiums and discounts charged to revenue	533	0	0	0	0	533	(533)
Principal repayment of ex-GMC debt	2,516	0	0	0	0	2,516	(2,516)
Capital receipts received	0	0	(18,278)	0	0	(18,278)	18,278
Use of capital receipts reserve to finance capital expenditure	0	0	21,449	0	0	21,449	(21,449)
Write down of finance lease liability		0	0	0	0	0	0
Write down of long term debtor	(24)	0	0	0	0	(24)	24
Capital receipts for long term debtors	0	0	(2,844)	0	0	(2,844)	2,844
Transfer to short term accumulated absences account	(904)	0	0	0	0	(904)	904
Total adjustments	**(90,646)**	**6,852**	**2,893**	**10,050**	**(3,641)**	**(74,491)**	**160,919**

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

Undischarged obligations arising from PFI and service concession transactions as at 31 March 2021 were as follows:

Scheme	Payments: Liability Repayment £000s	Payments: Lifecycle Costs £000s	Payments: Interest Charges £000s	Payments: Service Charges* £000s	Total £000s	Indexation	Contract Expiry	Scheme Details
Miles Platting Housing						RPI	2037	Miles Platting – housing refurbishment, maintenance and estate management - services commenced in 2006/07. Total obligation as at start of contract of £496,894,000 to be met from PFI Grant and the Housing Revenue Account.
Payments within 1 year	1,891	3,476	2,578	8,433	16,378			
Payments within 2 to 5 years	8,508	13,902	9,112	36,620	68,142			
Payments within 6 to 10 years	12,665	17,378	8,273	53,297	91,613			
Payments within 11 to 15 years	14,607	17,378	4,199	63,456	99,640			
Payments within 16 to 20 years	4,999	3,476	302	11,628	20,405			
	42,670	55,610	24,464	173,434	296,178			
Plymouth Grove Housing						RPI	2033	Plymouth Grove – housing refurbishment, maintenance and estate management - services commenced in 2003/04. Total obligation as at start of contract of £145,785,000 to be met from PFI Grant and the Housing Revenue Account.
Payments within 1 year	747	730	1,470	2,582	5,529			
Payments within 2 to 5 years	3,322	2,918	5,090	11,524	22,854			
Payments within 6 to 10 years	6,242	3,648	4,002	16,491	30,383			
Payments within 11 to 15 years	3,660	1,459	604	7,082	12,805			
	13,971	8,755	11,166	37,679	71,571			
Temple School						RPI	2026	Temple School – design, build and maintenance of Temple Primary School – services commenced in 2001/02. Total obligation as at start of contract of £14,617,000 to be met from PFI Special Grant and Dedicated Schools Grant (DSG).
Payments within 1 year	283	0	179	301	763			
Payments within 2 to 5 years	1,541	0	401	1,281	3,223			
	1,824	0	580	1,582	3,986			
Wright Robinson Sports College						RPI	2032	Wright Robinson Sports College - design, build and maintenance of sports college - services commenced in 2007/08. Total obligation as at start of contract of £116,428,000 to be met from PFI Special Grant and Dedicated Schools Grant (DSG).
Payments within 1 year	1,224	461	1,221	1,775	4,681			
Payments within 2 to 5 years	5,740	1,844	4,041	7,674	19,299			
Payments within 6 to 10 years	9,522	2,305	2,704	10,995	25,526			
Payments within 11 to 15 years	2,427	488	166	2,552	5,633			
	18,913	5,098	8,132	22,996	55,139			
Public Lighting						RPI	2030	Public Lighting – refurbishment and maintenance of street lighting and illuminated street signage – services commenced in 2004/05. Total obligation as at start of contract of £164,300,000 to be met from PFI Special Grant and council resources.
Payments within 1 year	2,212	620	1,246	2,707	6,785			
Payments within 2 to 5 years	10,195	2,479	3,715	11,628	28,017			
Payments within 6 to 10 years	10,588	2,014	1,253	10,616	24,471			
	22,995	5,113	6,214	24,951	59,273			
Brunswick Housing						RPIX	2038	Brunswick – housing refurbishment, maintenance and estate management - services commenced in 2013/14. Total obligation as at start of contract of £258,236,000 to be met from PFI Grant and the Housing Revenue Account.
Payments within 1 year	1,556	0	4,206	2,415	8,177			
Payments within 2 to 5 years	7,467	0	15,379	10,326	33,172			
Payments within 6 to 10 years	7,518	0	16,277	14,322	38,117			
Payments within 11 to 15 years	16,652	0	11,380	16,310	44,342			
Payments within 16 to 20 years	15,368	0	2,699	9,899	27,966			
	48,561	0	49,941	53,272	151,774			
Refuse Vehicles Service Concession						Various	2023	Refuse vehicles utilised in the provision of refuse collection services to the Council. The service contract commenced in 2015 and the purchase of new vehicles to be utilised in the contract commenced in 2016.
Payments within 1 year	766	0	69	15,012	15,847			
Payments within 2 to 5 years	1,566	0	104	18,138	19,808			
	2,332	0	173	33,150	35,655			
Total	**151,266**	**74,576**	**100,670**	**347,064**	**673,576**			

*The service charge included above excludes inflation applied annually using the relevant index.
*The service charge shown assumes no deductions will be made for poor performance.
*The Brunswick Housing liability is being introduced onto the balance sheet as the work is undertaken.
*The Refuse Vehicle Service Concession liability is being introduced onto the balance sheet as assets are purchased.

The Council has six PFI Schemes and one Service Concession as follows:

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

Each PFI Scheme specifies the start dates for the contractor to begin the work as well as improvement dates for cyclical planned maintenance. The contractor makes the property, plant and equipment needed to provide the services available to the Council for the length of the contract. At the end of the contract the ownership of the property, plant and equipment passes to the Council at no extra charge. The management and maintenance contract with the contractor expires at the end of the PFI Scheme, the contractor does not have an automatic right to renew the contract for a further period but is entitled to re-tender for the contract. If the Council defaults on the terms, the contractor can terminate the PFI Scheme. The Council is entitled to terminate the contract if the contractor defaults.

HRA (Housing) PFI Schemes

In each of the Housing PFI Schemes (Miles Platting, Plymouth Grove, Brunswick) the contractor is contracted to improve a specified group of properties in an area to specified standards (the actual number may be affected by demolitions and tenants exercising their Right to Buy (RTB)).

Each Housing PFI Scheme sets out a minimum specification for the standard of maintenance and service provision to the individual properties by the contractor. There are clauses which set out the financial deductions to be applied if these standards are not met.

In accordance with the terms and conditions of the PFI contract, the Council was obliged to transfer a piece of land to the Miles Platting contractor (Renaissance) for the development of housing stock for private sale. However, due to the prevailing state of the housing market, it was more logical to make a payment to the contractor to represent the value of the land. A payment of £920,000 was made in 2010/11.

Children's Services PFI Schemes

The School PFI Schemes oblige the contractor to construct, fit out and equip new school buildings and facilities as defined and specified in each of the contracts. The contractor is then obliged to manage and maintain the new facilities for the duration of the life of the PFI Scheme.

The School PFI Schemes have minimum specifications for service provision/availability. If these are breached (e.g. unavailability of a sports pitch), then financial penalties are payable by the contractor.

Work to increase the number of pupil places at Temple Primary School has been completed. The Council funded the capital works at the school. The PFI contract has been amended to include the management and maintenance of the new facility.

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

Neighbourhoods PFI Scheme

The Street Lighting PFI Scheme specified that 41,698 street lights were certified to be replaced during the Initial Apparatus Replacement Programme, plus others to be replaced at others expense (e.g. housing developers). The Scheme also includes an Annual Apparatus Replacement Programme where the contractor is required to replace street lights on a cyclical basis.

Changes to the Street Lighting PFI contract were negotiated in 2017/18. These related to the procurement and installation of low energy LED street lighting technology and a management system for centralised control. The equipment is designed to deliver long term sustainable benefits and revenue savings, whilst providing high quality lighting to recognised statements.

Refuse Vehicles Service Concession

The contract to provide refuse collection service to the Council stipulates that new vehicles will be purchased by the contractor to provide these services. The nature of the contract means that it must be classified under the IFRIC12 standard as a Service Concession and the vehicles capitalised on the Council's balance sheet.

Note 14. National Health Services Act 2006 Pooled Funds

Section 75 of the National Health Services Act 2006 enables the establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds enable health bodies and local authorities to work together to address specific health issues.
Manchester Health & Care Commissioning (MHCC), a partnership between Manchester City Council and Manchester Clinical Commissioning Group, was formed as the single commissioner for health, public health and adult social care in April 2017. MHCC has been formed as a committee in common with Manchester CCG in 2018, underpinned by a S75 agreement which delegates commissioning responsibilities from both parties and establishes a single pooled budget, planning, delivery and assurance process. The pooling of the Better Care Fund forms part of these arrangements. The total MHCC Pooled budget for both health and social care is £1.196bn. These arrangements have been reviewed and updated for 2021/22 in line with the national guidance for Integrated Care systems

Better Care Fund (BCF)

The Better Care Fund has been established by the Government to provide funds to local areas to support the integration of health and social care. It was a requirement of the Better Care Fund that Manchester Clinical Commissioning Group (CCG) and the Council establish a pooled fund from 1 April 2015 for this purpose.

	2019/20 £000s	2020/21 £000s
Funding		
Manchester City Council	(49,606)	50,613
Manchester CCG	(78,219)	80,064
Total Funding	(127,825)	130,676
Expenditure		
New Delivery Models of Integrated Care	86,968	87,317
Protection of Adult Social Care	13,789	14,424
Reablement	18,328	18,550
Care Act Responsibilities	1,590	1,902
Capital Expenditure	7,476	3,921
Total Expenditure	128,151	126,115
Overspend / (Underspend)	326	(4,562)

The underspend of £4.562m is due to Covid restrictions and the impact of the delivery of disabled adaptations against the Disabled Facilities Grant (DFG) of £8.483m. Protocols were put in place during the year to ensure disabled adaptations could still be delivered to those in need, with full protective and social distancing measures and the most vulnerable were supported in their own homes.

The Council is the local Social Services Authority for Manchester within the meaning of the Local Authority Social Services Act 1970 and a commissioner and provider of health and social care services to people of all ages in Manchester. The aims and benefits of the partners in entering into this agreement are to:

- give the Council and the CCG greater transparency and control over the use of funding to support local integration of health and care services

- realise benefits from integration in terms of efficiencies in how services are delivered, reducing reactive unplanned health and social care activity and improving long term health outcomes for people
- deliver reform of the local health and care system based on agreed strategic objectives for the Locality Plan and national conditions for use of the Better Care Fund

- protect health and / or social care as relevant to the partners in so far as this delivers the Better Care Fund national conditions.

Further detail can be found in the report to the Manchester Health and Wellbeing Board dated 25 March 2015. The Manchester Health

The Better Care Fund plan continues to align to the Manchester Locality Plan which has been supported previously by the Health and Wellbeing Board. The locality plan describes the core schemes Local Care Organisation (LCO), Single Commissioning Function and Single Hospital Services which together will bring major transformational change in how the needs of people of Manchester are met.

The Improved Better Care Fund (IBCF) is subject to national conditions. The IBCF will have a focus on the following key areas for the Manchester system:

• The development of new models of home care, residential and nursing care homes, acknowledging the pressures upon the care market, and the development of reformed models of care that deliver a step change in outcomes and experience for citizens, which offers attractive employment opportunities and scope for career development; and supports the delivery of wider system benefits
• Review and reform (where applicable) adult social care direct provision in readiness for a safe transfer of services to the LCO, recognising the phased of approach of services therefore conducting a review of those services that will be retained but transfer to the LCO in later phases.
• Develop an appropriate and effective finance, performance and contract management system infrastructure required to support the delivery of new models of social care delivery
• Short term improvements/here and now pressures, focussing upon high cost provision, and addressing the system pressures and demand challenges resulting in delayed transfers of care (DTOC);

The fundamental ambition behind pooling of resources is to support transformational change. Financial arrangements will support integration and be very different from previous experience, in particular:-

- access to the GM transformation fund, together with pooled resources, will enable investment in the initial phase of implementing new care models for the future.

– investment into the new care models will be tracked in terms of impact on activity levels particularly in the acute sector and in residential care.
– a transition will happen over a four year period so that existing models of care are gradually replaced with the new integrated models of care.

Note 15. Financing and Investment Income and Expenditure

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

	2019/20 £000s	2020/21 £000s
Interest payable on debt	22,442	23,241
Interest element of finance leases (lessee)	0	0
Interest payable on PFI unitary payments	12,317	11,497
Net interest on the net defined benefit liability (pension scheme)	23,436	16,731
Investment interest income	(26,294)	(34,673)
Rentals received on investment properties	(22,840)	(21,125)
Expenses incurred on investment properties	2,858	2,779
Impairment of financial assets in accordance with IFRS9	547	228
Change in fair value of investment properties	(25,194)	(12,701)
Dividends receivable	(71,061)	(380)
Provision for impairment of bad debts	4,672	10,286
(Gain) on trading accounts (not applicable to a service)	(8)	37
Total financing and investment income and expenditure	**(79,125)**	**(4,080)**

	Restated Gross Expenditure 2019/20 £000s	Gross Income 2019/20 £000s	Gross Expenditure 2020/21 £000s	Gross Income 2020/21 £000s
Interest payable on debt	22,442	0	23,241	
Interest element of finance leases (lessee)	0	0	0	
Interest payable on PFI unitary payments	12,317	0	11,497	
Net interest on the net defined benefit liability (pension scheme)	96,006	(72,570)	80,909	(64,178)
Investment interest income	0	(26,294)		(34,673)
Rentals received on investment properties	0	(22,840)		(21,125)
Expenses incurred on investment properties	2,858	0	2,779	0
Change in fair value of investment properties	28,101	(53,295)		(12,701)
Dividends receivable	0	(71,061)		(380)
Provision for impairment of bad debts	4,672	0	10,286	0
Impairment of financial assets in accordance with IFRS9	547	0	228	
(Gain) on trading accounts (not applicable to a service)	0	(8)		37
	166,943	**(246,068)**	**128,940**	**(133,020)**

The 2019/20 figures have been restated to include impairment of financial assets in accordance with IFRS9 with was previously included within net cost of services.

Note 16. Taxation and non-specific grant income

The table below analyses the figure included in the taxation and non-specific grant income line of the Comprehensive Income and Expenditure Statement.

	2019/20 £000s	2020/21 £000s	
Council Tax Income	(161,477)	(175,479)	a
Business Rates Income	(330,268)	(158,618)	b
Business Rates Tariff	40,398	39,534	c
Business Rates Section 31 Grants	(27,228)	(172,117)	d
Enterprise Zone Relief Grant	(1,926)	(911)	e
Tax Income Guarantee		(19,219)	f
Education Services Grant	(1,260)	(1,251)	
New Homes Bonus Grant	(8,202)	(8,864)	g
Housing Benefit and Council Tax Support Administration Grant	(3,716)	(4,283)	
Winter Pressures Grant	(2,666)	0	h
Returned Business Rates Levy Share	(600)	0	
Returned Business Rates Growth from GMCA	(4,750)	(3,831)	i
Waste Reserves Refund	(5,901)	0	
Private Finance Initiative Grant (General Fund)	(6,580)	(6,580)	
Improved Better Care Fund	(28,149)	(30,816)	j
Children's and Adults Social Care Grant	(4,555)	(17,564)	k
COVID-19 Emergency Funding	(18,589)	(46,582)	l
COVID-19 Sales, Fees & Charges	0	(12,422)	m
COVID New Burdens Grant		(396)	n
Other Revenue Grants	(779)	(179)	
Adjustment on concessionary interest loan	3,752	1,223	o
Capital Grants and contributions	(106,045)	(75,420)	p
Total taxation and non-specific grant income	**(668,541)**	**(693,775)**	

a. Council Tax Income has increased due to an increase in the Council Tax Base and amount payable including for social care and hardship funding allocating £150 to accounts for the most vulnerable residents.

b. The introduction of Expanded Retail Discount, which offered 100% relief to retail, hospitality and leisure businesses, resulted in an additional relief award of £148.471m in 2020/21 which reduced collection. In addition the 2020/21 collection rate reduced by 9.86%, from 97.77% in 2019/20 to 87.91% in 2020/21.

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

d. Business Rates Section 31 grants are paid by government to compensate authorities for loss of business rates income due government policy announcements. These include the extension small business rates relief, capping the increase in business rates to 2% along with other measures announced in the Government's Budget Statements. The introduction of expanded retail and nursery relief in 2020/21 has resulted in an additional Section 31 grants being received.

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

f. The Tax Income Guarantee scheme was introduced in 2020/21, where Government fund 75% of council tax and business rates losses by comparing budgeted collection to actual collection with adjustments.

g. New Homes Bonus (NHB) grant is based on a rolling four years of legacy payments. The total has increased as achievement in the additional year added in 2020/21 was higher then the earliest year in 2019/10 which has fallen out.

h. Winter Pressures Grant to help local areas ease winter pressure on the NHS and reduce delayed transfers of care ended due to the pandemic. This has been rolled in to Improved Better Care Grant and £2.666m was received in 2020/21.

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

j. The Improved Better Care Fund is allocated to local authorities to fund social care. From 2017 the Spending Review made available social care funds for local government. The Council's allocation in 2020/21 was £30.816m and includes £2.666m of Winter Pressures Grant.

k. The Children's and Adults Social Care Grant was announced in the October 2018 budget with the stated aim of reducing demand on the NHS and improving the social care offer for older people, people with disabilities and children. In 2021/21 £1bn of additional grant was made available for both adult and children's social care giving the Council an allocation was £17.564m.

l. COVID Emergency Funding to support local authorities in responding to the COVID19 pandemic. The Council's allocation was £46.582m in 2020/21, made up of £15.167m tranche 2, £7.085m tranche 3 and £24.330m tranche 4 (tranche 1 of £18.589m was received in March 2019)

m. COVID Sales, Fees and Charges income loss funding was provided by Government to cover 71.25% of estimated income lost (75% grant to cover 95% of estimated income loss due to the pandemic). This is broken down over the following service areas as: Corporate Core £7.073m, Neighbourhoods and Highways £4.354m and Growth and Development £0.995m

n. New Burdens funding to implement and administer business support grants, business rates relief of £338k and Council Tax hardship allocations of £58k

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

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

Note 17. Revenue grants credited to the Comprehensive Income and Expenditure Statement

The table below analyses the revenue grants credited to Net Cost of Services in the Comprehensive Income and Expenditure Statement

	2019/20 £000s	2020/21 £000s	
Dedicated Schools Grant	(312,022)	(320,642)	
Pupil Premium	(24,285)	(23,735)	
Housing and Council Tax Support	(191,853)	(180,009)	(a)
Private Finance Initiative Grant (Housing Revenue Account)	(23,586)	(23,374)	
Learning and Skills Council Grants	(10,364)	(7,796)	(b)
Asylum Seekers Grant	(7,843)	(7,670)	
Universal Free School Meals Grant	(4,692)	(4,866)	
Sixth Form Funding Grant	(550)	(417)	
Troubled Families Grant	(2,106)	(3,044)	
Independent Living Fund	(1,984)	(1,984)	
Youth Justice Board Grants	(1,261)	(1,257)	
Department of Education - (Inherited Staff Liabilities)	(1,045)	(966)	
Homelessness Grant	(4,584)	(4,090)	
Home Office Grants - Elections	(1,892)	(319)	(c)
Home Office Grants - Arena Enquiry	(1,676)	-	
PE and Sports Grant	(1,916)	(2,092)	
Teachers Pay Grant	(2,271)	(2,552)	
Talk English Grant	(2,629)	(215)	(d)
Additional School Grant incl Teacher Pension grant for maintained schools and COVID emergency support for schools	(4,576)	(11,177)	(e)
COVID 19 Grants	0	(38,581)	(f)
Business Support Grant	0	(22,041)	(g)
Other Grants	(3,582)	(4,709)	(h)
Total revenue grants credited to the Comprehensive Income and Expenditure Statement	**(604,717)**	**(661,536)**	

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

(b) Learning and Skills Council Grant reflected in 2019/20 included £2.173m carried forward from previous year as this relates to academic year rather than financial. The reduction in 2020/21 is due to the removal of Coordination Funding and one off Education & Skills Funding Agency Adult Education Grant which totalled £426k in 2019/20.

(c) Elections Grant reduced due to postponed and cancelled elections

(d) Talk English Grant reflected in 2019/20 included £0.727m carried forward from the previous year as this relates to academic year rather than financial. In 2020/21 the funding arrangements for Talk English were revised and authorities were to bid individually to MHCLG, where previously the Council facilitated the national Talk English project, which explains the reduction in funding.

(e) Additional School Grant includes £7.864m Teacher Pension Grant which reflects a full year grant (2019/20 reflects only 2 academic terms), £2.943m COVID support for schools and £370k other school grants

(f) COVID 19 grants (please see COVID Grant table for breakdown)

(g) Business Support Grant to provide support to businesses impacted by local restrictions and national lockdowns

(h) Other Grants includes European grants for climate change initiatives (Zero Carbon Cities and Grow Green) at £0.618m and other Government grants totalling £4.091m

Note 18. Officers' Emoluments

Employee Remuneration
The Accounts and Audit Regulations require the disclosure of employees' remuneration in excess of £50,000 excluding the remuneration details of the Council's senior employees, which are disclosed separately.

The number of non-schools based staff in each salary band over £50,000 split between those staff who have not received severance or other related payments and those who have is shown below. The 4 staff who are shown separately as having received severance or other related payments left as part of the operation of an Efficiency Early Release Scheme. Budget cuts have required the deletion of circa 160 posts and an Efficiency Early Release Scheme was offered to non-schools based staff (on a voluntary basis) as part of achieving this reduction - 4 of the staff leaving under the scheme were in receipt of remuneration in excess of £50,000 and are therefore disclosed separately within this note.

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

	2019/20 Staff Who Have Not Received Severance or Other Related Payments	2019/20 Staff Who Have Received Severance or Other Related Payments	2019/20 Total	2020/21 Staff Who Have Not Received Severance or Other Related Payments	2020/21 Staff Who Have Received Severance or Other Related Payments	2020/21 Total
£50,000 - £54,999	91	0	91	104	0	104
£55,000 - £59,999	27	0	27	53	1	54
£60,000 - £64,999	23	0	23	20	0	20
£65,000 - £69,999	14	0	14	19	0	19
£70,000 - £74,999	23	0	23	24	0	24
£75,000 - £79,999	17	1	18	10	0	10
£80,000 - £84,999	10	1	11	20	0	20
£85,000 - £89,999	6	0	6	7	0	7
£90,000 - £94,999	2	0	2	3	0	3
£95,000 - £99,999	4	0	4	5	0	5
£100,000 - £104,999	1	0	1	5	1	6
£105,000 - £109,999	3	0	3	4	0	4
£115,000 - £119,999	0	0	0	1	0	1
£125,000 - £129,999	1	0	1	0	0	0
£130,000 - £134,999	1	0	1	1	0	1
£140,000 - £145,999	1	0	1	0	0	0
£145,000 - £149,999	0	0	0	1	0	1
£155,000 - £159,999	0	0	0	0	1	1
£165,000 - £169,999	0	0	0	0	1	1
	224	**2**	**226**	**277**	**4**	**281**

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

	2019/20 Staff Who Have Not Received Severance or Other Related Payments	2019/20 Staff Who Have Received Severance or Other Related Payments	2019/20 Total	2020/21 Staff Who Have Not Received Severance or Other Related Payments	2020/21 Staff Who Have Received Severance or Other Related Payments	2020/21 Total
£50,000 - £54,999	62	0	62	76	0	76
£55,000 - £59,999	39	0	39	41	0	41
£60,000 - £64,999	19	0	19	24	0	24
£65,000 - £69,999	18	0	18	16	0	16
£70,000 - £74,999	35	0	35	12	0	12
£75,000 - £79,999	5	0	5	15	1	16
£80,000 - £84,999	9	0	9	2	0	2
£85,000 - £89,999	3	0	3	10	0	10
£90,000 - £94,999	3	0	3	4	0	4
£95,000 - £99,999	1	0	1	1	0	1
£100,000 - £104,999	1	0	1	0	0	0
£105,000 - £109,999	2	0	2	3	0	3
£110,000 - £114,999	1	0	1	1	0	1
£125,000 - £129,999	1	0	1	0	0	0
£130,000 - £134,999	0	0	0	1	0	1
	199	**0**	**199**	**206**	**1**	**207**

Senior Employees' Remuneration

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

	Salary, Fees or Allowances		Expenses Allowance		Employer's Contribution to Pension		Employer's Contribution to Early Retirement Costs		Severance Payments	
	2019/20 £	2020/21 £	2019/20 £	2020/21 £	2019/20 £	2020/21 £	2019/20 £	2020/21 £	2019/20 £	2020/21 £
Chief Executive, Joanne Roney	202,878	208,457	0	0	38,750	38,565	0	0	0	0
Deputy Chief Executive and City Treasurer (Section 151 Officer), Carol Culley	153,000	157,208	0	0	29,223	29,083	0	0	0	0
City Solicitor (Monitoring Officer)	127,357	136,312	0	0	24,325	25,218	0	0	0	0
Strategic Director (Neighbourhoods)	126,013	130,859	0	0	24,068	24,209	0	0	0	0
Strategic Director of Children and Education Services	142,582	146,503	0	0	27,233	27,103	0	0	0	0
Executive Director of Adult Social Services	124,126	130,859	0	0	23,708	24,209	0	0	0	0
Director of Education	123,797	123,769	0	0	23,645	22,897	0	0	0	0
Director of Population, Health and Wellbeing (Director of Public Health)	104,157	108,853	0	0	14,978	15,653	0	0	0	0
Strategic Director (Development) (a)	142,582	46,393	272	0	27,233	0	0	0	0	0
Strategic Director (Development) (b)	0	113,540	0	0	0	21,005	0	0	0	0

(a) The previous post holder left the Council on 31 August 2020
(b) The new post holder commenced on 22 June 2020

Note 19. Exit Packages

The number of agreed exit packages and the total cost of these within each band is shown below. Budget cuts have required the deletion of circa 160 posts and an Efficiency Early Release Scheme was offered to non-schools based staff (on a voluntary basis) as part of achieving this reduction. The table below includes staff departing under this scheme and their associated exit costs.

The total cost figures shown include severance and compensation for loss of office payments that have been agreed and accepted at the year end. There were no compulsory redundancies during the financial years 2019/20 and 2020/21.

	2019/20 Number of Staff Departures Agreed	**2019/20 Total Cost of Exit Packages £000s**	**2020/21 Number of Staff Departures Agreed**	**2020/21 Total Cost of Exit Packages £000s**
£0 - £19,999	84	498	131	1,156
£20,000 - £39,999	4	104	37	932
£40,000 - £59,999	0	0	3	153
£60,000 - £99,999	2	156	1	63
	90	**758**	**172**	**2,304**

The figures include both schools and non-schools staff.

Note 20. Audit Fees

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

	2019/20 £000s	**2020/21 £000s**
Fees payable to Mazars with regard to external audit services carried out by the appointed auditor	159	159

Note 21. Property Plant and Equipment

Movements on property, plant and equipment during 2020/21 were as follows:

	Property, Plant and Equipment							
	Council Dwellings Restated £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Total £000s
Movement in 2020/21								
Gross book value brought forward	568,262	1,149,582	113,242	676,326	33,814	114,256	138,909	2,794,391
Accumulated depreciation and impairment brought forward	(101)	(48,749)	(53,205)	(158,797)	(853)	0	(4,043)	(265,748)
Net book value carried forward as at 1 April 2020	**568,161**	**1,100,833**	**60,037**	**517,529**	**32,961**	**114,256**	**134,866**	**2,528,643**
Additions	13,576	16,757	6,419	45,542	259	109,568	14,423	206,544
Revaluations recognised in revaluation reserve	83,610	5,713	0	0	0	0	11,623	100,946
Downward Revaluations recognised in deficit on the provision of services	(675)	(17,086)	0	0	0	0	(3,393)	(21,154)
Derecognition - disposals	0	(2,812)	0	0	0	0	0	(2,812)
Transferred (to) held for sale assets	(2,950)	0	0	(628)	0	0	(1,955)	(5,533)
Other transfers	159	10,586	(95)	(1,488)	4	(7,062)	1,326	3,430
Other movements in cost or valuation - newly recognised leased / PFI assets	(11,416)	0	100	0	0	12,558	0	1,242
Depreciation	(19,274)	(25,120)	(10,148)	(21,963)	0	0	(706)	(77,211)
Impairments charged to the deficit on the provision of services	0	0	(36)	0	0	0	0	(36)
Impairments covered by the revaluation reserve	(7,996)	0	0	0	0	0	0	(7,996)
Net book value carried forward as at 31 March 2021	**623,195**	**1,088,871**	**56,277**	**538,992**	**33,224**	**229,320**	**156,184**	**2,726,063**

Gross book value carried forward	623,171	1,146,693	119,666	719,548	34,077	229,320	159,044	3,031,519
Accumulated depreciation and Impairment carried forward as at 31 March 2021	24	(57,822)	(63,389)	(180,556)	(853)	0	(2,860)	(305,456)
Net book value carried forward as at 31 March 2021	**623,195**	**1,088,871**	**56,277**	**538,992**	**33,224**	**229,320**	**156,184**	**2,726,063**

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

	Property, Plant and Equipment							
	Restated Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Assets Under Construction £000s	Surplus Assets £000s	Restated Total £000s
Movement in 2019/20								
Gross book value brought forward	576,037	1,182,498	103,446	618,424	32,249	81,602	142,871	2,737,127
Accumulated depreciation and impairment brought forward	(25,653)	(47,476)	(45,720)	(137,836)	(853)	0	(9,644)	(267,182)
Net book value carried forward as at 1 April 2019	**550,384**	**1,135,022**	**57,726**	**480,588**	**31,396**	**81,602**	**133,227**	**2,469,945**
Additions	18,428	11,888	9,549	51,978	1,511	56,682	4,412	154,448
Revaluations recognised in revaluation reserve	26,894	44,187	231	0	0	0	(1,152)	70,160
Downward Revaluations recognised in the deficit on the provision of services	(5,031)	(6,810)	0	0	0	0	(1,230)	(13,071)
Derecognition - disposals	0	(50,219)	0	0	0	0	0	(50,219)
Transferred (to) held for sale assets	(7,461)	0	0	0	0	0	(4,880)	(12,341)
Other transfers	(2,885)	(2,458)	(239)	5,925	53	(24,028)	5,161	(18,471)
Other movements in cost or valuation - newly recognised leased / PFI assets	16,447	0	2,069	0	0	0	0	18,516
Depreciation	(17,822)	(28,384)	(9,272)	(20,959)	0	0	(673)	(77,110)
Impairments charged to the deficit on the provision of services	0	(828)	(29)	0	0	0	0	(857)
Impairments covered by the revaluation reserve	(10,793)	(1,564)	0	0	0	0	0	(12,357)
Net book value carried forward as at 31 March 2020	**568,161**	**1,100,833**	**60,037**	**517,529**	**32,961**	**114,256**	**134,865**	**2,528,642**

Gross book value carried forward	568,262	1,149,582	113,242	676,326	33,814	114,256	138,909	2,794,391
Accumulated depreciation and impairment carried forward as at 31 March 2020	(101)	(48,749)	(53,205)	(158,797)	(853)	0	(4,043)	(265,748)
Net book value carried forward as at 31 March 2020	**568,161**	**1,100,833**	**60,037**	**517,529**	**32,961**	**114,256**	**134,866**	**2,528,643**

Note 22. Disposal of Assets

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

	2019/20 £000s	2020/21 £000s
Disposals of Assets		
Held for Sale - Council dwellings (right to buy)	7,461	2,950
Held for Sale - General Fund	7,515	1,646
Academy Disposals	50,219	2,812
	65,195	**7,408**

The schools that transferred to academies in 2020/21 were; Transfer of land for the new Beaver Road Primary School in Didsbury.

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

	2019/20 £000s	2020/21 £000s
Held for Sale - Council dwellings (right to buy)	(3,629)	(1,656)
HRA Other	(3,500)	(838)
Held for Sale General Fund	3,974	408
Academy Disposals	50,219	2,812
Other General Fund Disposals and other Capital Receipts	(1,607)	(11,209)
	45,457	**(10,483)**

Note 23. Accounting for Local Government Schools

The Council has the following maintained schools:

	Community	Voluntary Controlled	Voluntary Aided	Foundation
Number of schools at 31 March 2021	53	14	43	2
Value of Land and Buildings at 31 March 2021	£324,167,000	N/A	N/A	£16,893,000
Value of Land and Buildings at 31 March 2020	£325,834,000	N/A	N/A	£17,327,000

Non Current assets

The treatment of land and buildings for each type of school is based on the legal framework underlying each type of school. The Council controls the non current assets of community schools and foundation schools that are vested with the governing body and therefore the land and buildings of those schools are shown on the Council's balance sheet. The land and buildings of voluntary aided, voluntary controlled and foundation schools that are vested with an external trust are owned and controlled by the trustees of the schools or the foundation body and are therefore not shown on the balance sheet of the Council.

Capital expenditure on community and foundation schools vested with the governing body schools is added to the balances for those schools as reported in property, plant and equipment (note 21). Capital expenditure on voluntary aided, voluntary controlled and foundation schools vested with an external trust is treated as REFCUS (Revenue Expenditure Funded from Capital under Statute) expenditure and written off each year to the Comprehensive Income and Expenditure Statement within the Children's Services line.

Revenue Funding

Dedicated Schools Grant (DSG) is a ring-fenced government grant used to fund the running costs of schools and is credited to the Comprehensive Income and Expenditure Statement within gross income on the Children’s Services line based on amounts due from the Department for Education. The running costs of all categories of schools, apart from academies, are shown within the Comprehensive Income and Expenditure Statement.

The DSG is allocated between central council budget and budgets allocated to individual schools (delegated school budgets). Expenditure from central council budgets and delegated schools budgets is charged to the Comprehensive Income and Expenditure Statement under the Children's Services line.
Individual schools' balances, for all categories of schools apart from academies, are included in the balance sheet of the Council within usable reserves (note 41).

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

	Community	Voluntary Controlled	Voluntary Aided	Foundation	Total
	£000s	£000s	£000s	£000s	£000s
Opening schools reserves	9,553	2,284	3,614	542	15,993
Funding, including DSG	162,204	32,522	103,030	6,555	304,311
Net expenditure incurred by schools	(159,585)	(32,230)	(100,773)	(6,238)	(298,826)
Closing schools reserves	12,172	2,576	5,871	859	21,478

PFI Schemes

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

Note 24. Heritage Assets

Movements on heritage assets during 2020/21 were as follows:

Cost or valuation	Fine Art Works £000s	Civic Plate £000s	Monuments Statues and Fountains £000s	Town Hall Sculptures £000s	Other £000s	Total £000s
Balance at 1 April 2020	594,788	2,959	745	2,962	3,367	604,821
Additions/ Donations			4		36	40
Revaluations	17,170				3,629	20,799
Reclassifications	0	0	0	0	10,142	10,142
Balance at 31 March 2021	**611,958**	**2,959**	**749**	**2,962**	**17,174**	**635,802**

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

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

a) Heritage Assets Nature and Scale of Assets Held

Manchester City Galleries (Manchester Art Gallery and Platt Hall) currently holds around 46,000 objects in trust on behalf of the People of Manchester. The collection comprises of approximately 13,600 items of fine art, 10,200 items of decorative art, and 22,200 items of costume.

Manchester City Galleries' (MCG) collections are covered by the Greater Manchester Act 1981 whereby financially motivated disposal is prohibited by the Act.

In addition to the MCG collections, the Libraries, Information and Archives Service holds a collection of rare books, records and archives that have heritage significance relating to Manchester but are also of national significance.

Heritage furniture, civic plate and Lord Mayor's regalia, sculpture, paintings from the Town Hall collection (and also some paintings from the MCG collection) are displayed in appropriate public spaces, selected offices and meeting rooms.

Further details can be found in the following documents:

. Manchester Art Gallery Collection Development Policy 2016
· Resource and Governance Overview and Scrutiny Committee 17 November 2011 – Heritage Assets Report

b) Heritage Asset Management and Preservation

Manchester City Galleries Collection
The management and care of the collection is overseen by the Deputy Director, in partnership with the Senior Curator, Senior Registrar and Senior Conservator.

Public access to the collections and collection information is delivered in a variety of ways:

- Gallery displays and temporary exhibitions at Manchester Art Galley and Platt Hall.
- Education and outreach activities.
- Web-based information, including the galleries website with searchable database, social networking sites, and the Art UK website.
- Access in store to researchers and interested individuals/groups by arrangement.
- Loans out to UK and international museums and galleries, or other venues.

The collections are assessed and conserved in the conservation studios at Queens Park by highly specialised, fully trained conservators.

The condition of the art works is maintained though a programme of effective collection care to reduce damage and deterioration by reducing risk from physical damage (including handling), theft and vandalism, fire and water/flood, inappropriate relative humidity, light and pollutants.

Further details can be found in the following documents:

· Manchester City Galleries Constitution
. Manchester Art Gallery Strategic Plan 2016-2020
· Manchester City Galleries Procedures Manual 2016
· Manchester City Galleries Collections Development Policy 2016-19 (Amended July 2017)
· Manchester City Galleries Loans Policy 2016-2019
· Manchester City Galleries Conservation and Collection Care Policy 2016 -2019
· Manchester City Galleries Handling Guidelines 2016
· Manchester City Galleries Collection Information Policy 2016-2019

Fine Art Works and Civic Plate, Lord Mayors Regalia, Model of HMS Manchester, Town Hall Sculptures, Furniture

Management of the collection is assisted with advice from Manchester City Galleries. Database records are currently held by MCG on a Ke Emu electronic collection database. Viewing of the items is via a combination of both public display and pre-arranged access to storage areas. Items in the collection are stored and displayed in a manner which will aid their preservation. Specialised cleaning is performed as and when necessary.

c) Heritage Assets Accounting Policies

Manchester City Galleries Collections

Specified items (those valued over £100,000) are included in the balance sheet at market valuation.
In the case of loss or damage the recoverable amount may be less than the full market valuation as works over £200,000 are insured at 75% of market value up to a threshold cap of £7,000,000.
Non-specified works are grouped. Where they have a market valuation they are included in the balance sheet at that value, otherwise the insurance valuation has been used.

Over the course of the year the valuations of works which are due to go out on loan are checked and amended if necessary. Valuations are also updated on an incidental basis if a curator becomes aware that a particular work may have increased or decreased in value based on comparative works sold at auction. Changes in value during 2020/21 resulted in an increase in value of £17,170,000 (2019/20 £6,088,000).

Civic Plate / Lord Mayors Regalia / Model of HMS Manchester
These items are included in the balance sheet at insurance valuation.

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

Furniture

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

The majority of the heritage furniture, paintings and social history material (including civic gifts) from the Town Hall have been moved to an offsite storage location during the Town Hall restoration project. A selection of furniture and the Lord Mayor's regalia has been retained for use in the Lord Mayor's rooms in Central Library. The Town Hall sculpture collection has been relocated to various venues within the Council's Estate, or on loan to other venues in the city.

Statues and Monuments in the Public Realm
These items are included in the balance sheet at a nominal value plus some relocation and enhancement costs.
The assets will be included at this value until a more detailed and appropriate valuation can be obtained.

The assets within this category are deemed to have indeterminate lives; hence the Council does not consider it appropriate to charge depreciation.

<u>d) Heritage Assets carried as other asset types</u>

Listed Buildings
Manchester has 84 listed buildings and related assets such as the Town Hall, Central Library, Heaton Hall, bridges and areas of parks. The Council also has custody of scheduled ancient monuments including the City Centre Hanging Bridge and the moated sites to Clayton Hall and Peel Hall in addition to a number of other monuments, statues and fountains.

Listed buildings, such as the Town Hall complex, are actively used in the delivery of Council services. In accounting terms they have been classified as operational assets and reported and valued as Property, Plant and Equipment in the same way as other assets of this type.

Statues / Fountains

Statues and Fountains situated in open spaces are classified as street furniture. As no insurance valuation is available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements these assets have not been recognised in the balance sheet.

Rare Books, Records and Archives

Rare books, records and archives that have heritage significance relating to Manchester. As no insurance or market valuation is available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements these assets have not been recognised in the balance sheet.

Wythenshawe Hall and The Old Parsonage in Didsbury were previously carried as operational assets. They have had their uses reassessed and it has been determined that they are held principally for their contribution to knowledge and culture and are therefore more appropriately classed as heritage assets.

Note 25. Valuation of Property, Plant and Equipment

The Council's non-current assets are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS):

- plant and machinery is included in the valuations of buildings when it is an integral part of the building

- properties classified as operational, excluding council dwellings, were valued on the basis of net realisable value in existing use or, where a market did not exist, on the basis of depreciated replacement cost

- council dwellings were valued at existing use value - social housing

- community assets and infrastructure have been valued at historic cost net of depreciation

- assets under construction are held at historic cost until brought into use.

- surplus assets have been valued on the basis of market value for the highest or best use

Depreciation has been calculated using a straight-line method (i.e. apportioned equally over each year of the life of the asset) for all assets unless that depreciation is immaterial. The estimated useful life of each property is determined by a qualified valuer and updated at each valuation. Land and assets not yet available for use (assets under construction) are not depreciated.

The range of asset lives for each asset type are shown in the table below:

Asset Valuation Groups	Range	
	From (years)	To (years)
Council Dwellings - Main Structure	15	67
Adult Education Facilities	7	36
Car Parks	15	20
Children's Home / Family Centres	8	38
Day Centres / Luncheon Clubs	7	50
Galleries	28	57
Depots	8	49
Housing Offices	6	38
Leisure Centres / Sports Facilities	7	58
Libraries	1	54
Markets	10	15
Offices	19	53
Park Buildings	1	48
Schools	2	57
Youth Clubs / Children's Centres / Nurseries	2	48
BMX / Skate / Bike Facilities	18	51
Cemeteries and Crematoria	5	30
Vehicles, Plant, Furniture and Equipment	1	28
Infrastructure Assets	24	47
Surplus Assets	2	51

Council dwellings are valued annually. All other assets, with the exception of those valued at historic cost net of depreciation, are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at year end, but as a minimum every five years. Valuations have been undertaken during the year by internal Council valuers, Jacobs and Capita, for council dwellings, external valuers commissioned by the Council with a valuation date of 28 Feb April 2021. Jacobs have provided indexation factors for the percentage increase in value from the date of the last valuation to 31 March 2021 for each category of asset. These were not material in 2020/21 so have not been applied to the asset values.

The Valuers have determined the appropriate method of valuation having regard to the assets' physical and economic characteristics. Assets are valued using the depreciated replacement cost approach where there is no active market for the asset being valued, that is, where there is no relevant evidence of recent sales transactions due to specialist nature of the asset. Assumptions made by the valuer for this approach relate to the depreciation rate applied to reflect the physical condition and any economic or functional obsolescence of the asset in respect of its current use. Where recent transactions can be identified , the Valuer has adopted the existing use value method, where rental value is capitalised at a rate determined by the type, quality and location of the asset. The assumptions made by the valuer include the application of an appropriate rental value and capitalisation rate. This is based on comparable evidence of market transactions of similar assets nearby.

A large proportion of the Council's property, plant and equipment (PPE) asset value is comprised of properties valued using the Depreciated Replacement Cost (DRC) method of valuation.

Inspections of PPE were carried out in 2020/21 as part of the Council's revaluation process. As a result of these inspections the Council recognised revaluations of PPE in the revaluation reserve of £100,945,000 reflecting the revaluation movement since the last revaluation of these assets.

The Council also performed impairment reviews where there were impairment indicators, such as a change in use or capital expenditure in excess of £500,000 during the year. Downward valuations were charged against the revaluation reserve to the extent there was a credit balance in the reserve for the individual asset. Amounts in excess of the credit balance in the reserve were charged to the Comprehensive Income and Expenditure Statement. This has resulted in £21,194,000 in relation to PPE being charged to the Comprehensive Income and Expenditure Statement.

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

	Council Dwellings £000s	Other land & Buildings £000s	Vehicles, Plant, & Equipment £000s	Infrastruture Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total £000s
Historical Cost			55,791.00	538,992.00	33,223.00		229,319.00	857,325
Valuation Year								
2015/16		492.00						492
2016/17		17,231.00				7,593.00		24,824
2017/18		9,164.00				7,242.00		16,406
2018/19		237,287.00	136.00			17,247.00		254,670
2019/20		658,186.00	349.00			11,674.00		670,209
2020/21	623,196	166,511				112,430		902,137
Total	**623,196**	**1,088,871**	**56,276**	**538,992**	**33,223**	**156,186**	**229,319**	**2,726,063**

Surplus Assets

Fair Value Hierarchy

Details of the Council's surplus properties and information about the fair value hierarchy as at 31 March is as follows:

		31 March 2019 £000	31 March 2020 £000
Other significant inputs*	Level 2	21,917	13,249
Significant unobservable inputs*	Level 3	112,949	142,935
		134,866	156,184

*see fair value hierarchy categorisation at the end of note for additional information.

All surplus property has been valued in accordance with IFRS13 under the fair value hierarchy. The fair value measurement requires the valuer to determine:

- the highest and best use of the asset and whether it is used in combination with other assets or on a stand alone basis
- what is legally, physically and financially feasible
- the market in which an orderly transaction would take place for the asset
- the appropriate valuation technique to use maximising the use of relevant observable inputs (market data such as market rents and yields or actual information about transactions such as lease details or covenant strength) and minimising observable inputs (these are inputs where market data is not available and are developed using the best information available about the assumptions market participants would use when pricing the asset such as comparable land or property values. Where such evidence is not available the use of sales values and cost of development to produce a residual value has been used).

The fair value of surplus assets has been measured using the market valuation technique and has taken account of the following factors - market evidence of capital values, location, size, layout, knowledge of planning requirements and potential development costs. As the future use of these assets is yet to be determined, the current use cannot be assumed to be highest and best, however in estimating the fair value of surplus properties, the highest and best use of the properties has been adopted in accordance with the Code.

There have been transfers of £12,962,000 between levels of fair value hierarchy during 2020/21. These included: Land at Water St / New Elm St and land adjacent to Beetham Tower.

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

	2019/20 £000	2020/21 £000
Balance at 1 April	106,235	112,949
Transfers to surplus assets	5,292	(627)
Transfers between levels	300	11,017
Total (losses) included in deficit on provision of services resulting from changes in the fair value	(796)	(3,154)
Total gains / (losses) included in other comprehensive income and expenditure	(1,152)	11,623
	109,879	131,808
Additions	3,743	11,833
Depreciation	(673)	(706)
Balance at 31 March	112,949	142,935

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

Fair Value Hierarchy

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

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

Level 2 inputs include:
Quoted prices for similar assets or liabilities in active markets
Quoted prices for identical or similar assets or liabilities in markets that are not active
Inputs other than quoted prices that are observable for the asset or liability, for example:
Interest rates and yield curves

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

Note 26. Assets Held For Sale

Assets are categorised as held for sale when an asset is available for immediate sale in its present condition, the sale is highly probable, it is being actively marketed (if applicable) and the sale is expected to be within one year of classification as held for sale.

Movements on assets held for sale during the year were as follows:

	Assets Held For Sale £000s
Net book value brought forward	**11,773**
Movement in 2019/20	
Reclassifications	12,341
Disposals	(14,975)
Revaluations	335
Net book value carried forward as at 31 March 2020	**9,474**
Movement in 2020/21	
Reclassifications	5,534
Disposals	(4,596)
Revaluations	(73)
Net book value carried forward as at 31 March 2021	**10,339**

Note 27. Assets Recognised Under PFI and Similar Arrangements

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

	Energy Services £000s	Temple Primary School £000s	Plymouth Grove Housing £000s	Miles Platting Housing £000s	Restated Brunswick Housing £000s	Public Lighting £000s	Wright Robinson Sports College £000s	Refuse Vehicles Service Concession £000s	Total £000s
Net book value brought forward	**78**	**0**	**25,686**	**56,421**	**39,830**	**61,175**	**40,683**	**4,131**	**228,004**
Movement in 2019/20									
Expenditure	0	0	149	0	0	8,118	0	0	8,267
Newly recognised assets	0	0	0	0	16,447	0	0	2,069	18,516
Disposals	0	0	0	0	0	0	(40,258)	0	(40,258)
Reclassifications	0	0	(578)	(571)	(550)	0	0	0	(1,699)
Depreciation	(7)	0	(774)	(1,865)	(1,274)	(2,772)	(425)	(694)	(7,811)
Revaluations	0	0	3,942	9,162	(957)	0	0	0	12,147
Impairments	0	0	(89)	0	0	0	0	0	(89)
Net book value carried forward as at 31 March 2020	**71**	**0**	**28,336**	**63,147**	**53,496**	**66,521**	**0**	**5,506**	**217,077**
Movement in 2020/21									
Expenditure	0	0	240	0	0	726	0	0	966
Newly recognised assets	0	0	0	0	1,142	0	0	0	1,142
Disposals	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	(41)	(190)	(223)	0	0	0	(454)
Depreciation	(8)	0	(1,036)	(2,206)	(1,455)	(2,690)	0	(782)	(8,177)
Revaluations	0	0	1,920	11,719	3,556	0	0	100	17,295
Impairments	0								0
Net book value carried forward as at 31 March 2021	**63**	**0**	**29,419**	**72,470**	**56,516**	**64,557**	**0**	**4,824**	**227,849**

Wright Robinson Sports College transferred to Academy status during 2019/20.

	Energy Services £000s	Temple Primary School £000s	Plymouth Grove Housing £000s	Miles Platting Housing £000s	Brunswick Housing £000s	Public Lighting £000s	Wright Robinson Sports College £000s	Refuse Vehicles Service Concession £000s	Total £000s
Deferred liability brought forward	**241**	**2,292**	**15,294**	**47,043**	**38,715**	**27,038**	**21,144**	**4,131**	**155,898**
Movement in 2019/20									
Additional liability	0	0	0	0	16,447	0	0	2,089	18,536
Write down of liability	(241)	(219)	(633)	(2,552)	(5,535)	(1,957)	(1,080)	(714)	(12,931)
Deferred liability carried forward as at 31 March 2020	**0**	**2,073**	**14,661**	**44,491**	**49,627**	**25,081**	**20,064**	**5,506**	**161,503**
Movement in 2020/21									
Additional liability	0		0	0	1,142		0	100	1,242
Write down of liability	0	(249)	(690)	(1,822)	(2,208)	(2,086)	(1,150)	(782)	(8,987)
Deferred liability carried forward as at 31 March 2021	**0**	**1,824**	**13,971**	**42,669**	**48,561**	**22,995**	**18,914**	**4,825**	**153,758**

Note 28. Assets Held as Lessee

Operating Leases

The Council has obtained the right to use printers and multi-functional devices by entering into operating leases.

The Council has entered into a number of leases relating to offices and land. The leases vary in length from short-term leases to those with terms over 600 years.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2020 £000s	31 March 2021 £000s
Not later than one year	5,150	5,027
Later than one year and not later than five years	17,539	15,972
Later than five years	37,734	35,016
	60,423	**56,015**

Lease payments made:

	2019/20 £000s	2020/21 £000s
Minimum lease payments	5,146	5,246
	5,146	**5,246**

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

	2019/20 £000s	2020/21 £000s
Corporate Core	356	430
Growth and Development	4,790	4,816
Total minimum lease payments	**5,146**	**5,246**

Note 29. Assets Held as Lessor

Operating Leases
The Council has leased out a number of offices, industrial premises and land to various organisations for both community use and economic development purposes. The leases vary in length and are all classed as operating leases.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2020 £000s	31 March 2021 £000s
Not later than one year	16,794	16,186
Later than one year and not later than five years	60,977	61,756
Later than five years	861,161	996,362
Total minimum lease payments	**938,932**	**1,074,304**

The large increase in operating lease income later than 5 years is due to a new lease at the Airport, A3467(QUANTUM)/OR1 which is an annual rent of £603k over 267 years. The extra income figure for this one item for the over 5 year cell in the accounts is £158m.

The minimum lease payments do not include rents that are contingent on events taking place after the lease has been entered into, such as adjustments following rent reviews.

Note 30. Investment Properties

The value of income generating investment properties classed as operating leases is £474,469,000 (£474,880,000 in 2019/20). The balance of investment properties are held for capital appreciation purposes.

These assets are classed as investment properties because they are held to solely earn rentals during the year and are not used by the Council in delivering its services. As these assets are classed as investment properties no depreciation charge has been made in 2019/20 or 2020/21

	2019/20 £000s	2020/21 £000s
Rental income from investment property	(22,840)	(21,125)
Direct operating expenses arising from investment property	2,858	2,779
Net gain	**(19,982)**	**(18,346)**

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

	Investment Properties £000s
Net book value carried forward as at 1 April 2019	**422,814**
Movement in 2019/20	
Expenditure	8,746
Reclassifications	18,473
Movement in fair value of investment property	25,194
Net book value carried forward as at 31 March 2020	**475,227**
Movement in 2020/21	
Expenditure	599
Reclassifications	(13,574)
Movement in fair value of investment property	12,701
Net book value carried forward as at 31 March 2021	**474,953**

Fair Value Hierarchy

All properties within the Council's investment portfolio have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (accounting policy 7.2.33 provides an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

The fair value of investment property has been measured using a market approach, which takes into account quoted market prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, covenant strength for existing tenants and data and market knowledge gained in managing the Council's investment asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

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

Highest and Best Use

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

Valuers

The investment properties were valued in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS) by Jacobs, external valuers employed by the Council.

Note 31. Capital Expenditure and Capital Financing

	2019/20 £000s	2020/21 £000s
Opening Capital Financing Requirement	**1,528,528**	**1,496,477**
Expenditure		
Property, plant and equipment	154,448	206,544
Investment properties	8,746	599
Assets held for sale	0	0
Heritage assets	30	40
Revenue expenditure funded from capital under statute*	31,004	12,168
Intangible assets	57	
Long term debtors	59,342	112,166
Investment in share capital	1,870	4,230
	255,497	335,747
Assets acquired under finance lease / PFI arrangements	18,516	1,242
Novation of long term debtors	(154,577)	0
Funding Resources		
Revenue contributions	(15,456)	(18,791)
Capital Receipts	(19,729)	(21,449)
Major Repairs Reserve	(18,594)	(15,916)
Government grants	(42,658)	(63,340)
External contributions	(28,059)	(35,490)
Minimum Revenue Provision	(26,991)	(29,684)
	(151,487)	(184,670)
Closing Capital Financing Requirement	**1,496,477**	**1,648,795**
HRA	298,095	299,237
Non HRA	1,198,382	1,349,559
Closing Capital Financing Requirement	**1,496,477**	**1,648,796**
Explanation of Movement in Year		
Minimum Revenue Provision	(26,991)	(29,684)
Increase in underlying need to borrow	131,001	180,761
Assets acquired under finance lease / PFI arrangements	18,516	1,242
Novation of long term debtors	(154,577)	0
	(32,051)	152,319

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

* Legislation allows some expenditure to be classed as capital expenditure even though it does not result in the recognition of a non-current asset on the Council's balance sheet (i.e. grants and expenditure on property not owned by the Council). This enables the expenditure to be funded by capital resources, rather than charging the General Fund and impacting upon the year's council tax.

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

Note 32. Contracted Capital Commitments

Many capital schemes take two or more years to complete. At the Balance Sheet date the main estimated contractual commitments relating to ongoing schemes for the enhancement of assets were as follows:

	31 March 2020 £000s	31 March 2021 £000s
Housing	10,680	14,919
Education	244	8,933
Indoor Leisure	382	19,475
The Factory	65,866	41,470
Our Town Hall	12,799	210,462
Street Lighting	1,649	380
Alexandra House	5,936	385
Highways Investment Programme	4,752	3,535
Gorton Health Hub	107	20
Carbon Reduction Programme	2,344	1,953
Civic Quarter Heat Network	7,788	159
	112,547	**301,691**

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

In 2020-21 the Our Town Hall Project entered in to the major contracts for the main construction phase

Note 33. Investments

The Council has the following long-term investments:

	31 March 2020 £000s	31 March 2021 £000s
Investments in organisations included in the group statements		
Manchester Airports Holdings Ltd Share Capital	112,354	112,354
Manchester Airports Holdings Ltd (C Shares)	1,870	5,700
Destination Manchester Ltd Share Capital	10,200	10,200
Other long-term investments		
Investments in subsidiaries not included in the group statements		
Manchester Mortgage Corporation Plc Share Capital	146	142
Investments in associates and joint ventures not included in the group statements		
National Car Parks (Manchester) Ltd Share Capital	2,147	0
Eastlands Development Company Limited	1,155	1,155
Matrix Homes Ltd	5,079	5,413
Mayfield Developments	4,000	4,000
	136,951	**138,964**
Total other long-term investments	**12,536**	**12,403**
Total Long-Term Investments	**149,487**	**151,367**

The investments in Manchester Airports Holdings Ltd (apart from the C shares, which relate to a car park investment) and Destination Manchester Ltd are shown at cost.

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

The joint venture with National Car Parks (National Car Parks (Manchester) Ltd ended in December 2020. The City Council car park assets came back into the Council with effect from 1st January 2021 and are now managed and operated within the City Council.

The City Council still holds a stake in the Joint venture , but due to adverse trading conditions during the pandemic the Company was entered into administration on 5th July 2021.
At 31 March 2021 the Council had no short term investments; 31 March 2020, £20.098m with Bank of Scotland (£5.010m), HSBC (£5.087m), Nat West (£0.001m) and Rotherham Metropolitan Borough Council (£10.000m) . These are classed as short term investments as they have been invested for a period greater than three months but less than twelve months.

The table below shows summarised financial information for the Council's joint venture for 2019/20 and 2020/21. These figures show the Council's share of the joint venture's results:

Council's share of Manchester Airports Holdings Ltd	2019/20 £000s	2020/21 £000s
Total current assets as at 31 March	298,626	219,994
Total long term assets as at 31 March	1,496,112	1,534,275
Total current liabilities as at 31 March	154,851	86,052
Total long term liabilities at 31 March	1,162,164	1,312,897
Total income	315,737	317,157
Total expenditure	264,830	307,572

Note 34. Debtors and Payments in Advance

As the balance sheet date represents the position at the end of the financial year, there are monies owed to the Council at that date which are yet to be received in cash. The following analysis shows the amounts owed to the Council which had not been received at 31 March.

The Council also makes provision for outstanding monies which it is anticipated will not be recovered. These amounts are then deducted from the total value of debtors shown in the accounts. An analysis of this impairment of debt is shown below:

	31 March 2020 £000s	31 March 2021 £000s	
Short term debtors and payments in advance			
Debtors included in the Financial Instruments note			
Government departments	30,211	85,124	
Other local authorities	35,687	27,955	
NHS bodies	7,358	17,760	
Public corporations	1,503	1,755	
Housing rents	7,599	20,030	
All other bodies (external to government) - trade organisations and individuals	123,455	126,704	
	205,813	279,328	
Impairment of Debt			
Housing rents	(6,356)	(6,663)	
Other	(63,369)	(71,709)	
	136,088	200,956	
Debtors not included in the Financial Instruments note			
HM Revenue and Customs	6,657	8,103	
Council tax	61,502	72,993	
Business rates	28,914	56,367	
Destination Manchester Ltd / Manchester Central Ltd	750	750	
All other bodies (external to government) payments in advance	7,401	6,324	
Impairment of Debt			
Council tax	(47,203)	(55,119)	a
Business rates	(23,253)	(45,450)	a
Total	**170,856**	**245,042**	

a. The collection rate of both council tax and business rates reduced in 2020/21. Council tax was down by 2.65% from 92.80% in 2019/20 to 90.15% in 2020/21; and business rates down by 9.86%, from 97.77% to 87.91% in 2020/21; as a result there has been an increase in the allowance for non collection provision.

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

	31 March 2020 £000s	31 March 2021 £000s
Less than three months	902	1,196
Three to six months	1,003	1,364
Six months to one year	2,105	2,758
More than one year	15,950	23,473
	19,960	28,791

These are amounts which are owed to the Council which are being repaid over various periods longer than one year. Long-term debt which has become due in less than twelve months has been reclassified as short-term debt.

	31 March 2020 £000s	31 March 2021 £000s	
Amounts falling due after one year			
Debtors included in the Financial Instruments note			
Former Greater MC debt	24	0	(a)
Private Sector Housing Loans	10,842	11,349	(b)
Equity Mortgages	2,952	2,163	(c)
Matrix Homes	8,889	9,561	(d)
Biffa Municipal	4,379	3,974	(e)
Manchester Quays Riverside	4,288	4,287	(f)
Manchester College	17,596	19,378	(g)
Other	2,985	2,766	(h)
	51,955	53,478	
Debtors not included in the Financial Instruments note			
Manchester Airports Holdings Ltd	218,713	356,098	(i)
Destination Manchester Ltd / Manchester Central Ltd	16,407	15,657	(j)
PFI prepayments	23,156	21,400	(k)
Total	**310,231**	**446,633**	

a - This debtor relates to loan advances in respect of undertakings transferred to the former Greater Manchester Council and are repayable by the Greater Manchester Metropolitan Debt Administration Fund. The loan is expected to repaid in full in 2021/22

b - These debtors relate to loans to individuals given to carry out works to their properties or to provide relocation assistance following compulsory purchase orders. These loans are accounted for as embedded derivatives or soft loans. The amount relating to embedded derivatives is an estimate of the amount to be repaid based on the amount of loans outstanding adjusted by the Land Registry House Pricing Index. The amount relating to soft loans is based on the amount to be repaid reduced by the amount of foregone interest as these loans are offered at below market rates of interest.

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

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

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

f - This debtor relates to a loan made to Manchester Quays Riverside Ltd in connection with the St John's development.

g - This debtor relates to a loan made to Manchester College

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

i - These debtors relate to long-term loan advances made to Manchester Airports Holdings Ltd to assist in the financing of approved capital works. A loan of £83.168m was renegotiated during 2009/10 and includes debt that was previously the responsibility of the Greater Manchester Debt Administration Fund. Advances totalling £124.25m have been made during 2018/19 and £106.451m in 2020/21. These loans are to contribute towards capital works at Manchester and Stansted Airports. This long term debtor also includes accrued interest of £42.228m.

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

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

Note 35. Creditors and Receipts in Advance

As the Council's Balance Sheet represents the financial position at the end of the financial year, these are monies owed by the Council at that date which have yet to be paid. There are also amounts which the Council has received before the end of the financial year which relates to services which have not yet been provided. This analysis shows the amounts owed which had not yet been paid and the amounts received in advance as at 31 March.

	31 March 2020 £000s	31 March 2021 £000s	
Short Term Creditors and Receipts in Advance			
Creditors classed as Financial Instruments			
Government departments	7,514	49,967	
Other local authorities	28,083	36,631	
NHS bodies	535	2,486	
Public corporations	1	128	
Financial institutions	1,447	16,215	
Housing rents	2,653	2,783	
Other bodies (external to government) - trade organisations and individuals	102,406	112,863	
	142,638	221,073	
Creditors not classed as Financial Instruments			
Government departments receipts in advance	34,816	2,572	a
Other local authorities receipts in advance	201	815	
NHS bodies receipts in advance	87	218	
Other bodies (external to government) receipts in advance	7,165	4,601	
HM Revenue and Customs	8,083	10,195	
Council tax	7,986	10,316	
Business rates	15,620	11,094	
Total	**216,596**	**260,885**	

a The decrease in government department receipts in advance mainly relates to the 2020/21 section 31 business rates grants (£29m) which were paid in March 2020 by central government to assist councils with cash flow during the COVID19 pandemic.

These are amounts which are owed by the Council which are being repaid over various periods longer than one year. Long-term creditors which have become due in less than twelve months have been reclassified as short-term creditors.

	31 March 2020 £000s	31 March 2021 £000s
Amounts falling due after one year		
Creditors classed as Financial Instruments		
Equity mortgages - share of proceeds	1,004	736
Homes and Communities Agency re Matrix Homes	239	290
Total	**1,243**	**1,026**

Capital Grants Receipts in Advance

	31 March 2020 £000s	31 March 2021 £000s
Carrington Reinstatement Deposit	801	801
Contributions from Private Developers	8,942	8,619
Total	9,743	9,420

Note 36. Analysis of Long-term Borrowing

a. To Balance Sheet Date

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

	31 March 2020 £000s	Range of Interest Rates Payable from %	to %	Average Interest %	31 March 2021 £000s
Analysis of loans by type					
Public Works Loans Board	150,000	2.4300	2.4700	2.4500	150,000
Market Loans	412,102	0.1000	6.8438	3.3109	408,990
Government Debt	22,437	0.0000	0.0000	0.0000	18,707
Stocks	858	4.0000	4.0000	4.0000	858
Total Outstanding	585,397				578,555
Analysis of loans by maturity					
1-2 years	9,663				11,884
2-5 years	23,537				15,319
5-10 years	1,431				749
after 10 years	550,766				550,603
	585,397				578,555

b - To Maturity

The table below includes the outstanding long-term borrowing at the balance sheet date (as per the table above) plus interest due to the date of maturity of the outstanding loans. This provides details of future commitments if the loans are held to the date of maturity.

	31 March 2020 £000s	Range of Interest Rates Payable from %	to %	Average Interest %	31 March 2021 £000s
Analysis of loans by type					
Public Works Loans Board	289,112	2.4300	2.4700	2.4500	285,437
Market Loans	1,119,395	0.1000	6.8438	3.3109	1,098,497
Government Debt	22,437	0.0000	0.0000	0.0000	18,707
Stocks	1,890	4.0000	4.0000	4.0000	1,856
Total Outstanding	1,432,834				1,404,497
Analysis of loans by maturity					
1-2 years	31,134				33,133
2-5 years	86,856				78,409
5-10 years	106,541				105,860
after 10 years	1,208,303				1,187,095
	1,432,834				1,404,497

Note 37. Deferred Liabilities

The note below shows the amounts owed by the Council, split between short term (amounts owed in less than 12 months) and long term (amounts owed in more than 12 months) on the balance sheet.

	31 March 2020 £000s	Repaid in year £000s	Additions in year £000s	31 March 2021 £000s	Short Term 31 March 2021 £000s	Long Term 31 March 2021 £000s
Ex GMC debt	5,146	(2,492)	0	2,654	2,654	0
Private Finance Initiatives	155,997	(8,205)	1,142	148,934	8,723	140,211
Service Concession	5,506	(782)	100	4,824	766	4,058
	166,649	**(11,479)**	**1,242**	**156,412**	**12,143**	**144,269**

Note 38. Provisions

Provisions are established to meet liabilities or losses which are likely or certain to be incurred, but the amounts or timings are uncertain. These have been split between short term (amounts owed in less than 12 months) and long term (amounts owed in more than 12 months) on the balance sheet.

The Council has established the following provisions:

	31 March 2020 £000s	Transfers in year £000s	Amounts used in year £000s	Contributions in year £000s	Amounts released in year £000s	31 March 2021 £000s	Short Term 31 March 2021 £000s	Long Term 31 March 2021 £000s	
Compensation provisions	9,541	0	(672)	3,194	(1,790)	10,273	6,194	4,079	a
Insurance provision (including HRA)	3,413	0	(301)	1,603	(1,473)	3,242	2,682	560	b
Provision for business rate appeals	90,999	0	(10,379)	35,292	0	115,912	10,377	105,535	c
Various other provisions	776	0	(36)	169	(37)	872	739	133	
	104,729	**0**	**(11,388)**	**40,258**	**(3,300)**	**130,299**	**19,993**	**110,306**	

a - The compensation provisions have been set up to compensate claimants for claims received by the Council as at 31 March 2021. These claims will be paid as the amount of compensation is agreed for each case. The amounts of the provisions have been calculated based on an estimate of the likely settlement of the claims. There is no expected reimbursement to fund these claims.

b - The insurance provision includes amounts in relation to Municipal Mutual Insurance. In January 1994, the Council's then insurer, Municipal Mutual insurance (MMI) made a Scheme of Arrangement with its creditors. Under this scheme, claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities, a clawback clause will be triggered, which could affect claims already paid.
On 13 November 2012, the Directors of MMI triggered the Scheme of Arrangement. This was because solvent run off could not be foreseen and there was no alternative to insolvent liquidation.
A Levy Notice was issued on 1 January 2014 by the Scheme Administrator at a rate of 15% on established scheme liabilities exceeding £50,000 in aggregate. A further levy notice was issued on 1 April 2016 stating that the levy should now be set at 25%.

The rate of Levy may be adjusted by the Scheme Administrator if, following a review of the financial position of MMI, he determines that the rate requires to be increased or decreased. Any such adjustment would be applied to the carried forward gross payments at that time.
Based on the most recent insurance data, £4.064m claims had already been paid with outstanding claims of £0.851m. This gives a total of £4.915m for which a provision of £1.229m (25%) has been made at 31 March 2021.

c - Following the partial localisation of business rates from 1 April 2013 the Council is required to make a provision for its share of the estimated settlement value of appeals against business rates. For the 2010 list this provision has been estimated using information received from the Valuation Office Agency (VOA) on appeals settled and outstanding. For the 2017 rating list the assumption has been made that the reduction in income due to appeals will be a similar percentage to the prior lists. The Council can not be certain as to when these appeals will be settled as it is dependant on the timing of their settlement by the VOA. This provision has been determined on the assumption that current outstanding appeals will be settled in line with previous experience. The Council's share of the provision is 99% as a result of the Council participating in the 100% rates retention pilot (the remaining 1% is attributable to the GMCA fire and rescue element). Settled appeals will be charged to the provision once determined by the VOA.

Note 39. Financial Instruments

The Council's treasury management policy complies with the CIPFA Code of Practice on Treasury Management (Revised November 2009). This was adopted by the Council on 7 March 2012. In accordance with best practice, the City Treasurer has undertaken a review of the policy and is satisfied that the policy is relevant and complete.

The Council's treasury management activities are managed through a Central Loans and Investment Account. Operating a Central Loans and Investment Account enables the Council to borrow on advantageous terms, minimise administration costs and dampen the effects of large interest rate changes. In 2020/21 the average net rate of interest paid and received was 3.02% (3.24% in 2019/20).

A financial instrument is any contract that results in a financial asset in one entity and a financial liability or equity shareholder in another.

Financial Instruments Balances

	Long-Term		Current		Total	
	31 March 2020 £000s	31 March 2021 £000s	31 March 2020 £000s	31 March 2021 £000s	31 March 2020 £000s	31 March 2021 £000s
Financial Liabilities at Amortised Cost:						
Borrowings	585,397	578,555	32,904	184,675	618,301	763,230
Deferred Liabilities	155,196	144,269	11,453	12,143	166,649	156,412
Creditors	1,243	1,026	142,638	221,073	143,881	222,099
Total Financial Liabilities	**741,836**	**723,850**	**186,995**	**417,891**	**928,831**	**1,141,741**
Financial Assets						
Amortised cost	51,955	53,478	290,169	228,335	342,124	281,813
Designated Fair value through other comprehensive income - designated	25,363	26,859	0	0	25,363	26,859
Fair value through profit and loss	1,570	1,954	0	0	1,570	1,954
Total Financial Assets	**78,888**	**82,291**	**290,169**	**228,335**	**369,057**	**310,627**

The Council's treasury management strategy during the year was to undertake short term borrowing when cash was required, due to the significant market uncertainty. Therefore, in the table above, current borrowings have increased.

Assets that are classed as fair value are valued at a quoted market value where this is available (level 1 of the fair value hierarchy). Where investments are not quoted the value of that investment has been taken as the Council's share of the reserves of the company invested in (level 2 of the fair value hierarchy).

Fair Value of Assets and Liabilities

	Carrying Amount		Fair Value	
Liabilities	31 March 2020 £000s	31 March 2021 £000s	31 March 2020 £000s	31 March 2021 £000s
Public Work Loans Board	150,614	150,604	149,939	164,471
Market debt	442,256	589,355	646,772	837,393
Government debt	24,564	22,403	23,422	21,712
Stocks	867	867	1,178	1,204
Total Borrowings	**618,301**	**763,229**	**821,311**	**1,024,780**
Ex GMC debt	7,516	2,654	7,516	2,654
PFI and service concessions liabilities	155,898	153,758	155,898	153,758
Trade creditors	124,907	222,099	124,907	222,099
Total Financial Liabilities	**906,622**	**1,141,740**	**1,109,632**	**1,403,291**

	Carrying Amount		Fair Value	
Assets	31 March 2020 £000s	31 March 2021 £000s	31 March 2020 £000s	31 March 2021 £000s
Cash and cash equivalents	133,984	43,524	133,984	27,379
Long term investments	26,932	28,814	26,933	28,814
Short term investments	20,098	0	20,098	0
Trade debtors	188,043	254,434	210,821	283,049
Total Financial Assets	**369,057**	**326,772**	**391,836**	**339,242**

For the purposes of the notes to the accounts, all assets and liabilities are given a fair value, although this is only shown in the balance sheet for fair value through profit and loss and fair value through other comprehensive income assets. For many financial instruments the fair value will be the same as the outstanding principal amount, but for others there could be a significant difference.

Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date in the principal market for the asset or liability or in the absence of a principal market, the most advantageous market.

The fair values for PWLB, market and Government debt were determined by reference to new loan rates on the Gilt market as at the balance sheet date as there is no active market for similar assets at this time and include accrued interest as this provides a sound approximation for the fair value for these instruments (level 2). By way of comparison, if the fair values were calculated with reference to PWLB redemption rules and prevailing PWLB redemption rates, they would be £209,350,000 for PWLB debt, £22,350,000 for Government debt and £1,005,810,000 for market debt.

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

Income, expense, gains and losses

	2019/20		2020/21	
	Deficit on the provision of services	**Other comprehensive income and expenditure**	**Deficit on the provision of services**	**Other comprehensive income and expenditure**
	£000s	**£000s**	**£000s**	**£000s**
Net (gains)/losses on:				
Financial assets measured at fair value through profit or loss	534	0	(384)	0
Financial assets measured at amortised cost	547	0	228	0
Investments in equity instruments designated at fair value through other comprehensive income	0	980	0	2,733
Total net (gains)/losses	**1,081**	**980**	**(156)**	**2,733**
Interest income	(26,294)	0	(34,673)	0
Interest expense	34,759	0	34,738	0

The increase in interest income is due to a loan advanced, and classed a long term debtor, to Manchester Airport Group during 2020/21.

Nature and extent of risk arising from Financial Instruments and the management of those risks

Key Risks

The Council's activities exposes it to a variety of financial risks:

Credit Risk - the possibility that other parties might fail to pay amounts due to the Council.
Liquidity Risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
Refinancing Risk - the possibility that the Council might be required to renew financial instruments on maturity at a disadvantageous interest rate or terms.
Market Risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks.

The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the code of practice.
- By the adoption of a Treasury Policy statement and Treasury Management clauses within its constitution.
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing.
  - Its maximum and minimum exposures to fixed and variable rates.
  - Its maximum and minimum exposures in the maturity structure of its debts.
  - Its maximum and minimum exposures to investments maturing beyond a year.
  - By approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counter parties with Government Guidance.

These are required to be reported and approved annually before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy and actual performance is also reported semi-annually to Members.

The annual Treasury Management Strategy was approved by Council on 6 March 2020. The strategy is available on the Council's website.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is managed through the Annual Investment Strategy which was approved by full Council on 6 March 2020. This strategy is available on the Council's website. Some of the key areas of the strategy are as follows:

Specified Investments are investments in sterling denomination, with maturities up to a maximum of one year. All specified investments meet the minimum "high" ratings criteria where applicable. Examples of the investments used are:

- Term deposits – Other Local Authorities
- Term deposits – Banks and building societies
- Money Market Funds

Non-specified investments are any other type of investment than specified. The Council does not make use of this type of investment.

Investment Limits

The financial investment limits of banks and building societies are linked to their Fitch (or equivalent) long-term ratings, as follows:

Banks and Building Societies	
Fitch or Equivalent AA+ and above	£20 million
Fitch or Equivalent AA/AA-	£15 million
Fitch or Equivalent A+/A	£15 million
Fitch or Equivalent A-	£10 million
Fitch or Equivalent BBB+	£10 million
Other	
Debt Management Office	£200 million
Greater Manchester Combined Authority	£200 million
Other local authorities	£20 million

Credit quality of counter parties (issuers and issues) and investment schemes will be determined by reference to credit ratings published by Fitch, Moodys and Standard and Poor's rating agencies. The Council's minimum long-term, short-term and other credit rating criteria, which are considered sufficient for each category of investment, will be adhered to at all times. Since the 2009/10 financial year, in response to the continuing economic uncertainty and financial difficulties faced by some banks the Council has restricted fixed deposits to UK banks and building societies and has limited fixed deposits to a time period of 3 months. The Council continued to rely on market intelligence as well as credit ratings, credit outlooks and additional information to alert it to institutions possibly facing financial difficulties.

Monitoring of credit ratings

A - All credit ratings will be monitored on a continual basis and reviewed weekly. The Council is alerted by Link Asset Services (formerly Capita), its external Treasury Management advisors, to changes in the Fitch, Moody's and Standard and Poor's rating agencies ratings daily.

B - If a downgrade results in the counter party/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

C - If a counter party/investment scheme is upgraded so that it fulfils the Council's criteria, the Deputy Chief Executive and City Treasurer will have the discretion to include it on the lending list.

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

The trade debtor amount is £322,806,000 and the estimated exposure to default is £78,372,000

Liquidity Risk

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

The Council manages its liquidity risk position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system as required by the CIPFA Code of Practice, this seeks to ensure that cash is available when it is needed.

Refinancing and Maturity Risk

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

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury management team address the operational risks within the approved parameters. This includes: monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council has £314,750,000 lender option borrower option (LOBO) loans. These have fixed rates of interest but the lender may seek to increase interest rates at which point the Council has the option to repay the loan. As there is no certainty as to whether these loans will be repaid early, the Council has treated these loans as fixed loans which will run to maturity.

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:
- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- borrowings at fixed rates – the fair value of the borrowing liability will fall.
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and effect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury management team will monitor market and forecast interest rates within the year, to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns. Similarly the drawing of longer term fixed rate borrowing would be postponed.

The Council tries to maximise its income on temporary investment and minimise its interest costs on temporary and long-term borrowing.

The maximum interest rate increase that could be expected in the current climate is assessed at 0.50%. This would only apply to the net short-term investments. The Council also has a number of LOBO loans that can be called at periods. There is the risk that these may have to be refinanced at a higher rate.

- LOBO risk (loans potentially subject to call £104,750,000 @ 0.5%) = £523,750.

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares but does have shareholdings at a cost of £151,367,000 in a number of organisation including those within its group. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares or impairment of the assets held. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

Foreign Exchange risk

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

Note 40. Usable Reserves

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

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

	Balance 31 March 2020 £000s	Transfer DSG to Unusable £000s	Re-stated 1 April 2020 £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2021 £000s	Note
a) Reserves Held for Capital Purposes								
Capital Receipts Reserve	(96,849)	0	(96,849)	0	(21,122)	24,015	(93,956)	a(1)
Major Repairs Reserve	(2,427)	0	(2,427)	0	(19,557)	15,916	(6,068)	a(2)
Capital Grants Unapplied Reserve	(104,055)	0	(104,055)	0	(88,780)	98,830	(94,006)	a(3)
Total Reserves Held for Capital Purposes	**(203,331)**	**0**	**(203,331)**	**0**	**(129,459)**	**138,761**	**(194,029)**	
Reserves Held for Revenue Purposes								
b) Schools Reserves								
Local Management of Schools	(11,712)	(4,281)	(15,993)	0	(21,532)	16,048	(21,478)	b(1)
Total reserves held for schools	**(11,712)**	**(4,281)**	**(15,993)**	**0**	**(21,532)**	**16,048**	**(21,478)**	
c) Statutory Reserves								
Bus Lane Enforcement Reserve	(12,598)	0	(12,598)	0	(2,035)	4,173	(10,460)	c(1)
On-street Parking Reserve	(4,257)	0	(4,257)	0	(2,007)	4,730	(1,534)	c(2)
Ancoats Square Reserve	(2,827)	0	(2,827)	0	0	60	(2,767)	c(3)
Highways Commuted Sums Reserve	(2,722)	0	(2,722)	0	(425)	104	(3,043)	c(4)
Other smaller reserves under £1.0m	(2,603)	0	(2,603)	0	(294)	448	(2,449)	
Total Statutory Reserves	**(25,007)**	**0**	**(25,007)**	**0**	**(4,761)**	**9,515**	**(20,254)**	
d) Reserves held for PFIs								
Public Lighting PFI Reserve	(144)	0	(144)	0	(67)	0	(211)	d(1)
Temple School PFI Reserve	(624)	0	(624)	0	(10)	75	(559)	d(2)
Wright Robinson Sports College PFI Reserve	(1,351)	0	(1,351)	0	(85)	0	(1,437)	d(3)
Total Reserves held for PFIs	**(2,119)**	**0**	**(2,119)**	**0**	**(162)**	**75**	**(2,207)**	
e) Small specific reserves								
Other smaller reserves under £1.0m	(4,269)	0	(4,269)	0	(405)	416	(4,258)	e(1)
Total small specific reserves	**(4,269)**	**0**	**(4,269)**	**0**	**(405)**	**416**	**(4,258)**	
f) Reserves held to smooth risk / assurance								
Insurance Fund Reserve	(18,588)	0	(18,588)	0	0	525	(18,063)	f(1)
Crime and Disorder Reserve	(1,080)	0	(1,080)	0	0	247	(833)	f(2)
Investment Estate Reserve	(1,233)	0	(1,233)	0	0	0	(1,233)	f(3)
Collections Initiative Reserve	(1,535)	0	(1,535)	0	(1,370)	48	(2,857)	f(4)
Manchester International Festival Reserve	(1,493)	0	(1,493)	0	(10,667)	0	(12,160)	f(5)
Adult Social Care Reserve	(11,095)	0	(11,095)	1,500	(13,778)	6,873	(16,499)	f(6)
Transformation Reserve	(9,483)	0	(9,483)	0	(63)	333	(9,213)	f(7)
Airport Dividend Reserve	(55,806)	0	(55,806)	0	0	11,853	(43,953)	f(8)
Planning Income Reserve	(3,186)	0	(3,186)	0	(589)	197	(3,578)	f(9)
Budget Smoothing Reserve	(10,651)	0	(10,651)	0	(7,655)	3,585	(14,721)	f(10)
Children's Services Reserve	(451)	0	(451)	0	(1,967)	140	(2,278)	f(11)
Other smaller reserves under £1.0m	(3,227)	0	(3,227)	0	(10)	551	(2,686)	f(12)
Total reserves held to smooth risk / assurance	**(117,828)**	**0**	**(117,828)**	**1,500**	**(36,098)**	**24,352**	**(128,075)**	
g) Business Rates Reserve								
Business Rates Reserve	(25,460)	0	(25,460)	0	(4,769)	6,785	(23,444)	g(1)
Total Business Rates Reserve	**(25,460)**	**0**	**(25,460)**	**0**	**(4,769)**	**6,785**	**(23,444)**	
h) Revenue reserves held to support capital schemes								
Capital Fund Reserve	(67,099)	0	(67,099)	0	(24,671)	4,106	(87,665)	h(1)
Capital Financing Reserve	(34,730)	0	(34,730)	0	0	0	(34,730)	h(2)
English Institute of Sport Reserve	(2,084)	0	(2,084)	0	(4,615)	5,690	(1,009)	h(3)
Investment Reserve	(12,927)	0	(12,927)	0	(14)	1,159	(11,781)	h(4)
Total revenue reserves held to support capital	**(116,840)**	**0**	**(116,840)**	**0**	**(29,300)**	**10,954**	**(135,185)**	

	Balance 31 March 2020 £000s	Transfer DSG to Unusable £000s	Re-stated 1 April 2020 £000s	Transfers between reserves £000s	Transfers to reserves £000s	Transfers from reserves £000s	31 March 2021 £000s	Note
i) Reserves held for economic growth and public sector reform								
Clean and Green Places Reserve	(434)	0	(434)	0	0	44	(390)	i(1)
Social Care Reserve	(14,231)	0	(14,231)	0	(920)	7,167	(7,983)	i(2)
Our Manchester Reserve	(3,676)	0	(3,676)	0	(111)	731	(3,057)	i(3)
City Centre Review Reserve	0	0	0	0	0	0	0	i(4)
Town Hall Reserve	(11,331)	0	(11,331)	0	(2,400)	1,334	(12,397)	i(4)
Troubled Families Reserve	(1,150)	0	(1,150)	0	(841)	64	(1,927)	i(5)
Other smaller reserves under £1.0m	0	0	0	0	(0)	0	(0)	
Total reserves held for economic growth and public sector reform	**(30,822)**	**0**	**(30,822)**	**0**	**(4,272)**	**9,340**	**(25,754)**	
j) Grants and contributions used to meet commitments over more than one year (shown as reserves due to the required accountancy treatment)								
English Partnership Reserve	(1,034)	0	(1,034)	0	(339)	583	(790)	
Other Grants and Contributions Reserve	(558)	0	(558)	0	(893)	346	(1,105)	
Integration Reserve	(2,652)	0	(2,652)	0	(13,608)	1,283	(14,978)	
MAES Reserve	(2,613)	0	(2,613)	0	0	1,163	(1,450)	
Supporting People Reserve	(448)	0	(448)	(1,500)	(143)	165	(1,925)	
Other smaller reserves under £1.0m	(880)	0	(880)	0	0	110	(770)	
Total grants and contributions used to meet commitments over more than one year	**(8,185)**	**0**	**(8,185)**	**(1,500)**	**(14,983)**	**3,650**	**(21,017)**	j(1)
k) COVID-19 Grants and contributions used to meet commitments over more than one year (shown as reserves due to the required accountancy treatment)								
COVID 19 Reserve	(18,200)	0	(18,200)	0	0	18,200	0	k(1)
COVID 19- Contain Outbreak Management Fund	0	0	0	0	(18,302)	0	(18,302)	k(2)
COVID 19- Additional Restriction Grant	0	0	0	0	(7,680)	0	(7,680)	k(3)
COVID 19- Clinically Extremely Vulnerable	0	0	0	0	(1,599)	0	(1,599)	k(4)
COVID 19- other under £1.0m	0	0	0	0	(2,467)	0	(2,467)	k(5)
Business Rates S31 Grant - Taxation Income Guara	0	0	0	0	(19,219)	0	(19,219)	k(6)
Business Rates S31 Grant - Extended Retail Relief	0	0	0	0	(148,471)	0	(148,471)	k(7)
Total COVID-19 grants and contributions used to meet commitments over more than one year	**(18,200)**	**0**	**(18,200)**	**0**	**(197,738)**	**18,200**	**(197,738)**	
Total reserves held for revenue purposes	**(360,442)**	**(4,281)**	**(364,723)**	**0**	**(314,020)**	**99,335**	**(579,409)**	
l) General Fund Reserve								
General Fund Reserve	(21,353)	0	(21,353)	0	(5,450)	0	(26,803)	l(1)
Total all general fund reserves	**(381,795)**	**(4,281)**	**(386,076)**	**0**	**(319,470)**	**99,335**	**(606,212)**	
m) Housing Revenue Account Reserve								
Housing Revenue Account Reserve	(109,445)	0	(109,445)	0	(1,722)	0	(111,167)	m(1)
Total All Usable Reserves	**(694,571)**	**(4,281)**	**(698,852)**	**0**	**(450,650)**	**238,096**	**(911,408)**	

a(1) - Capital Receipts Reserve

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

	2019/20 £000s	2020/21 £000s
Balance at 1 April	(81,860)	(96,849)
Capital receipts received in year	(37,271)	(21,122)
Paid to housing national pool	2,553	2,566
Applied to fund capital expenditure	19,729	21,449
Balance at 31 March	**(96,849)**	**(93,956)**

a(2) - Major Repairs Reserve

Resources available to meet capital investment in council housing.

	2019/20 £000s	2020/21 £000s
Balance at 1 April	(2,913)	(2,427)
HRA depreciation	(18,107)	(19,557)
Financing of capital expenditure on council dwellings	18,593	15,916
Balance at 31 March	**(2,427)**	**(6,068)**

a(3) - Capital Grants Unapplied Reserve

Capital grants and contributions available to meet future capital expenditure.

	2019/20 £000s	2020/21 £000s	
Balance at 1 April	(57,516)	(104,057)	
Grants received in year	(117,256)	(88,779)	
Transferred to Capital Adjustment Account: General Grants and Contributions	59,506	85,470	
Transferred to Capital Adjustment Account: Revenue Expenditure Funded from Capital Under Statute (REFCUS) Grants and Contributions	11,211	13,360	
Balance at 31 March	**(104,057)**	**(94,006)**	a(1)

a(1) Of the balance above £72.8m relates to Basic Need grant allocations.

b(1) The LMS Reserve is committed to be spent on the Education service and is not available for the general use of the Council. This is held by schools under delegated schemes. Last year the negative DSG reserve was shown here, new accounting practices have since been established in relation to the treatment of local authorities' schools budget deficits. For three years the Council must not charge the deficit to a revenue account. It must be held in a separate account established solely for the purpose of recording deficits relating to its school's budget. The new accounting practice has the effect of separating schools budget deficits from the Councils' general fund for a period of three financial years. The new unusable reserve can be seen in note 41.

c(1) The Bus Lane Enforcement Reserve was established to hold surpluses generated from bus lane enforcement and will be spent on public transport related activities and highways improvements. The transfer in of £2.035m in 2020/21 is reflective of the actual income less the cost of the service. It will be used in accordance with the requirements to fund the Council's contribution to the cost of metroshuttle and contribute towards the costs of the transport levy.

c(2) The On-street Parking Reserve was established to hold surpluses generated from on-street parking and will be spent on transport related activities and road and environmental improvements.

c(3) Commuted sum received from the Homes and Communities Agency to fund maintenance in future years.

c(4) Funds received as part of development agreements that will be utilised for highways schemes in future years.

d(1) The Public Lighting PFI Reserve has been established to fund future expenditure on the scheme.

d(2) The Temple School PFI Reserve has been established to fund future expenditure on the scheme.

d(3) The Wright Robinson Sports College PFI Reserve has been established to fund future expenditure on the scheme.

e(1) Small reserves under £1m of £4.3m includes Housing Compliance (£0.7m), Brexit (£0.6m), Community Safety Reserve (£0.6m), School Catering related (£0.6m), Cemeteries Replacement (£0.5m), Great Ancoats Management Improvement (£0.2m), Climate Innovation (£0.2m), and the Social Value Fund (£0.2m), Contributions Other Local Authorities (£0.1m). The remainder are under £0.1m each and total £0.6m.

f(1) The Insurance Fund has been established to fund risks that are self-insured, such as those that fall below the insurance policy deductible amounts and historic claims where the period of exposure predate when the commercial liability policies were procured.

f(2) A Crime and Disorder Reserve of £1.5m was created in 2018/19 to increase the capacity of the City Council to tackle anti-social behaviour in our neighbourhoods. £0.420m was utilised in 2019/20, £0.540m in 20/21 and £0.540m will be used the following year to fund the anti-Social Behaviour Team. The reserve also holds £293k grant to be spent in 2021/22.

f(3) The Investment Estate Reserve was created in 2018/19 to manage budget pressures due to the volatility and known future risks around investment income.

f(4) The Collection Initiatives Reserve contains funding for discretionary housing payments.

f(5) Manchester International Festival - business rates growth in that area prior to COVID-19 of £10.7m has been held in a reserve to fund the grant agreement to Manchester International Festival for the next 10 years once the Factory opens. This is important as it means the long-term funding agreement required for the opening of a venue of this size is not now a call on the revenue budget.

f(6) The Adult Social Care Reserve was established as part of a wider funding strategy that smooths resources over three years to enable permanent rather than agency or temporary appointments for social work posts supporting the delivery of the social care improvement plan, transition to the new home care contracts and to support the health and social care system to manage winter pressures. This reserve was increased at year end to mitigate the anticipated costs of supporting individuals released from hospital, due to COVID-19, awaiting an assessment of needs.

f(7) The Transformation Reserve has been set up to fund future service transformation costs.

f(8) The Airport Dividend Reserve is used to mitigate risk by using the majority of dividend receipts a year in arrears. The 2020/21 use was £11.853, leaving a balance of £43.953m which will be used over the next two years. No dividend was receivable in 2020/21 and it is unlikely, with the impact of COVID-19, that any dividend will be paid in 2021/22. The majority of the reserve will be applied to the budget to meet the anticipated budget shortfall in 2022/23 as part of the measures set out in the Medium Term Financial Strategy.

f(9) The Planning Income Reserve was set up to smooth fluctuations in planning income due to economic volatility

f(10) The Budget Smoothing Reserve was established in 2017/18 to smooth budgets over 2018/19 and 2019/20. Rebates received from the Greater Manchester Combined Authority relating to returned business rates income and reserves held for waste costs have been transferred to this reserve to be used to support future years budgets.

f(11) Children's Services reserve includes various smaller balances, the most significant relating to income risk

f(12) Other smaller reserves held to smooth risk / assurance includes Taxi Licensing reserve (£0.6m), Pension Contributions Reserve (£0.5m), Land Charges Fees Reserve (£0.3m) Selective Licensing Reserve (£0.2m) and Historic Abuse Reserve (£0.6m).

g(1) The Business Rates Reserve was established to mitigate business rates income risk due to the volatility of the assumptions and the future reset of the business rates base, which would see a loss of the Council's income growth since 2013.

h(1) The Capital Fund was established to fund revenue contributions to major capital schemes.

h(2) The Capital Financing Reserve was established to fund increases in borrowing costs due to the Council's capital investment programme

h(3) The English Institute of Sport Reserve holds monies received in relation to the City of Manchester Stadium and is to be used to fund future developments at Sports city.

h(4) The Investment Reserve has been set up to deliver priority regeneration projects.

i(1) The Clean and Green Reserve was funded from a dividend received from Manchester Airports Holdings Ltd and is being used to support green initiatives.

i(2) The Social Care Reserve was set up to address social care pressures as well as support the delivery of children's services on a locality footprint and a three year budget strategy.

i(3) The Our Manchester Reserve is for additional investment made available as part of the 2017/2020 budget process to drive forward the delivery of Our Manchester for example through Voluntary Sector Grants.

i(4) The Town Hall Reserve has been set up to fund revenue expenditure on the Town Hall Complex Programme. The transfer to the reserve of £2.4m has been met from Minimum Revenue Policy savings following the review of the policy in 2016/17. This reserve is expected to fund relevant spend until the end of the Town Hall project.

i(5) Troubled Families Reserve is grant funds used to support families with multiple and complex needs j(1) These grants were shown as receipts in advance on the Council's balance sheet under UKGAAP accounting standards as the spend they were funding had not been incurred. As these grants will not need to be repaid in accordance with the conditions on which the grant has been given, IFRS accounting standards require these grants to be recognised in the Consolidated Income and Expenditure Statement when they are due. The Council has chosen to transfer these grants to reserves to meet future spending commitments.

k(1) COVID 19 Reserve - The trance 1 COVID emergency funding grant of £18.6m was received in March 2020, it funded £0.4 of COVID related spend in 2019/20 with the balance of £18.2m carried forwards and applied against COVID-19 pressures in 2021/22. This supported costs and income losses faced by the council as a result of the pandemic, which weren't covered by specific funding streams.

k(2) COVID 19- Contain Outbreak Management Fund - To provide support to councils towards expenditure in relation to the mitigation against and management of local outbreaks of coronavirus and to support proactive containment and intervention measures

k(3) COVID 19- Additional Restriction Grant - To provide support to businesses impacted by the national lockdown measures and local restrictions

k(4) COVID 19- Clinically Extremely Vulnerable - To provide support to clinically extremely vulnerable individuals who are required to shield under local restrictions

k(5) COVID 19- other under £1.0m - These grants totalling £2.5m relate to Leisure Recovery Fund (£0.9m), New Burdens funding (£0.8m), Community Champions Reserve (£0.526m) and LA Framework Self-Isolating reserve (£0.185m).

k(6) Business Rates S31 Grant - Taxation Income Guarantee Scheme - This scheme reimburses the council for 75% of losses in 2020/21 Business Rates Income. The collection fund deficit resulting from the lost income will be spread over three years as mandated by government. This reserve will be drawn down over the three years to partly mitigate the budget impact.

k(7) Business Rates S31 Grant - Extended Retail Relief - 100% Business Rates Relief was awarded to retail hospitality and leisure properties in the city. The income loss was reimbursed by government via a Section 3 grant. The collection fund deficit resulting from the lost income will come through in 2021/22. This reserve will be applied to offset the collection fund deficit.

l(1) The General Fund Reserve is the only unallocated reserve, held to meet costs arising from unplanned events, it also acts as a buffer to help mitigate against the financial risks the Council faces and is used to smooth expenditure across years.

m(1) HRA reserve holds resources available to meet future running costs for council housing. The £1.7m increase is due to reduced revenue contribution towards capital expenditure because of delays in the planned capital programme. The 30 year business plan currently forecasts that reserves will be exhausted by 2041/42 and work is ongoing to identify efficiencies that ensure that the reserves are kept at a sufficient level to underwrite risk and to fund future investment needs as required.

Note 41. Unusable Reserves

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

Unusable Reserve	31 March 2020 £000s	Re-stated 1 April 2020 £000s	31 March 2021 £000s	Note
Revaluation balances				
Revaluation Reserve	(1,273,124)	(1,273,124)	(1,367,910)	a
Financial Instruments Revaluation Reserve	(13,014)	(13,014)	(10,281)	b
Adjustment accounts				
Pensions Reserve	689,573	689,573	1,060,026	c, 47
Capital Adjustment Account	(1,296,434)	(1,296,434)	(1,397,131)	d
Deferred Capital Receipts Reserve	(3,614)	(3,614)	(3,921)	e
Financial Instruments Adjustment Account	4,284	4,284	4,925	f
Collection Fund Adjustment Account	(15,760)	(15,760)	177,042	g
Short-term Accumulated Absences Account	5,845	5,845	6,748	h
Dedicated Schools Grant Reserve	0	4,282	2,258	i
	(1,902,245)	**(1,897,961)**	**(1,528,245)**	

From 1 April 2020 the Dedicated Schools Grant Reserve is to be treated as an unusable reserve when in deficit.

a - Revaluation Reserve

The revaluation reserve represents the level of revaluation gains net of impairments charged on the Council's non-current assets from 1 April 2007 onwards.

	2019/20 £000s	2020/21 £000s
Balance at 1 April	(1,242,419)	(1,273,124)
Revaluations relating to property, plant and equipment	(70,159)	(100,945)
Revaluations relating to other non-PPE assets	(6,424)	(20,726)
Revaluation gain depreciation	16,747	17,001
Impairment not charged to CIES	12,357	7,996
Disposals Transferred to Capital Adjustment Account (CAA)	15,632	1,888
Transfer to CAA re investment properties	1,143	0
Balance at 31 March	**(1,273,124)**	**(1,367,910)**

b - Financial Instruments Revaluation Reserve

The reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are :
- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

	2019/20 £000s	2020/21 £000s
Balance at 1 April	(13,994)	(13,014)
Upward revaluation of investments	(489)	(764)
Downward revaluation of investments	1,469	3,498
Balance at 31 March	**(13,014)**	**(10,281)**

c - Pensions Reserve

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

	2019/20 £000s	2020/21 £000s
Balance at 1 April	952,607	689,573
Net Movement in Year	(263,034)	370,453
Balance at 31 March	**689,573**	**1,060,026**

d - Capital Adjustment Account (CAA)

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

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

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

	2019/20 £000s	2020/21 £000s
Balance at 1 April	(1,280,692)	(1,296,434)
Repayment of ex GMC debt	(2,370)	(2,492)
Minimum revenue provision	(26,991)	(29,684)
Reversal of PFI charges to HRA	(8,570)	(3,397)
Capital grants and contributions	(70,717)	(98,830)
Revenue contributions used	(15,456)	(18,791)
Movement in fair value of investment property	(25,194)	(39,015)
Revaluation gain depreciation	(16,747)	(17,001)
Disposals transferred from revaluation reserve	(15,633)	(1,888)
Depreciation	77,109	77,210
Major Repairs Allowance	(18,594)	(15,916)
Capital Receipts Used	(19,729)	(21,449)
Other Disposals	65,195	7,410
Write down of intangible assets	85	64
Repayment of long-term debtors	17,558	3,229
Loss / (Gain) on repayment of housing loan	(25)	(47)
Write down of revenue expenditure funded from capital under statute	31,004	12,168
Impairment of non-current assets	13,929	47,505
Transfer from RR re investment properties	(1,143)	0
Impairment of financial instrument assets	547	228
Balance at 31 March	**(1,296,434)**	**(1,397,131)**

e - Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the granting of equity mortgages, equity loans and the disposal of council houses under right to buy legislation but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

Equity Mortgages

These relate to a joint home build scheme between the Council and Redrow Homes. The Council has provided homebuyers, purchasing the properties, equity mortgage loans for up to 25% of the property value. These loans become repayable 10 years after the purchase of the property or earlier if the homeowner decides to sell the property before this time. There is also the option for the homebuyer to repay the loan before either of these events. The outstanding balance is adjusted each year in line with the Land Registry House Pricing Index.

Equity Loans

a) Home Improvement Loans

These are equity share loans offered to home owners to carry out essential renovation works. The minimum loan value available is £7,000 up to a maximum of £25,000 or 33% of the value of the improved home. The equity share is secured by a legal charge and loans are repayable on the death of the purchaser, or the sale of the property or when the purchaser ceases to occupy the property as their main home. The outstanding balance is adjusted each year in line with the Land Registry House Pricing Index.

b) Relocation Assistance Loans

These are equity share loans provided to assist owner-occupiers displaced by demolition to purchase a replacement property. Loan values are available which meet the difference between the value of the property to be demolished and the cost of buying another property subject to specified limits. The equity share is secured by a legal charge and loans are repayable on the death of the purchaser, or the sale of the property or when the purchaser ceases to occupy the property as their main home. The outstanding balance is adjusted each year in line with the Land Registry House Pricing Index.

	Opening Balance 1 April 2020 £000s	New Loans £000s	Gains on Disposal £000s	Principal Repayments £000s	Fair Value Adjustments £000s
Equity Mortgages	(1,948)	0	(118)	425	214
Equity Loans	(1,666)	0	0	0	(828)
Total Deferred Capital Receipts	**(3,614)**	**0**	**(118)**	**425**	**(614)**

f - Financial Instruments Adjustment Account

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

	2019/20 £000s	2020/21 £000s	
Balance at 1 April	1,114	4,284	
Soft loans in year movements	(33)	(50)	
Adjustment for interest free loans	3,752	1,223	f(a)
Premium and discounts	(549)	(533)	
Balance at 31 March	**4,284**	**4,925**	

f (a) The Council has received interest free loans of £8.5m from the Homes and Communities Agency repayable in 2024 and £20.5m from Salix repayable until 2025. This amount represents the saving to the Council over the remaining length of the loans of them being interest free.

g - Collection Fund Adjustment Account

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

Council Tax	2019/20 £000s	2020/21 £000s
Balance at 1 April	(5,893)	(2,862)
Movement in Year	3,031	1,887
Balance at 31 March	**(2,862)**	**(975)**

Business Rates	2019/20 £000s	2020/21 £000s
Balance at 1 April	(15,772)	(12,898)
Movement in Year	2,874	190,915
Balance at 31 March	**(12,898)**	**178,017**

Total	2019/20 £000s	2020/21 £000s
Balance at 1 April	(21,665)	(15,760)
Movement in Year	5,905	192,802
Balance at 31 March	**(15,760)**	**177,042**

h - Short-term Accumulated Absences Account

The Short-term Accumulated Absences Account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to and from this account.

	2019/20 £000s	2020/21 £000s
Balance at 1 April	5,690	5,845
Movement in Year	155	904
Balance at 31 March	**5,845**	**6,748**

i - Dedicated Schools Grant Reserve

For the first time the DSG deficit is presented as an unusable reserve. This is the result of the introduction on 29 November 2020 of a new Statutory Instrument to amend the Local Authorities (Capital Finance and Accounting Regulations 2002) by establishing new accounting practices in relation to the treatment of schools' budget deficits. The aim is to ensure that DSG deficits are ringfenced and held separately from General Fund resources so that specific measures can be put in place to address the deficits without placing pressures on resources required for other essential services.

Note 42. Dedicated Schools Grant

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

Details of the deployment of DSG receivable in 2020/21 are as follows:

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2020/21 before academy recoupment			560,150
Academy figure recouped for 2020/21			239,508
Total DSG after academy recoupment for 2020/21			320,642
Plus brought forward from 2019/20			(4,281)
Less carry forward to 2020/21 agreed in advance			(2,449)
Agreed initial budgeted distribution in 2020/21	18,689	300,121	318,810
In year adjustments	0	632	632
Final budgeted distribution for 2020/21	18,689	300,753	319,442
Less actual central expenditure	14,190		14,190
Less actual ISB deployed to schools		304,428	304,428
Plus local authority contribution for 2020/21	0	0	0
Carry forward to 2020/21	**4,499**	**(3,675)**	**824**

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

This deficit is expected to be recovered by 2022/23. Based on the original budgets set for 2021/22 it is expected the DSG deficit will be reduced by £1.5m in 2021/22 and the balance over the following year. A review of the high needs block has been undertaken as part of the planned recovery.

The original budget for the Central Expenditure includes the following which are transferred to schools during the year:

- provisions for funding for Special Education Needs
- increases in pupil numbers
- contingencies within schools.

Note 43. Local Government Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in three pension schemes:
The Local Government Pension Scheme is a fully funded defined benefits scheme. The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of Tameside MBC who administer the scheme on behalf of the Greater Manchester Authorities. Tameside MBC delegates its functions in relation to the Greater Manchester Pension Scheme to the Pension Fund Management Panel, the Pension Fund Advisory Panel, Pension Fund Working Groups and the Executive Director of Pensions. The Pension Fund Management Panel is the key decision maker for investment management, monitoring investment activity and performance, overseeing administrative activities and providing guidance to officers in exercising delegated powers. All the Greater Manchester authorities are represented on the Management Panel.

The Public Service Pensions Act 2013 received Royal Assent on 25 April 2013. As a result benefits earned from 1 April 2014 are based on career average revalued earnings.

There are risks and uncertainties associated with whatever assumptions are adopted. The Accounting Standard requires the assumptions to be determined on a best estimate basis. However the assumptions are in effect projections of future investment returns and demographic experience many years into the future and there is inevitably a great deal of uncertainty in what constitutes best estimate for such projections.

The Accounting Standard requires the discount rate to be set with reference to yields on high quality corporate bonds irrespective of the investment strategy of the Fund. As such, the figures are unlikely to reflect either the actual eventual cost of providing benefits or the likely level of contributions to fund the employer's obligations to the Fund. The Balance Sheet position may change significantly due to relative changes in the equity and bond markets at the reporting date.

The main risk to the Council is that if the assumptions are more prudent than other employers it would lead to a poorer reported financial position or if less prudent an improved financial position. This does not have an impact on the underlying cost of the Fund nor the level of contributions that will be derived from future funding valuations.

In order to assess the value of the employer's liabilities in the Fund at 31 March 2021 the actuary has rolled forward the value of liabilities calculated at the latest formal valuation, 31 March 2019, allowing for the different financial assumptions required under the Accounting Standards at the accounting date. In calculating the current service cost, allowance has been made for changes in the employer's pensionable payroll as estimated from contribution information. In calculating the asset share the employer's share of assets allocated at the latest valuation has been rolled forward, allowing for investment returns, the effect of contributions paid into and benefits paid from the Fund by the employer and its employees.

The estimated liability will not reflect any difference in demographic experience from that assumed, the impact of differences in salary and pension increases and changes for specific individuals and the effect of any changes in the age and length of service structure of the liabilities. It is not possible to reflect these without undertaking a full valuation. There is no reason to believe that this will introduce any undue distortions in the results.

The Teachers' Pension Scheme is a defined benefit scheme, administered by the Department for Education. Further information is included in Note 44.

Under the arrangements for Public Health, staff performing public health functions who were compulsorily transferred from the Primary Care Trusts to local authorities and had access to the NHS Pension Scheme on 31 March 2013 retained access to that Scheme on transfer at 1 April 2013.

The NHS pension scheme is an unfunded, defined benefit scheme that covers NHS employers and is a multi-employer defined benefit scheme. Further information is included in Note 45.

Transactions Relating to Retirement Benefits

The costs of retirement benefits in the net cost of services are recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

	2019/20 £000s	2020/21 £000s
Comprehensive Income and Expenditure Statement		
Net Cost of Services:		
current service cost	101,196	86,850
past service costs	5,826	675
Total Service Cost:	107,022	87,525
Financing and investment income and expenditure		
interest income on scheme assets	(72,570)	(64,178)
interest cost on defined benefit obligation	96,006	80,909
Total Net Interest	23,436	16,731
Total post employment benefits charged to the deficit on the provision of services	**130,458**	**104,256**
Re-measurement of the Net Defined Benefit Liability comprising:		
return on plan assets (excluding amounts included in net interest)	228,414	(551,538)
actuarial gains and losses arising on changes in demographic assumptions	(115,908)	22,999
actuarial gains and losses arising on changes in financial assumptions	(271,760)	882,251
other experience re-measurements	(176,247)	(31,947)
Total remeasurements recognised in other comprehensive income and expenditure	**(335,501)**	**321,765**
The amount charged to other comprehensive income and expenditure statement	72,468	(37,740)
Movement in Reserves Statement		
Reversal of the charges to the deficit on the provision of services and the amounts chargeable to the general fund under regulation	(130,458)	(104,256)
Employer's contribution payable to scheme	47,314	131,810
Employer's contribution re: unfunded deficit	10,676	10,186

Assets and Liabilities in Relation to Retirement Benefits

Present value of the scheme liabilities:

	Funded Liabilities: Local Government Pension Scheme	
	2019/20 £000s	2020/21 £000s
Balance at 1 April	3,993,575	3,527,410
Current service cost	101,196	86,850
Interest cost on defined benefit obligation	96,006	80,909
Contributions by scheme participants	16,002	16,834
Changes in financial assumptions	(271,761)	882,251
Changes in demographic assumptions	(115,908)	22,999
Other experience re-measurements	(176,247)	(31,947)
Unfunded benefits paid	(10,676)	(10,186)
Benefits paid	(110,603)	(108,678)
Past service cost including curtailments	5,826	675
Balance at 31 March	**3,527,410**	**4,467,117**

Fair value of the scheme assets:

	Local Government Pension Scheme	
	2019/20 £000s	2020/21 £000s
Balance at 1 April	(3,040,968)	(2,837,837)
Interest income on plan assets	(72,570)	(64,178)
Return on assets (excluding amounts included in net interest)	228,414	(551,538)
Contributions in respect of unfunded benefits	(10,676)	(10,186)
Employer contributions	(47,314)	(131,810)
Contributions by scheme participants	(16,002)	(16,834)
Benefits paid	110,603	108,678
Unfunded benefits paid	10,676	10,186
Balance at 31 March	**(2,837,837)**	**(3,493,519)**

The Council's share of pension fund assets is rolled forward, by the actuary, from the latest formal valuation date. The roll forward amount is then adjusted for investment returns, the effective contributions paid into and estimated benefits paid from the fund by the Council and its employees. As such this estimate may differ from the actual assets held by the Pension Fund at 31 March.

Net Liability for Year

	2019/20 £000s	2020/21 £000s
Present value of funded liabilities	(3,412,415)	(4,351,084)
Present value of unfunded liabilities	(114,995)	(116,033)
Fair value of assets	2,837,837	3,493,519
Net Liability arising from Defined Benefit obligation	**(689,573)**	**(973,598)**

The liabilities show the underlying commitment that the Council has in the long run to pay retirement benefits. The total liability of £973.6m is included within the net worth of the Council which has reduced by £55.458m as recorded in the balance sheet resulting in a positive overall balance of £2,541,357,000.

The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The next triennial valuation is at 31 March 2022.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 is £43.2m

Basis for Estimating Assets and Liabilities

Assets and liabilities have been assessed on an actuarial basis by Hymans Robertson, an independent firm of actuaries.

The main assumptions used in their calculations have been:

	2019/20	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	20.5 years	20.5 years
Women	23.1 years	23.3 years
Longevity at 65 for future pensioners *		
Men	22.0 years	21.9 years
Women	25.0 years	25.3 years
Rate of increase in salaries	2.7%	3.6%
Rate of increase in pensions	1.9%	2.85%
Discount rate	2.3%	2.0%
Take-up of option to convert annual pension into retirement lump sum - pre April 2008	55.0%	55.0%
Take-up of option to convert annual pension into retirement lump sum - post April 2008	60.0%	60.0%

* Figures assume members aged 45 as at the last formal valuation date.

The estimate of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above.

Changes in assumptions at 31 March 2021	**% increase to Employer Liability**	**£000s**
0.5% decrease in real discount rate	10%	426,259
0.5% increase in the salary increase rate	1%	38,915
0.5% increase in the pension increase rate	8%	378,471

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

This is not a full list of the assumptions used. For example changes to the assumed level of withdrawals from the scheme and the number of ill health retirements will also have an effect. However the assumptions in the table above will have the most impact.

The table shows the effect of changes to each assumption in isolation. It is possible for the experience of the Fund to deviate from more than one of the assumptions simultaneously and so the precise effect on the valuation is more complex.

The assets consist of the following categories, by proportion of the total assets held:

	Year Ended 31 March 2020				Year Ended 31 March 2021			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total		Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	
	£000s	£000s	£000s	%	£000s	£000s	£000s	%
Equity securities								
Consumer	214,913	0	214,913	8%	306,555	0	306,555	9%
Manufacturing	177,111	0	177,111	6%	273,019	0	273,019	8%
Energy and utilities	140,721	0	140,721	5%	169,412	0	169,412	5%
Financial institutions	254,950	0	254,950	9%	366,982	0	366,982	10%
Health and care	131,839	0	131,839	5%	174,609	0	174,609	5%
Information technology	116,763	0	116,763	4%	184,528	0	184,528	5%
Other	58,287	0	58,287	2%	56,443	0	56,443	1%
Debt securities								
Corporate bonds (investment grade)	136,368	0	136,368	5%	168,863	0	168,863	5%
Other	116,031	0	116,031	4%	45,382	0	45,382	1%
Private equity								
All	0	180,628	180,628	6%	0	207,932	207,932	6%
Real estate								
UK property	0	130,394	130,394	5%	0	130,535	130,535	4%
Investment funds and unit trusts								
Equities	265,531	0	265,531	9%	313,894	0	313,894	9%
Bonds	356,654	0	356,654	13%	442,730	0	442,730	13%
Infrastructure	0	169,774	169,774	6%	0	178,090	178,090	5%
Other	67,801	288,047	355,849	13%	75,722	332,199	407,921	12%
Derivatives								
Other	0	0	0	0%	(2,805)	0	(2,805)	0%
Cash and cash equivalents								
All	32,025	0	32,025	1%	69,431	0	69,431	2%
	2,068,994	768,843	2,837,837	100%	2,644,765	848,754	3,493,519	100%

Note 44. Teachers' Pension Scheme

Although the scheme is unfunded, the Department for Education (DfE) uses a notional fund as the basis for calculating the employer's contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. Although the teachers' pension scheme is a defined benefits scheme, for the purposes of the statement of accounts it is accounted for on the same basis as a defined contributions scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability described in Note 45.

The pension costs charged to the accounts are at the contribution rate set by the DfE on the basis of a notional fund. In 2020/21 the Council's contribution to the DfE in respect of teachers' pension costs was £23,433,377.60 (£20,488,000 2019/20), the set contribution rate being 23.68% for the period to 31 August 2020, then % from 1 September 2020 to 31 March 2021 (% 2019/20).

The total contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2022 is £23,785,714.80.

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with related increases. In 2020/21 these amounted to £,000 (£5,756,000 2019/20) of which £,000 (£1,045,000 2019/20) relates to former establishment employees and is refunded by the Higher Education Funding Council.

Note 45. National Health Service Pension Scheme

The NHS pension scheme is an unfunded, defined benefit scheme that covers NHS employers and is a multi-employer defined benefit scheme. This means that liabilities for benefits cannot be identified to the Council. The scheme is therefore accounted for as a defined contribution scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Adults Social Care line within the Comprehensive Income and Expenditure Statement is charged with the employer’s contributions payable in the year.

In 2020/21 the Council's contribution in respect of former NHS staff pension costs was £86,480 (£84,000 in 2019/20), the set contribution rate being 14.4% (14.4% in 2019/20).

Note 46. Contingent Assets and Liabilities

Contingent Assets

a) As part of the Plymouth Grove and Miles Platting PFI contracts the operators are able to earn income from the sale of properties. There is a profit share mechanism in place in relation to this income with the Council benefitting from a share of the profits. The scale of this profit share cannot be assessed.

b) As part of the Bowes Street Regeneration Scheme in Moss Side the Council has provided homebuyers, purchasing the renovated properties, equity mortgage loans for up to 30% of the property value. As these loans are repayable on the sale of the property or if the homebuyer decides to repay the loan before sale, the timing of the receipt cannot be assessed. Thus a debtor has not been recognised on the Council's balance sheet.

Contingent Liabilities

There are no Contingent Liabilities reported

Note 47. Related Party Transactions

The Code of Practice on Local Authority Accounting requires the disclosure of any material transactions with related parties to ensure that stakeholders are aware that these transactions have taken place and the amount and implications of such transactions.

All material related party transactions are disclosed below:

Income	2019/20 £000s	2020/21 £000s	
Central Government - revenue grants	668,569	943,186	a
Central Government - capital grants	89,654	83,780	a
Greater Manchester Combined Authority - capital contribution	21,740	5,000	b
Manchester Airports Holdings Ltd - dividend	71,061	380	c
Manchester Airports Holdings Ltd - repayment of interest	22,478	30,934	c
Manchester Airports Holdings Ltd - net rent	9,013	9,549	c
Manchester Clinical Commissioning Group	21,014	34,805	d
Destination Manchester Ltd - interest on loans	776	704	c
Destination Manchester Ltd - repayment of loan principal	0	750	c
Northwards Housing Ltd (capital and revenue income)	2,133	2,376	e
	906,438	**1,111,464**	

Expenditure	2019/20 £000s	2020/21 £000s	
Greater Manchester Combined Authority - levy	36,824	37,476	b
Greater Manchester Waste Disposal Authority - levy	31,514	31,338	b
Greater Manchester Police and Crime Commissioner - precept	23,006	24,759	b
Greater Manchester Fire and Rescue Authority - precept	8,927	10,811	b
Greater Manchester Fire and Rescue Authority - share of business rates	3,329	3,329	b
Manchester Clinical Commissioning Group	7,795	5,419	d
Northwards Housing Ltd (capital and revenue spend)	30,793	29,656	e
Manchester Working Ltd (capital and revenue spend)	0		e
	142,188	**142,788**	

	Amounts owed from		Amounts owed to	
.	2019/20 £000s	2020/21 £000s	2019/20 £000s	2020/21 £000s
Central Government	36,868	93,227	50,317	62,734
Greater Manchester Combined Authority	10,086	8,567	12,385	5,672
Manchester Airports Holdings Ltd	218,713	356,098	0	0
Destination Manchester Ltd	17,157	16,407	0	0
Manchester Clinical Commissioning Group	5,151	5,328	54	27
Northwards Ltd	697	492	927	974
Manchester Working Ltd	242	0	333	0
	288,914	**480,118**	**64,016**	**69,407**

Members and Chief Officers
.Members of the Council have a direct control over the Council's financial and operating policies. . Details of member's interest, both pecuniary and non-financial are recorded in the register of member's interest (available for public inspection). During 2020/21 there were no reported material transactions with related parties advised by members or officers.

a. Central Government
Central Government has effective control over the general operations of the Council. It is responsible for providing the framework within which the Council operates and provides the majority of its funding in the forms of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills and housing benefits).

The increase in Capital Grants was due to increase in Basic Needs Grant.
The award of Basic Need Grant is based on an assessment by government of the forecast pupil population in authorities. In Manchester significant growth was forecast, therefore the level of grant funding also increased significantly.

Grant details are set out in Notes 16 and 17. Central Government debtors and creditors are set out in Notes 35 and 37.

b. Other Public Bodies
The Council pays levies towards the services provided by Greater Manchester Combined Authority (GMCA) for the management and disposal of household waste and for public transport, economic development and regeneration activities. The GMCA Police and Fire and Rescue elements set their own charge to council tax payers which is then included in the council tax bill. This is known as the precept.

The Council pays 1% of the estimated Business Rates due to the Greater Manchester Combined Authority Fire and Rescue element.

c. Entities controlled or significantly influenced by the Council
The Council has a number of subsidiaries over which it has control and associate and joint venture companies over which it exerts significant influence. Manchester Airports Holdings Ltd is a joint venture and Destination Manchester Ltd is a subsidiary; the Council and these organisations have related party transactions that are considered to be material.

Manchester Airports Holdings Ltd
The Council is a related party to Manchester Airports Holdings Ltd. The Council owns 35.5% of the share capital of the company. The principal activities of the Group during the year were ownership, operation and development of airport facilities. Cllr Sir Richard Leese, the Leader of the Council, is a non-executive director to Manchester Airports Holdings Ltd.

Destination Manchester Ltd (DML)
Destination Manchester Ltd.'s ultimate parent and controlling party is Manchester City Council. Destination Manchester Ltd owns and manages the Manchester Central Convention Complex, which holds major conferences and exhibitions. The director who served the company during the year was the Deputy Chief Executive and City Treasurer, Carol Culley.

d. Manchester Clinical Commissioning Group (CCG) and Manchester Health and Care Commissioning (MHCC)
The objective of the Manchester CCG is to ensure that people in Manchester have access to high quality, safe health services when they need them. Manchester CCG commission healthcare services including community health services and mental health and learning disability services.

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

e. Subsidiaries or associates of the Council.
These organisations are not consolidated into the Council's group accounts because they are not material.

Northwards Housing Ltd
Northwards Housing Ltd is an Arms Length Management Organisation (ALMO) limited by guarantee, and therefore a subsidiary of the Council. Manchester City Council is the ultimate parent undertaking. The ALMO activities transferred back into the City Council with effect from 5th July 2021, this included TUPE transfer for all staff, novation of existing contracts and the City Council taking direct responsibility for delivery of activities previously undertaken by the ALMO. The costs of these activities will be funded by the Housing Revenue Account. Northwards Housing Ltd will have ceased trading The principal activity of Northwards Housing Ltd is the management and maintenance of Manchester City Council's housing stock in North Manchester.

Manchester Working
Manchester Working was responsible for undertaking repairs and maintenance of council houses managed by Northwards and the facilities management estate for the Council; the Council did not have a contract with Manchester Working in 2020/21.

Note 48. Analysis of Cash and Cash Equivalents

Cash and Cash Equivalents	31 March 2020 £000s	31 March 2021 £000s	
Cash in hand	59	54	
Call accounts	8,269	8195	
Investments less than 3 months	100,030	19,465	a
Balance at bank	25,626	15,810	
Total	**133,984**	**43,524**	

a. Refer to cash flow statement and notes

Note 49. Cash Flow Statement - Adjustments to net deficit on the provision of services for non-cash movements

	31 March 2020 £000s	31 March 2021 £000s
Depreciation of non current assets	77,109	77,209
Impairment and revaluation losses of non current assets	13,930	47,504
Amortisation of intangible non-current assets	85	64
Pension fund adjustments	72,468	(37,740)
Movement in fair value of investment property	(25,195)	(39,015)
Differences between statutory accounting and amounts recognised as income and expenditure in relation to financial instruments	4,386	1,047
Increase in impairment provision for bad debts	4,672	10,668
Contributions to provisions	2,347	(3,957)
Carrying amount of property, plant and equipment, investment properties and intangible assets sold	65,195	7,408
Other non-cash movements	14,135	2,071
Decrease / (increase) in inventories	(27)	(36)
Decrease / (increase) in debtors (less capital)	(19,764)	(97,565)
Decrease / (increase) in interest debtors	(13,768)	(32,060)
(Decrease) / increase in creditors (less capital)	50,821	41,938
(Decrease) in interest creditors	(76)	905
Total	**246,318**	**(21,559)**

Note 50. Cash Flow Statement - Adjustments for items included in the net deficit on the provision of services that are investing and financing activities

	31 March 2020 £000s	31 March 2021 £000s
Proceeds from the disposal of property, plant and equipment, investment properties and intangible assets	(38,433)	(21,595)
Capital grants credited to deficit on the provision of services	(106,044)	(75,420)
	(144,477)	**(97,015)**

Note 51. Cash Flow Statement - Operating Activities

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

	2019/20 £000s	2020/21 £000s
Interest received	(15,690)	(2,312)
Interest paid	31,692	33,705
Dividends received	(71,061)	(380)

Note 52. Cash Flow Statement - Investing Activities

	2019/20 £000s	2020/21 £000s
Purchase of plant, property and equipment, investment property and intangible assets	(226,654)	(316,997)
Purchase of short-term and long-term investments	(1,870)	(4,230)
Proceeds from the sale of plant, property and equipment, investment property and intangible assets	38,433	21,595
Capital grants received	82,206	28,166
Other receipts from investing activities	21,040	28,013
Net cash flows from investing activities	**(86,845)**	**(243,453)**

Note 53. Cash Flow Statement - Financing Activities

	2019/20 £000s	2020/21 £000s
Repayments of short and long term borrowing	(33,827)	(224,344)
Cash payments for the reduction of outstanding liabilities relating to finance leases and PFI contracts	(12,931)	(8,987)
Cash receipts of long and short term borrowing	69,215	367,301
Repayment of ex GMC debt	(2,370)	(2,492)
Net cash flows from financing activities	**20,087**	**131,478**

Note 54. Cash Flow Statement - Reconciliation of liabilities arising from Financing Activities

	1 April 2020	Financing cash flows	Non- cash changes		31 March 2021
			Acquisition	Other non-cash changes	
	£000s	£000s	£000s	£000s	£000s
Long-term borrowings	585,397	0	0	(6,842)	578,555
Short-term borrowings	32,904	142,958	0	8,813	184,675
Ex GMC debt	5,146	(2,492)	0	0	2,654
PFI liabilities	155,997	(8,205)	1,142	0	148,934
Service concessions	5,506	(782)	100	0	4,824
Total liabilities from financing activities	**784,950**	**131,479**	**1,242**	**1,971**	**919,642**

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

Note 55. Events after the Balance Sheet Date

National Car Parks Manchester The joint venture with National Car Parks (National Car Parks (Manchester) was first established in 2000, and this arrangement ceased at 31st December 2020. The City Council car park assets came back into the Council with effect from 1st January 2021 and are now managed and operated within the City Council.

Northwards Housing Ltd is an Arms Length Management Organisation (ALMO) limited by guarantee, and therefore a subsidiary of the Council. Manchester City Council is the ultimate parent undertaking. The ALMO activities transferred back into the City Council with effect from 5th July 2021, this included TUPE transfer for all staff, novation of existing contracts and the City Council taking direct responsibility for delivery of activities previously undertaken by the ALMO. The costs of these activities will be funded by the Housing Revenue Account. Northwards Housing Ltd will have ceased trading from July, and it is anticipated that the Company will be wound up by the end of December 2021 with any remaining assets or liabilities transferring back to the City Council.

Note 56. Authorisation for Issue of the Statement of Accounts

The 2020/21 Statement of Accounts was authorised for issue by Carol Culley, the Deputy Chief Executive and City Treasurer on 27/07/2021. All events after the Balance Sheet date until this date have been considered for disclosure as events after the Balance Sheet date.

Housing Revenue Account (HRA) Income and Expenditure Statement

The HRA reflects a statutory obligation to account separately for council housing provision. The HRA Income and Expenditure Statement shows the major elements of HRA expenditure and how they are met from rents, grants and other income. The account does not reflect all of the transactions required by statute to be charged or credited to the HRA for the year. The Movement on the HRA Statement gives details of the additional transactions which are required by statute.

2019/20 £000s		Note	2020/21 £000s
	Expenditure		
26,317	Repairs and maintenance		34,657
14,610	Supervision and management		14,533
281	Rents, rates taxes and other charges		408
23,256	Depreciation and impairment of non current assets	e,f	20,230
25	Debt management costs		22
48	Revenue expenditure funded from capital under statute	g	2
64,537			**69,852**
	Income		
(59,944)	Dwelling rents (gross)		(61,632)
(392)	Non-dwelling rents (gross)		(417)
(922)	Charges for services and facilities		(1,112)
(243)	Contributions towards expenditure		99
(23,586)	Private Finance Initiative Grant		(23,374)
0	Decent Homes Backlog Funding		0
0	Mortgage Repayments		0
	Revenue expenditure funded from capital under statute grants		
(85,088)			**(86,436)**
(20,551)	**Net (Income) of HRA Services as included in the Council's Comprehensive Income and Expenditure Statement**		**(16,584)**
98	HRA services share of corporate and democratic core		98
54	HRA share of other amounts included in the Council's net cost of services but not allocated to specific services		2
(20,399)	**Net (Income) of HRA Services**		**(16,484)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(7,129)	(Gain) on disposal of HRA non-current assets		(2,494)
11,990	Interest payable and similar charges		11,339
111	Movement in the allowance for bad debts		303
(131)	Interest and investment income		(89)
80	Net interest on the net defined benefit liability		56
(4)	Capital grants and contributions		(1,207)
(15,483)	**(Surplus) for the year on HRA services**		**(8,576)**

Movement on the Housing Revenue Account Statement

2019/20 £000s		2020/21 £000s
(104,452)	**Balance on the HRA at the end of the previous year**	**(109,445)**
(15,483)	(Surplus) for Year on the HRA Income and Expenditure Statement	(8,576)
	Adjustments between accounting basis and funding basis under the legislative	
151	Capital expenditure funded by the HRA	154
7,129	Gain/(Loss) on disposal of HRA non current assets	2,494
0	Transfer to short term accumulating absences account	1
(167)	HRA share of employer contributions from pension scheme	277
(5,149)	Impairment of non current assets	(674)
(48)	Amortisation of Revenue Expenditure Funded from Capital under Statute	(2)
8,570	Reversal of PFI Charges	3,397
4	Capital grants and contributions receivable	1,207
(4,993)	**Net (Increase) in Year on the HRA**	**(1,723)**
(109,445)	**Balance on the HRA at the end of the current year**	**(111,167)**

Notes to the Housing Revenue Account

(a) Housing Stock

The Council was responsible for managing an average of 15,655 dwellings during 2020/21.

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

	31 March 2020	31 March 2021
Houses and bungalows	8,877	8,820
Flats	6,735	6,723
Others	77	77
	15,689	15,620

The change in stock is as follows:

	2019/20	2020/21
Stock at 1 April	15,845	15,689
Sales - Right to Buys	(191)	(76)
Demolitions	(1)	0
Transfers	0	0
Other	12	4
New buildings	23	3
Acquisitions	1	0
Stock at 31 March	**15,689**	**15,620**

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

	31 March 2020 £000s	31 March 2021 £000s
Operational		
Council dwellings	568,161	623,195
Other land and buildings	5,039	4,952
Vehicles, plant and equipment	783	682
Infrastructure	1,945	1,867
	575,928	**630,697**
Non-operational		
Surplus properties	572	569
Assets under construction	2,091	19,297
	578,591	**650,563**

(b) Vacant Possession of Dwellings

The vacant possession value of dwellings within the Council's HRA at 31 March 2021 was £1,558,649,500. The difference between the vacant possession value and balance sheet value of dwellings within the HRA shows the economic cost of providing council housing at less than open market rents.

(c) Capital Expenditure, Funding and Receipts

	2019/20 £000s	2020/21 £000s
Expenditure		
Property, plant and equipment	18,898	17,572
Revenue expenditure funded from capital under statute	48	2
	18,946	**17,574**
Funded by		
Revenue contributions	151	155
Capital receipts	197	294
Major repairs reserve	18,594	15,917
Government grants	0	1,207
External contributions	4	1
	18,946	**17,574**
Receipts		
Council dwellings	14,591	5,445
Mortgage repayments	1	0
	14,592	**5,445**

(d) Depreciation

	2019/20 £000s	2020/21 £000s
Property, plant and equipment		
Council dwellings	17,822	19,274
Other land and buildings	104	105
Vehicles, plant and equipment	100	101
Infrastructure	81	78
	18,107	**19,557**

(e) Impairment Charges

	2019/20 £000s	2020/21 £000s
Non-enhancing capital expenditure	117	
Downward revaluation of assets	5,031	674
	5,149	**674**

(f) Revenue Expenditure Funded From Capital Under Statute

Revenue expenditure funded from capital under statute of £2,000 (£48,000 in 2019/20) has been charged to the HRA.

(g) Contribution from the Pension Reserve

The cost of the HRA has increased after the replacement of employer's pension contributions by current service costs and a share of the corporate items (pensions interest costs, expected return on pensions assets and past service costs). The HRA share of the contribution from the pensions reserve in 2020/21 is £277,000 (£167,000 in 2019/20). The overall amount to be met from rent payers remains unchanged.

(h) Rent Arrears

	2019/20 £000s	2020/21 £000s
Arrears at 31 March	7,599	8,450

	2019/20 £000s	2020/21 £000s
Provision at 1 April	6,263	6,356
Contributions in year	93	307
Provision as at 31 March	**6,356**	**6,663**

Collection Fund

Income and Expenditure Account

This account reflects statutory requirements for billing authorities to maintain a separate collection fund to account for the income from council tax and business rates and its distribution to the Council, the Greater Manchester Combined Authority Police and Crime and Fire and Rescue elements.

2019/20 £000s				2020/21 £000s		
Business Rates	**Council Tax**	**Total**		**Business Rates**	**Council Tax**	**Total**
			Income			
0	203,090	203,090	Council Tax - net amount receivable		212,906	212,906
			Local Council Tax Hardship Fund a		6,835	6,835
377,735	0	377,735	Collectable from business ratepayers	225,962		225,962
377,735	203,090	580,825		225,962	219,741	445,703
			Expenditure			
			Apportionment of Previous Year Surplus			
13,271	5,478	18,749	- Manchester City Council	12,080	5,028	17,108
0	721	721	- GMCA Police and Crime Commissioner	0	699	699
134	281	415	- GMCA Mayoral and Fire and Rescue	122	271	393
			Precepts and demands			
329,567	159,030	488,597	- Manchester City Council	340,462	169,437	509,898
0	23,006	23,006	- GMCA Police and Crime Commissioner		24,759	24,759
3,329	8,927	12,256	- GMCA Mayoral and Fire and Rescue	3,329	10,811	14,140
			Business rates			
1,152	0	1,152	- Transitional protection payment	3,220	0	3,220
548	0	548	- EZ Growth Disregard	313	0	313
			Charges to Collection Fund			
10,331	707	11,038	- Write offs of uncollectable amounts	0	1,133	1,133
(455)	8,606	8,151	- Increase in Allowance for Impairment	22,624	9,926	32,550
21,638	0	21,638	- Contribution to Provision for Appeals	35,648	0	35,648
1,124	0	1,124	- Costs of collection	1,124	0	1,124
380,638	**206,756**	**587,394**	**Total Expenditure**	**418,921**	**222,063**	**640,984**
(2,903)	(3,666)	(6,569)	Movement on fund balance	(192,959)	(2,322)	(195,281)
15,931	7,175	23,106	Fund balance brought forward	13,028	3,509	16,537
13,028	**3,509**	**16,537**	**Fund Balance Carried Forward**	**(179,931)**	**1,187**	**(178,744)**

a) Government's Hardship scheme totalling £6.835m, which included a deduction of £150 from annual council tax bills for the most vulnerable residents, was applied in 2020/21 and credited the Collection Fund.

Notes to the Collection Fund Account

a) Business Rates

The Council collects business rates for its area on behalf of itself and the Greater Manchester Combined Authority (Fire and Rescue). These rates are based on rateable values for properties set by the Valuation Office Agency which are multiplied by a uniform business rate set by central government. The multiplier for the year was set at 49.9p (49.1p for 2019/20) for smaller businesses and for larger businesses 51.2p (50.4p for 2019/20). The total business rates rateable value at 31 March 2021 was £899,643,600 (£906,661,850 at 31 March 2020).

b Calculation of the Council Tax Base

For 2020/21 there were 236,069 residential properties in Manchester which were placed in one of eight valuation bands, depending on their capital value, by the Listing Officer of the government's Valuation Office. There are 204,584 equivalent number of dwellings after taking account of discounts, exemptions and disabled relief. These equate to 158,173 equivalent Band D properties, which are used for the calculation of the tax base.

The table below shows the total number of equivalent properties after discounts, exemptions and disabled relief and the number of chargeable Band D equivalents.

Valuation Band	Total Equivalent Number of Dwellings after Discounts, Exemptions and Disabled Relief	Chargeable Band D Equivalents
A	113,245	75,467
B	36,285	28,222
C	31,267	27,793
D	15,243	15,243
E	5,148	6,291
F	2,394	3,458
G	920	1,534
H	83	165
	204,585	158,173

The number of chargeable Band D equivalents for 2019/20 was 154,904.

(c) Share of Fund Balance

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

Business Rates	**Surplus 2019/20 £000s**	**Surplus 2020/21 £000s**
Manchester City Council	12,898	(178,017)
GMCA Mayoral and Fire and Rescue	130	(1,798)
Total Surplus	13,028	(179,815)

Council Tax	**Surplus 2019/20 £000s**	**Surplus 2020/21 £000s**
Manchester City Council	2,862	975
GMCA Police and Crime Commissioner	426	145
GMCA Mayoral and Fire and Rescue	221	68
Total Deficit / (surplus)	3,509	1,187

The COVID 19 has had a material impact on the Collection Fund and several government schemes have been announced in response to the pandemic and collection of local taxation.

As per the announcement in the Provisional Local Government Finance Settlement any in-year deficit forecast in business rates or council tax must be spread over 3 years, from 2021/22 to 2023/24, in equal thirds instead of being fully reflected in 2021/22. This spreadable deficit was determined by the estimate calculated and declared in January 2021. For business rates the introduction of Expanded Retail Discount, which offered 100% relief to retail, hospitality and leisure businesses, resulted in an additional relief award of £148.471m. The spreadable deficit was calculated gross of this relief.

The Taxation Income Guarantee (TIG) scheme was also announced in the provisional settlement and aimed to fund billing authorities for 75% of losses in collection when compared to budget. Government has released specific calculators to determine if any funding is due, and the Council estimates to receive £19.219m for losses in business rates. There is no TIG due for council tax.

Government's council tax hardship scheme, totalling £6.835m, included a deduction of £150 from annual council tax bills for the most vulnerable residents in the city, and was applied in 2020/21. This scheme was fully funded and credited to the Collection Fund.

GLOSSARY OF FINANCIAL TERMS

Actuarial Gains and Losses

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

Agency Services

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

Amortisation

A charge to the comprehensive income and expenditure statement spread over a number of years.

Assets

Items of worth that are measurable in terms of value. Current assets are ones that may change in value on a day-to-day basis (e.g. debtors). Non current assets are assets that yield benefit to the Council for a period of more than one year (e.g. land).

Balances

The reserves of the Council, which include the accumulated surplus of income over expenditure.

Capital Expenditure

Expenditure on the acquisition or enhancement of property, plant and equipment that have a long-term value to the Council. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own property, plant and equipment.

Capital Receipts

Money received from the sale of property, plant and equipment or repayment of a capital advance.

Collection Fund

The fund maintained by the Council into which are paid the amounts of Council Tax and Business Rates that it collects, and out of which are to be paid precepts issued by precepting authorities, its own demands and shares of business rates to the Greater Manchester Combined Authority (fire and rescue element).

Community Assets

These are assets that the Council intends to hold in perpetuity, which have no determinable finite useful life and may have restrictions on their disposal (e.g. parks).

Contingent Assets

Sums due from individuals or organisations that may arise in the future but which cannot be determined in advance.

Contingent Liabilities

Sums due to individuals or organisations that may arise in the future but which cannot be determined in advance.

Core Cities

Core Cities are a unique and united local authority voice to promote the role of cities in driving economic growth, representing the councils of England, Wales and Scotland's largest city economies outside London - Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield.

These cities drive local and underpin national economies. Working in partnership, they aim to enable each City to enhance their economic performance and make them better places to live, work, visit and do business.

Creditors

Amounts owed by the Council for goods and services provided by the balance sheet date, where payment has not been made at that date.

Current Service Cost

The increase in present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current financial year.

Curtailments

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces the accrual of defined benefits for a number of employees for some or all of their future service.

Debtors

Sums of money owed to the Council at the balance sheet date but not received at that date.

Dedicated Schools Grant Adjustment Account
A ringfenced reserve established by the 2020/21 Code to hold any DSG deficit separately from the Council's General Fund Earmarked reserves

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciated Replacement Cost

A method of valuation that provides a proxy for the market value of specialist properties.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of property, plant and equipment.

Expenditure

Amounts paid by the Council for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment - expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arms length transaction.

Fees and Charges

Income arising from the provision of services, e.g. the use of leisure facilities.

Finance Lease

A finance lease is one that transfers substantially all the risks and rewards of ownership of items of property, plant and equipment to a lessee.

General Fund

The total services of the Council except for the Housing Revenue Account and the Collection Fund. Council Tax, Government Grants and Business Rates meet the net cost of this.

Impairment

A reduction in the value of a property, plant and equipment or financial asset below its carrying amount on the balance sheet.

Income

Amounts due to the Council for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve cash being received - income is deemed to have been earned once the goods or services have been supplied even if the cash has not been received.

Infrastructure Assets

These are inalienable assets, expenditure on which is recoverable only by continued use of the asset created. Examples of such assets are highways and footpaths.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities that arise from the passage of time.

International Financial Reporting Standards (IFRS)

These are statements prepared by the International Accounting Standards Board to ensure consistency in accountancy matters. Many of these standards now apply to local authorities and any departure from these must be disclosed in the published accounts.

Inventory

Raw materials and consumable items the Council has purchased to use on a continuing basis and has not used by the end of the financial year.

Investment Properties

These are property or land that is held solely to earn rental income or for capital appreciation or both.

Liabilities

Amounts due to individuals or organisations that will have to be paid at some time in the future. Current liabilities are payable within one year of the balance sheet date.

Long-term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or service where the time taken to complete the contract is such that the contract activity falls into different accounting periods.

Minimum Revenue Provision (MRP)

This is the amount that is charged to an authority's Movement in Reserves Statement each year and set aside as a provision for credit liabilities.

National Non-Domestic Rate (NNDR)

All non-domestic properties have been valued and the Government determines a national rate poundage each year, which is payable to all local authorities. The Council collects the national non-domestic rate and passes 1% to the Greater Manchester Combined Authority (fire and rescue element).

Notional accounting adjustments

Adjustments made to the figures within the accounts that reverse entries required in accordance with International Financial Reporting Standards that do not need to be funded as part of the Council's budget e.g. impairment.

Observable Inputs

Those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that buyers and sellers would use when pricing the asset or liability.

Operating Lease

A lease other than a finance lease.

Outturn

Actual net expenditure and income that is then compared to the budget.

Past Service Cost

For a defined benefit pension scheme, the increase in present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept

The amount levied by various joint authorities, which is collected by the Council on their behalf.

Provisions

These are sums set aside to meet liabilities or losses that have been incurred but where the amount and/or timing of such costs are uncertain.

Public Works Loan Board (PWLB)

A Government agency that lends money to local authorities. Local authorities are able to borrow some or all of their requirements to finance capital expenditure from this source.

Residual Value

The net realisable value of property, plant or equipment at the end of its useful life.

Reserves

These are sums set aside to meet possible future costs where there is no certainty about whether or not these costs will be incurred.

Revenue Contributions

The method of financing capital expenditure directly from revenue.

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

These are items of capital expenditure that do not result in, or remain matched by, the Council's property, plant and equipment.

Settlement

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligations and the assets used to effect the settlement.

Unobservable Inputs

Inputs for which market data is not available and that are developed to estimate fair value using the best information available to the Council about the assumptions that buyers or sellers would use when pricing the asset or liability. The most significant of these inputs used in fair value measurement include management assumptions around rent growth and vacancy levels of properties.

MANCHESTER
CITY COUNCIL

Annual Governance Statement 2020/21

1. Introduction

1.1 This statement provides an overview of how the Council's governance arrangements operate, including how they are reviewed annually to ensure they remain effective. A summary of significant governance challenges which the Council faces is also given, alongside an explanation of what actions have been taken to bring about required improvements, and what work is still to be done. This provides transparency, and gives assurance that the Council is committed to continuously improve the way in which it functions. More detail on particular topics can be accessed by clicking on the hyperlinks, which are highlighted and underlined throughout the document.

1.2 The Council operates in a complex and constantly evolving financial, policy and legislative environment. The role, responsibilities and funding models of local government continue to be in a period of rapid transition. The city continues to progress the delivery of its ambitious Our Manchester strategy, with staff, residents and stakeholders across the city engaged in working towards the realisation of the vision set out in the strategy. The Council's Corporate Plan sets out its priority actions for delivering the strategy for the city.

1.2 The national and international public health emergency caused by the COVID-19 pandemic have led to substantial impacts for the city and the Council over the last year. These have included implications for provision of services, our workforce and our financial position. Effective leadership and governance of the response and recovery have been critical. Plans are being delivered which now focus on the city's longer-term recovery, including its economy, residents and communities, for example the Economic Recovery and Investment Plan.

1.2 Looking forwards, significant national policy announcements from Government include NHS reforms that, from April 2022, will abolish Clinical Commissioning Groups (CCGs) and create Integrated Care Systems (ICS), to drive the next phase of health and social care integration. Delivery of this next phase for Manchester's health and social care integration will be key to enabling further progress towards achievement of the ambitions set out in the Our Healthier Manchester Locality Plan. These ambitions are for the city to significantly improve health outcomes, tackle health inequalities and develop a financially and clinically sustainable system.

1.3 The changes taking place present both opportunities and challenges. Therefore, the Council must continue to engage in a broad programme of innovation and reform work so that it can maintain services for residents which are efficient, effective and deliver value for money using available resources. This document explains the governance mechanisms in place to ensure appropriate oversight of this work.

2. Scope of Responsibility

2.1 Manchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

2.2 In discharging these responsibilities, the Council must put in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes arrangements for the management of risk. The Council first adopted a Code of Corporate Governance in June 2008. This Code is included in the Council's Constitution (part 6 section G). It sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose.

2.3 The Code of Corporate Governance and the Council's Constitution are reviewed annually to ensure they remain consistent with the principles of the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) joint framework for delivering good governance in local government. CIPFA issued an update to the Framework in 2016, which has informed the preparation of the Annual Governance Statement (AGS) from 2016/17 onwards.

2.4 This AGS explains how the Council has complied with the Code of Corporate Governance. The AGS also meets the requirements of the Accounts and Audit (England) Regulations 2015 regulation 6(1) which requires all relevant bodies to prepare an Annual Governance Statement (AGS).

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community. It enables the Council to monitor the achievement of the city's strategic objectives as set out in the Our Manchester Strategy, and to consider whether those objectives have led to the delivery of appropriate, cost effective services. The Council's Corporate Plan sets out the Council's contribution to the Our Manchester vision. The objectives in Our Manchester and Our Corporate Plan are underpinned by the four Our Manchester principles;

- **Better lives** – it's about people
- **Listening** – we listen, learn and respond
- **Recognising strengths of individuals and communities** – we start from strengths
- **Working together** – we build relationships and create conversations

3.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control identifies and prioritises risks; evaluates the likelihood of those risks being realised and the impact should they be realised; and aims to manage them efficiently, effectively and economically.

4. The Governance Framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. The Council operates to a Code of Corporate Governance, which forms part of the Constitution. The Code is updated when appropriate, to ensure it reflects the Council's current governance arrangements. The table below includes key examples of how the Council has adhered to its governance commitments set out in the Code and includes hyperlinks to sources of further information, which include more detail about how the Council has implemented its commitments. The Council has a broad range of strategies and policies in place, and therefore this is not intended to be an exhaustive list. More detail about particular areas of interest can be found on the Council's website manchester.gov.uk.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Behaving with Integrity	• The Council's Our Manchester approach includes four central principles that underpin everything the Council does, including how it works with partners, how it makes decisions and how it serves local communities; ○ Better lives – it's about people ○ Listening – we listen, learn and respond ○ Recognising strengths of individuals and communities – we start from strengths ○ Working together – we build relationships and create conversations	People Strategy - Our People
Demonstrating Strong Commitment to Ethical Values	• The Standards Committee champion high standards of ethical governance from elected members and the Council as a whole. A summary of its work is included in its Annual Report to Council.	Standards Committee
Respecting the Rule of Law	• The Council's City Solicitor undertakes the role of Monitoring Officer. The Monitoring Officer ensures that Council decisions are taken in a lawful and fair	Our Constitution (article 12.3(b))

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	way, correct procedures are followed, and that all applicable laws and regulations are complied with. • The Chief Finance Officer (Deputy Chief Executive and City Treasurer) has statutory reporting duties in respect of unlawful and financially imprudent decision making. • The Council ensures that it complies with CIPFA's Statement on the Role of the Chief Finance Officer in Local Government (2016).	Our Constitution (article 12.4(a))

B. Ensuring openness and comprehensive stakeholder engagement		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Ensuring Openness	• The Council's website is set out in a clear and easily accessible way, using infographics and plain language. The information which residents use most, such as about Council Tax, and Waste and Recycling can be accessed quickly and easily from the main page. • All Council and Committee meetings are held in public (other than in limited circumstances where consideration of confidential or exempt information means that the public are excluded), with agenda and reports available on the Council's website. Live-streamed webcasts of Council, Executive and Scrutiny committee meetings are available online, as well as in an archive which can be accessed on-demand.	manchester.gov.uk website Council Meeting Agendas and Reports Online Videos of Council Meetings

B. Ensuring openness and comprehensive stakeholder engagement		
The Council's Commitment to Good Governance	**The Council's Commitment to Good Governance**	**The Council's Commitment to Good Governance**
Engaging Comprehensively with Institutional Stakeholders	• The Our Manchester Forum supports development of effective relationships across leaders of the city's key private, public and voluntary sector organisations. The Forum benefits the city by driving forward the priorities set out in the Our Manchester Strategy. • The Council maintains a list of major partnerships in a Register of Significant Partnerships. This contains an assessment of the level of assurance for the governance arrangements of each partnership, shining a light on areas where improvements may be required - so that these can then be addressed.	Our Manchester Forum Register of Significant Partnerships
Engaging with Individual Citizens and Service Users Effectively	• A reset of the city's Our Manchester Strategy 2016 - 2025 has been carried out as part of the Council's COVID-19 recovery planning. Engagement activity was undertaken based on the Our Manchester approach with residents, businesses, organisations and partners to develop a qualitative evidence base, which was then analysed to establish key priority themes. Approximately 3,800 people were directly engaged with and had their views captured between August and September 2020. • To promote transparency and wider engagement with Council decisions, residents can sign up for email e-bulletins and use social media to interact with the Council. • The Council has taken steps to seek to improve how we undertake consultations and community engagement. Part of this involves a commitment to ensuring that our workforce have the skills to take an Our Manchester engagement approach to working with residents and communities, which forms part of the programme for the new Campaigning Engagement Framework (CEF).	Our Manchester Strategy – Forward to 2025 E-bulletins and Social Media Our Manchester Campaigning Engagement Framework

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Defining Outcomes	• An extensive consultation in 2015 led to a 10-year strategy for the city – the Our Manchester Strategy 2016-2025 – which included a new approach to working across the whole organisation and with residents, partners and other key stakeholders. Further engagement was carried out in August and September 2020 to update the strategy to reflect the current context as the city recovers from the impact of COVID-19. Our vision remains for Manchester to be in the top-flight of world class cities by 2025, when the city will: ○ Have a competitive, dynamic, sustainable and fair economy that draws on our distinctive strengths in science, advance manufacturing, and culture, creative and digital businesses – cultivating and encouraging new ideas ○ Possess highly skilled, enterprising and industrious people ○ Be connected, internationally and within the UK ○ Play its full part in limiting the impacts of climate change ○ Be a place where residents from all backgrounds feel safe, can aspire, succeed and live well ○ Be clean, attractive, culturally rich, outward-looking and welcoming • Our Corporate Plan sets out the Council's contribution to the Our Manchester vision. These priorities have been refreshed for 2021/22 to align with the reset of the Our Manchester Strategy and to further strengthen the Council and city-wide focus on the importance of Equality, Diversity and Inclusion. The priorities are; ○ Zero carbon Manchester ○ Growth that benefits everyone ○ Young People ○ Healthy, Cared for people	Our Manchester Strategy – Forward to 2025

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	○ Housing ○ Neighbourhoods ○ Connections ○ Equality ○ Well-managed Council	
Sustainable Economic, Social and Environmental Benefits	• The Council declared a Climate Emergency in July 2019 and developed a Climate Change Action Plan which was approved by Executive in March 2020. A report in February 2021 provided an update on the significant progress that has been made in delivering the Plan despite the challenges posed by the COVID-19 pandemic. • Powering Recovery: Manchester's Recovery and Investment Plan was published in November 2020, and this sets out how the city will emerge reinvigorated from the COVID-19 pandemic and rise to other challenges. This was developed by the Council with the support of city business leaders and is a statement of confidence in the future of the city's economy. It shows a resilient city with a diverse economy and strengths in key growth sectors, as well as strong existing partnerships and a track record of delivery. • Our Manchester Industrial Strategy sets out Manchester's vision for developing a more inclusive economy that all residents can participate in and benefit from, which will support the delivery of the Our Manchester Strategy, and the Greater Manchester Local Industrial Strategy. • The Council's has reviewed its approach to Social Value to reflect the impact that COVID-19 has had on the city, and the role that social value can play in supporting the economic recovery.	Climate Change Action Plan 2020-25 Climate Change Action Plan – progress report Powering Recovery: Manchester's Recovery and Investment Plan Developing a More Inclusive Economy - Our Manchester Industrial Strategy Refresh of the Social Value Policy

D. Determining the interventions necessary to optimise the achievement of the intended outcomes		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Determining Interventions	• Decision makers receive accurate, relevant and timely performance and intelligence to support them with objective and rigorous analysis of options, covering intended outcomes, financial impact and associated risks informing efficient service delivery. This can take the form of regular performance reporting, or bespoke reports.	Executive Reports
Planning Interventions	• The Council plans its activity at a strategic level through its budget and business planning cycle and does so in consultation with internal and external stakeholders to ensure services delivered across different parts of the organisations and partners complement each other and avoid duplication.	Council Budget 2021/22
Optimising Achievement of Intended Outcomes	• The Council integrates and balances service priorities, affordability and other resource constraints, supporting it to take into account the full cost of operations over the medium and longer term, including both revenue and capital spend budgets. This includes a medium-term financial plan. The latest report set out the impact of COVID-19 and other pressures and changes on the Council's budget for the period 2021-2025.	Medium Term Financial Plan and Strategy for 2021/22

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Developing the Organisation's Capacity	• The Council's Our People Strategy articulates what its workforce will need to be like in order to achieve the vision set out in Our Manchester. As part of this workforce plans are developed, which ensure staff have the necessary skills and behaviours to deliver this vision for the city. The Our Manchester behaviours are; • We work together and trust each other • We're proud and passionate about Manchester • We take time to listen and understand • We 'own it' and we're not afraid to try new things • The Future Shape of the Council programme is reshaping how Manchester delivers services both internally and externally, by using new technologies, ways of working and new delivery models. It is an organisational wide initiative bringing together a number of programmes designed to strengthen our ability to deliver the Our Manchester Strategy.	Our People Future Shape of the Council
Developing the Capability of the Organisation's Leadership and Other Individuals	• Immediately following local elections, new Council Members receive an induction into the work of the Council and their role as local members. The format and content are reviewed annually with members. The induction training is also open for existing members to attend.	Member Development and Training

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	• As part of the Our People strategy, improved induction and appraisal processes ("About You") were introduced. These ensure all staff understand the part they will play in delivering the vision for the city in Our Manchester. • The Council delivers a comprehensive programme of leadership and management development, which all new managers are enrolled on. The programmes are targeted at different Grade bandings, and cover a spectrum of areas essential to managers in the organisation. • The Council is committed to promoting the physical and mental health and wellbeing of the workforce as a core component of the People Strategy through both specific interventions and opportunities and as a central part of the role of all managers. There is a dedicated intranet page with a wide range of support and guidance for staff and their managers covering a wide range of health and wellbeing topics and a 24/7 Employee Assistance Programme (phone line) providing a range of support. The strategy for Employee Health and Wellbeing in the Council is called 'Being Our Best Selves'.	Being Our Best Selves

F. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Managing Risk	• The Council operates a risk management framework that aids decision making in pursuit of the organisation's strategic objectives, protects the Council's reputation and other assets and is compliant with statutory and regulatory obligations. The Corporate Risk Register is part of this framework and is an articulation of the key risks impacting the Council. It is used to inform decision making, provide assurance over actions being taken to manage key risks and to inform directorate level risk management planning and mitigation activities. Named risk managers are identified in the Register for its key strategic risks.	Annual Corporate Risk Management Report and Corporate Risk Register
Managing Performance	• The Council puts in place Key Performance Indicators (KPIs) to monitor service delivery whether services are internal or through external providers. An integrated report is provided to Strategic Management Team (SMT) every month. This brings together analysis of performance, finance, workforce intelligence and complaints - to support effective resource allocation, and to shine a light on any challenges so that they can be addressed. • A Corporate Plan Monitor is provided quarterly to SMT, tracking progress of delivery of our Corporate Plan priorities.	
Effective Overview and Scrutiny	• The Council has six scrutiny Committees, which hold decision makers to account and play a key role in ensuring that public services are delivered in the way residents want. The agenda, reports and minutes are publicly available on the Council's website.	Scrutiny Committees
Robust Internal Control	• The Council has robust internal control processes in place, which support the achievement of its objectives while managing risks. The Council's approach is set	Internal Audit Plan 2021/22

F. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	out in detail in both the latest Annual Corporate Risk Management report, and its Internal Audit Plan. • The Council has an Audit Committee, in line with CIPFA's 'Position Statement: Audit Committees in Local Authorities and Police (2018)', which provides an independent and high-level resource to support good governance and strong public financial management. The Committee has two Independent Co-opted Members, and provides a mechanism for effective assurance regarding risk management and the internal control environment. • The Council maintains clear policies and arrangements in respect of counter fraud and anti-corruption. These are the Anti-Fraud and Anti-Corruption Policy; Whistleblowing Policy; Anti Money Laundering Policy and the Anti Bribery Policy.	
Managing Data	• The processing of personal data is essential to many of the services and functions carried out by local authorities. The Council complies with data protection legislation, which includes GDPR (General Data Protection Regulation) and the Data Protection Act 2018 (DPA 2018). This will ensure that such processing is carried out fairly, lawfully and transparently. • The Council reviews and supplement its policies, and also keep its processing activities under review, to ensure they remain consistent with the law, and any compliance advice and codes of practice issued from time to time by the Information Commissioner's Office (ICO). • The Council ensures that officers handling personal data are trained to an appropriate level in the use and control of personal data. It is made clear that all staff and Members are personally accountable for using the Council's information responsibly and appropriately. All staff must undertake protecting information e-	

F. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	learning training, and this forms part of the induction process for new staff. Data protection also forms part of the induction programme for new Members. • Information Governance is overseen by the Corporate Information Assurance and Risk Group (CIARG) chaired by the City Solicitor who is the Senior Information Risk Officer for the Council (SIRO). • The Council makes information available to the public via the information access regimes provided for by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Data protection legislation, including the Data Protection Act 2018, provides individuals with various rights. The Council ensures that all valid requests from individuals to exercise those rights are dealt with as quickly as possible, and by no later than the timescales allowed in the legislation.	Freedom of Information
Strong Public Financial Management	• The Council's approach to Financial Management ensures that public money is safeguarded at all times, ensuring value for money. Its approach supports both long-term achievement of objectives, and shorter term financial and operational performance. • The Chief Finance Officer (Deputy Chief Executive and City Treasurer) ensures that appropriate advice is given on all financial matters, proper financial records and accounts are kept, and oversees an effective system of internal financial control. The City Treasurer ensures well developed financial management is integrated at all levels of planning and control including management of financial risks, systems and processes. The Constitution (Part 5) details the financial regulations which underpin the financial arrangements. • The Financial Management Code (FM Code) sets out the standards of financial management expected for local authorities and is designed to support good practice	Our Constitution (Part 5)

F. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	and to assist local authorities in demonstrating their financial sustainability. The FM Code was launched in 2019, to be implemented from April 2020 with the commencement of a shadow year. It is expected that by 31 March 2021 Local Authorities can demonstrate that they are working towards full implementation of the code, with the first full year of compliance being 2021/22. The Council's preparations for this are set out in the Budget Overview 2021/22 report.	Budget Overview and Strategy for 2021/22
	• Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer ('CFO') of the authority must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council CFO's detailed report in relation to these matters is set out in the Budget Overview 2021/22 report.	Budget Overview and Strategy for 2021/22

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Implementing Good Practice in Transparency	• The Council follows the Local Government Transparency Code 2015, which includes requirements and recommendations for local authorities to publish certain types of data.	Local Government Transparency Code
	• The Council's website is set out in a clear and easily accessible way, using infographics and plain language. Information on expenditure, performance and decision making is sited together in one place and can be accessed quickly and easily from the homepage.	manchester.gov.uk website

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Implementing Good Practices in Reporting	• The Council produces a detailed State of the City publication, which charts the city's progress towards its vision and priorities. • An integrated report is provided to Strategic Management Team (SMT) every month. This brings together analysis of performance, finance, workforce intelligence and complaints - to support effective resource allocation, and to shine a light on any challenges so that they can be addressed. • A Corporate Plan Monitor is provided quarterly to SMT, tracking progress of delivery of our Corporate Plan priorities.	State of the City 2020
Assurance and Effective Accountability	• The Council welcomes peer challenge, internal and external review and audit, and inspections from regulatory bodies and gives thorough consideration to arising recommendations. An example of positive improvement having taken place following recommendations can be seen in the Ofsted report, which followed on from their most recent focused visit to the Council's children's services. • The Council monitors the implementation of internal and external audit recommendations. Assurance reports are presented to Audit Committee and Mazars (the Council's external auditors), summarising the Council's performance in implementing recommendations effectively and within agreed timescales. • Public Sector Internal Audit Standards (PSIAS) set out the standards for internal audit and have been adopted by the Council. This process includes the development of an Emergent Audit Plan designed to invite comment from management and the Audit Committee.	Ofsted focused visit Outstanding Audit Recommendations

5. Annual review of effectiveness of the governance framework

5.1 The Council has a legal responsibility to conduct an annual review of the effectiveness of its governance framework, including the systems of internal control. After conducting this review, the Council has assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance.

5.2 The effectiveness of governance arrangements is monitored and evaluated throughout the year, with activity undertaken including:

- **Strategic Management Team (SMT)** - Responsibility for governance and internal control lies with the Chief Executive and the Strategic Management Team (SMT), which meets on a weekly basis to steer the organisation's activity.
- **Scrutiny and challenge by Council and its Committees** - The Council has four bodies responsible for monitoring and reviewing the Council's governance:

The Executive

Proposes the budget and policy framework to Council and makes decisions on resources and priorities relating to the budget and policy framework.

Audit Committee

Approves the Council's Annual Accounts, oversees External Audit activity and oversees the effectiveness of the Council's governance, risk management and internal control arrangements.

Resources and Governance Scrutiny Committee

Considers the implications of financial decisions and changes to corporate, partnership and city region governance arrangements.

Standards Committee

Promotes high standards of ethical conduct, advising on the revision of the Codes of Corporate Governance and Conduct for Members.

- **Consideration of evidence sources to identify the Council's key governance challenges looking ahead to 2021/22 (see Action Plan at Section 7) -** These sources include:
    - Heads of Service online annual governance questionnaires, which provide a self-assessment of compliance with the Code of Corporate Governance.
    - Significant governance challenges in Partnerships as identified by the Council's Register of Significant Partnerships assessment process.
    - A meeting of key Senior Officers with responsibility for Governance, to identify and discuss emerging governance issues
    - Consideration of risks identified in the Corporate Risk Register
    - Emergent challenges identified by the work of Internal Audit

  - Where appropriate, carrying forward elements of action points from 2020/21 if substantial further challenges remain, and ongoing monitoring is required.
- **Head of Audit and Risk Management Annual Opinion 2020/21 -** This opinion narrative is provided in a separate report on the Agenda for the June 2021 Audit Committee meeting.
- **External Auditor's Review of the Effectiveness of Governance Arrangements -** The Council's external auditor is Mazars. They submit progress reports and their Annual Audit Letter to Audit Committee.
- **Annual Review of the role and responsibilities of the Chief Finance Officer -** The 2020/21 review concluded that the CFO met the responsibilities of the Senior Finance Officer in full and was ideally placed to develop and implement strategic objectives within the Council, given her role as the Council's Section 151 Officer, Deputy Chief Executive and City Treasurer. The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- **Annual Report of the Standards Committee -** The Council is committed to promoting the highest standards of conduct by members and has adopted a Code of Conduct for all members as part of its constitution. The Annual Report of the Standards Committee is one of the Council's sources of governance assurance.
- **Governance of Significant Partnerships –** Assurance relating to governance arrangements of the Council's significant partnerships is recorded on the Register of Significant Partnerships. Each partnership is self-assessed annually to provide assurance that effective arrangements are in place, and to highlight any governance challenges which need to be addressed.

6 Strategic oversight of actions to address the Council's governance challenges in 2020/21

This section provides a concise high-level summary of strategic actions taken to address the Council's governance challenges for the 2020/21 financial year, and what arrangements are in place for oversight of delivery. These challenges were set out in the Action Plan at the end of last year's AGS (2019/20). Where relevant, detailed progress updates are provided to Project and Programme Boards, and where applicable reports and information are taken to Committees - as set out in the table below.

Action	What action was to be addressed	Governance of actions taken / planned	Officer Leads / Programme Boards	How is this monitored?
1	Effective response to COVID-19 through Council leadership, support to our workforce and organising an effective incident response and recovery. It is recognised that this will impact on the capacity and ability of the Council to respond fully to all of the other identified challenges and risks. The governance around the response will need to ensure effective decision making is maintained, and that critical parts of the organisation's business as usual continue to be delivered.	Plans continue to be delivered to ensure an effective response and recovery, including: • Manchester's 12-point Action Plan • Manchester's Economic Recovery and Investment Plan • Situation reports to the Executive and Scrutiny Committees • Effective connections to Greater Manchester governance	Chief Executive Deputy Chief Executive & City Treasurer Strategic Director of Neighbourhoods Director of Population Health	The Executive Economy Scrutiny Committee

Action	What action was to be addressed	Governance of actions taken / planned	Officer Leads / Programme Boards	How is this monitored?
2	Continuing to embed the Our Manchester behaviours necessary to support the delivery of Our Corporate Plan, across both the Council's leadership and the wider workforce. This includes delivery of the updated Our People Strategy.	The Our Manchester (OM) approach is now fully integrated into the Organisation Development Team, within HROD, ensuring that Our Manchester is embedded throughout the Council. The last 12 months have seen the workforce transition almost overnight to a new way of working, a scale of change in how we work that would normally take years to achieve. Whilst some of priorities have remained the same, the context of which we are working has changed and the Our People Strategy is being reviewed again to ensure that it reflects this. Some of the key actions are: • Improve the health and wellbeing of our staff including a reduction in absence levels across the organisation • Our commitment to ensure our workforce reflects our diverse communities is strengthened through the Workforce Equality Strategy and the Race Equality programme. • Reduce reliance on temporary staff including overall reduction in agency spend.	Deputy Chief Executive & City Treasurer, City Solicitor, Director of HROD.	Resources and Governance Scrutiny Committee
3	Our Transformation - ensuring effective governance of all the programmes involved in strengthening and transforming how we work.	A set of linked programmes have brought together work focused on the impact of COVID-19 on the Council, and plans to recover. A decision-making Future Council Core Group of senior officers, chaired by the Deputy Chief Executive and City Treasurer, oversees interdependencies between the Council's	Deputy Chief Executive & City Treasurer, City Solicitor Future Council Core Group	The Executive Scrutiny Committees

		Budget planning and the Our Transformation portfolios of work. Each programme of work has a Senior Responsible Owner (SRO), and a Programme Manager who oversees the work of each Programme Team. The portfolios of work which comprise Our Transformation are as follows: • Our Ways of Working • Strengthening Accountability and Our Processes • Resident and Business Digital Experience The Our Transformation programme and project groups receive progress updates via highlight reports. The Future Council Core Group receives situation reports ('Sitreps') which provide summaries of key messages from the highlight reports. Regular Sitrep summary reports are also provided to the Council's Executive. Looking forward, the Future Shape of the Council programme will deliver the next steps to reshape how Manchester delivers services both internally and externally, by using new technologies, ways of working and new delivery models. A report to March 2021 Executive set out the approach in detail.		
Action	**What action was to be addressed**	**Governance of actions taken / planned**	**Officer Leads / Programme Boards**	**How is this monitored?**
4	Carbon reduction - ensuring that we have robust and effective governance of strategies, which will enable delivery of the 2038 zero carbon targets.	The Zero Carbon Coordination Group drives forward the integrated activity required to ensure that the Council plays its full part in ensuring the city reaches its ambitious climate change commitments. This strategic group oversees the	Deputy Chief Executive and City Treasurer, Director of Policy,	Neighbourhoods and Environment Scrutiny Committee

		development and delivery of the Manchester Climate Change Action Plan 2020-25, which was approved by the Executive in March 2020. Workstreams have formed to deliver the actions outlined under the five priority areas within the Council's Climate Change Action Plan. Each workstream consists of the operational officers and a senior manager, as workstream lead for each priority: • Buildings and Energy • Transport and Travel • Reducing consumption-based emissions and influencing suppliers • Climate adaptation, carbon storage and carbon sequestration • Influencing behaviour and being a catalyst for change	Performance and Reform. Zero Carbon Coordination Group	
Action	**What action was to be addressed**	**Governance of actions taken / planned**	**Officer Leads / Programme Boards**	**How is this monitored?**
5	Support the integration of health and social care by ensuring effective governance of integrated teams and activity, including the operation of the partnership arrangements with MHCC commissioning function, and the Local Care Organisation (LCO). Ensuring there is progress made with developments that will deliver positive outcomes within the system resource envelope.	The Our Healthier Manchester Locality Plan sets the ambitions for the city to significantly improve health outcomes, tackle health inequalities and develop a financially and clinically sustainable system. Health and social care partners have established a new Manchester Partnership Board (MPB) of system leaders, chaired by the Leader of the Council, is established to drive delivery of health and social care integration in the city. This will include the 'supercharging' of Manchester Local Care Organisation as the integrated delivery vehicle for improving health	Director of Adult Social Services, Deputy Chief Executive & City Treasurer Manchester Partnership Board MLCO Accountability Board	Health Scrutiny Committee Health and Wellbeing Board

Appendix 1, Item 6

		and wellbeing outcomes and reducing health inequalities in the city. The MPB has committed to 'supercharging' Manchester Local Care Organisation (MLCO), building on the strong progress made since its inception in 2018, as the delivery vehicle to reduce health inequalities and improve the health and wellbeing of the people of Manchester. A new Section 75 agreement is being developed by June 2021 to govern the partnership arrangements and decision making between the Council and Manchester Foundation Trust (MFT) that will operate through MLCO. The detail of the location of health commissioning functions in the Manchester system is yet to be determined, whilst all of Adult Social Care commissioning will be delivered through MLCO from 2021/22. A new MLCO Accountability Board has been established to provide a single governance forum and point of assurance for all key partners, including the Council, which will be represented by the Executive Member for Health and Well Being (co-chairing with MFT), the Chief Executive, the Deputy Chief Executive and City Treasurer, and the Strategic Director of Adult Social Care. A report on the Future Shape of the Council work programmes was taken to March 2021 Executive, which set out the next steps for Health and Social Care integration.		

Action	What action was to be addressed	Governance of actions taken / planned	Officer Leads / Programme Boards	How is this monitored?
6	Delivery of the Adults Improvement Plan and integration of Health and Social Care, through the governance arrangements of MLCO and MHCC, whilst ensuring that the Chief Executive can be fully assured on statutory responsibilities, particularly around safeguarding. Ensuring effective integrated neighbourhood team arrangements, triage at the front door, and the assessment and review of citizens' needs in a timely, proportionate and consistent manner. This includes Adults Services governance oversight: operational compliance, quality assurance and the transition from Children's to Adults Services provision.	The Adult Social Care Improvement Programme was established to focus on ensuring the basics are in place for adult social care, to deliver high quality services for our residents, and to successfully deliver health and social care reform and integration. A number of key priorities were successfully delivered, including significant reductions in waiting lists and progress with permanent social worker recruitment. The next stage is delivery of Better Outcomes, Better Lives which is MLCO's transformation programme for Adult Social Care. This commenced in 2021 and builds on work to integrate health and social care in Manchester, the ASC improvement programme and other transformation initiatives delivered in recent years. A full report on Better Outcomes, Better Lives was taken to March 2021 Health Scrutiny Committee.	Director of Adult Social Services Transformation Accountability Board	Health Scrutiny Committee
7	Improving the resilience of ICT systems; including continuing to strengthen cyber security to ensure an effective response to the evolving external environment, and the Council's arrangements for disaster recovery via delivery of the data centre.	The Council has a Cyber Security team supported by Security Service contracts and external suppliers. This hybrid approach researches, investigates and implements continual security improvements. As well as taking actions to protect our infrastructure services, systems and devices along with our users. Relevant cyber alerts and updates are provided to staff through standard communication broadcasts to ensure that they feel supported and informed along with an	Deputy Chief Executive & City Treasurer, Director of ICT. ICT Board	Resources and Governance Scrutiny Committee

		ongoing Cyber Security training and awareness programme. The overall aim of the data centre project was to achieve improved resilience and disaster recovery. The objective was to migrate from the single data centre to two geographically separate co-located centres that provide disaster recovery and address previous single points of failure. The final tasks were undertaken in March 2021 to complete the transition from the project to the IT Service Operation teams and formally close the project. Regular service management reviews and Service Level Agreements are now in place with the new Data Centre Provider UKFast. A full ICT update report, including more detail about the final stages of the data centre project, was taken to February 2021 Resources and Governance Scrutiny Committee.		
Action	**What action was to be addressed**	**Governance of actions taken / planned**	**Officer Leads / Programme Boards**	**How is this monitored?**
8	Governance of delivery of proposed ICT infrastructure and systems essential to business operations and legal compliance, including the new social care system. Mitigation of delivery timescale risks, and effective prioritisation where there is an interdependence between business critical programmes (e.g. telephony).	Technological change is effectively managed within the Council by having oversight and governance provided by the following forums: the ICT Portfolio Board, Design Authority Group, Change Assurance Board and the Strategic Capital Board. In addition, ICT have robust internal governance processes that aim to ensure controlled and consistent approach to delivery change and provide assurance throughout the delivery lifecycle.	Deputy Chief Executive & City Treasurer, Director of ICT. ICT Portfolio Board Design Authority Group	Resources and Governance Scrutiny Committee

		Some of the key programmes and projects to be progressed or completed in 2021/22 include, but are not limited to: • Telephony and Contact Centre Project • Network refresh programme (WAN and LAN & WiFi projects) • End User Device • CIVICA Pay (Income Management) • FLARE (Application Rationalisation) • Resident Digital Experience Transformation • Legal Services Case Management Tool The Liquidlogic suite of social care products have been operational since July 2019. The final component of this programme is the replacement of the Early Years and Education system (EYEs) which will become the core system for the Education Service in May 2021. Plans are currently underway for go live, with train the trainer sessions and user acceptance testing already taken place. This will complete the entire changeover to a modern, single, integrated platform for Adult Social Care (ASC), Childrens Social Care (CSC), and Education. Within the Network Refresh Programme, the Wide Area Network (WAN), Local Area Network (LAN) and the WiFi projects have completed procurement and have confirmed suppliers, site surveys are now underway and the design work for the WAN has commenced. These projects will represent significant investment for the Council over a number of years delivering much improved infrastructure and connectivity across the estate. ICT Departmental Management Team will continue to update the priority list of initiatives on	Change Assurance Board Strategic Capital Board	

		an ongoing basis as projects are delivered and to ensure continued alignment with the Our Manchester Strategy, Our Transformation Programme and other Council priorities. A full ICT update report was taken to February 2021 Resources and Governance Scrutiny Committee, which provides a detailed update on key projects.		
Action	**What action was to be addressed**	**Governance of actions taken / planned**	**Officer Leads / Programme Boards**	**How is this monitored?**
9	Planning and implementation of changes required to mitigate potential negative impact of EU Exit on budget and other assumptions for the Council, partners and residents of the City.	The Council's response to the risks and uncertainties associated with EU Exit Transition was coordinated by the Brexit (now EU Exit) Preparedness Group which was chaired by the Strategic Director - Neighbourhoods. The group has now been stood down and monitoring the impact is now business as usual for services. Adhoc meetings may be arranged if required for instance the group was recently convened to review the potential impact of Hong Kong Nationals arriving in the city following recent visa changes. The Greater Manchester Preparedness Group is currently still meeting and focuses on issues and civil contingencies at a city region level.	Chief Executive EU Exit Preparedness Group	Economy Scrutiny Committee
Action	**What action was to be addressed**	**Governance of actions taken / planned**	**Officer Leads / Programme Boards**	**How is this monitored?**
10	Strengthening the consistency of and accountability involved in the Council's approach to commissioning, procurement and contract management. This includes; improving supply	Supply chain resilience continues to be an important area of focus because of COVID-19, and its impact on the economy. The steps taken by the Council to monitor and manage supplier risk were summarised in the Supplier Assurance	Deputy Chief Executive & City Treasurer, Head of Strategic Commissioning.	Resources and Governance Scrutiny Committee

	chain resilience, building in carbon reduction requirements and reducing reliance on waivers.	report to October 2020 Resources and Governance Scrutiny Committee. Governance of social value has been refined and there are now two officer groups - one strategic (the Social Value Governance Board), chaired by the Deputy Chief Executive and City Treasurer, and one operational, bringing together commissioning, contracts and social value leads in directorates. On waivers, the Integrated Commissioning and Procurement Team provided the August 2020 Commercial Board with an update on waivers across the Council's contract portfolio (excluding Capital Programmes), identifying progress and areas for further development.	Social Value Governance Board Commercial Board	
Action	**What action was to be addressed**	**Governance of actions taken / planned**	**Officer Leads / Programme Boards**	**How is this monitored?**
11	Continued development and coordination across Services of the governance, communication, implementation and monitoring of workforce policy and associated guidance. This includes ensuring strong messages around compliance and accountability, and a planned programme of work to identify and tackle areas of non-compliance. Focus is needed on; the Accountability Framework - to support understanding of decision making, and the operation and efficacy of the Member / Officer Relations Protocol, and the Member Code of Conduct.	Work has been progressed through the Our Transformation programme to strengthen the Accountability Framework, to improve levels of understanding and compliance with decision making requirements. The Council's Member/Officer Protocol was reviewed in June 2019. Whilst this review did not identify significant areas requiring revision, the opportunity was taken to make minor changes, which were approved by the Standards Committee and reported to Council. The Committee on Standards in Public Life has proposed a number of changes to the Code of Conduct for Members (some of which require changes to legislation). Following consultation,	Deputy Chief Executive & City Treasurer, City Solicitor, Director of HROD.	Standards Committee

		in May 2021 the LGA issued a new Model Code of Conduct for Members which has been circulated to Members for information and which will be the subject of a report to Standards Committee in November 2021 following discussions across the Greater Manchester authorities.		

7. Action Plan: Governance Challenges for 2021/22 Onwards -

The review of governance arrangements has identified the main areas where the Council will need to focus its efforts during 2021/22, to address changing circumstances and challenges identified. These are set out in the action plan below. Completion or substantial progress against these objectives is due by the end of the financial year, in March 2022.

Action	What action is to be addressed	Who is responsible for delivery		How is this monitored?
		SMT Leads	Directors or Heads of Service	
1	Continuing to ensure effective governance of the response and recovery from COVID-19. This includes a focus on the city's longer-term recovery, including its economy, residents and communities, for example via delivery of the Economic Recovery and Investment Plan.	Chief Executive, Deputy Chief Executive & City Treasurer	-	The Executive Economy Scrutiny Committee
2	Continuing to develop the capability of our workforce, to support the delivery of Our Corporate Plan and the Future Shape of the Council. This includes continuing to embed the Our Manchester Behaviours, and the new Employee Code of Conduct, along with delivery of organisational development plans.	Deputy Chief Executive & City Treasurer, City Solicitor	Director of HROD	Resources and Governance Scrutiny Committee
3	Future Shape of the Council – Ensure effective governance of the coordination of, and interdependencies	Deputy Chief Executive & City		The Executive

Action	What action is to be addressed	Who is responsible for delivery: SMT Leads	Who is responsible for delivery: Directors or Heads of Service	How is this monitored?
	between the work programmes which will deliver the next steps to reshape how Manchester City Council operates, including using new technologies, ways of working and new delivery models.	Treasurer, City Solicitor		Scrutiny Committees
4	Carbon reduction - ensuring that we have effective governance of strategies and action plans that enable delivery of the target to be a zero-carbon city and Council by 2038 at the latest.	Deputy Chief Executive and City Treasurer	Director of Policy, Performance and Reform	Neighbourhoods and Environment Scrutiny Committee
5	Ensure effective governance of the next phase of health and social care integration. This includes the next steps in the development of Manchester Local Care Organisation (MLCO) as the delivery vehicle to reduce health inequalities and improve the health and well-being of the people of Manchester.	Director of Adult Social Services, Deputy Chief Executive & City Treasurer	-	Health Scrutiny Committee
6	Ensure effective governance of the delivery of 'Better Outcomes, Better Lives' which is MLCO's transformation programme for Adult Social Care.	Director of Adult Social Services	-	Health Scrutiny Committee
7	Governance of the strategic direction for delivery of proposed ICT infrastructure and systems essential to business operations and legal compliance, including the social care system. Mitigation of delivery timescale risks, and effective prioritisation where there is an interdependence between business-critical programmes (e.g. telephony).	Deputy Chief Executive & City Treasurer	Director of ICT	Resources and Governance Scrutiny Committee
8	Strengthening the consistency of and accountability involved in the Council's approach to commissioning, procurement and contract management. This includes;	Deputy Chief Executive & City Treasurer	Head of Strategic Commissioning	Resources and Governance Scrutiny Committee

Action	What action is to be addressed	Who is responsible for delivery: SMT Leads	Who is responsible for delivery: Directors or Heads of Service	How is this monitored?
	improving supply chain resilience, building in carbon reduction requirements and reducing reliance on waivers.			
9	Governance of the coordination of delivery of our commitments on equality, diversity and inclusion in relation to Manchester's citizens, and to our workforce. This includes delivery of both the Workforce Equality Strategy and the Race Equality programme.	Chief Executive, City Solicitor	Director of HROD	Resources and Governance Scrutiny Committee Communities and Equalities Scrutiny Committee
10	Development of governance arrangements for the new model for housing delivery. This includes effective oversight of delivery of the first phase of this work, which will be the facilitation of the Northwards Housing Arm's-Length Management Organisation (ALMO) being brought back in house.	Strategic Director - Development	Director of Housing & Residential Growth	The Executive Economy Scrutiny Committee Resources and Governance Scrutiny Committee

Conclusion

The governance arrangements as described above have been applied throughout the year, and up to the date of the approval of the Annual Accounts, providing an effective framework for identifying governance issues and taking mitigating action. Over the coming year the Council will continue the operation of its governance framework and take steps to carry out the actions for improvement identified in the review of effectiveness to further strengthen its governance arrangements.

Signed: ....

Leader of the Council

Signed: ....

Chief Executive

Audit Status

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

MANCHESTER
CITY COUNCIL

Annual Accounts 2020/21

Overview of the Accounts and Key Issues

Foreword: Revised Accounts Timetable and Challenges

Timetable

- Publication deadline of the Annual Accounts has been changed for 2020/21 due to Covid 19.
- Draft Accounts to be published by 31st July 2021
- Draft Accounts to go on deposit for public inspection from 1st August 2021
- Audited Accounts to be published by 30th September 2021
- Manchester City Council has chosen to continue with the presentation to Audit Committee as we regard this as best practice

Challenges

- Unprecedented year seen the Council's net budget increase by £205m in year due to covid expenditure
- Administered over £480m of Covid Grants
- Provided support for the Airport
- Made savings of £40m to set a balanced budget
- Lost key personnel supporting the production of accounts

Group Accounts

The Group accounts are being finalised, but will be completed for the publishing deadline.

Manchester Airport Group (MAG) adhere to different accounting deadlines and due to the pandemic and resource pressures we have received both the accounting information from MAG and the external valuation information very late.

Foreword: Financial Impact of Covid-19

- As a result of the COVID-19 pandemic there has been additional demand for services and reductions to Council's income.
- The pressures in excess of the budget of the pandemic was **£56m** in 2020/21 increasing to a forecast **£144m** in 2021/22. It is anticipated the losses will continue to be felt over the five-year period.
- Meant that savings of **£40.7m** had to be found to balance the 2021/22 budget.
- In line with CIPFA guidance we have included a table detailing Covid grants, and the Councils status as principal or agent.
- The financial impact of these Covid related pressures are reflected throughout the accounts including the increase and revised reserves presentation, increased impairment of debt for council tax, business rates and the collection fund position reported.
- Resulted in added complexity to the production of the accounts
- The full narrative report provides greater detail about the effects of the Covid-19 pandemic on the city region, and our residents.

Effects of COVID-19 on 2020/21 Accounts

The challenges associated with COVID-19 have had a significant effect on the Council's financial activities and position at the end of 2020/21 and predominantly into 2021/22.

As a result, additional disclosures have been included in the 2020/21 annual accounts, including:

- Assumptions around going concern particularly group entities
- Increased financial specific Covid reserves as disclosed
- New requirement to disclose all Covid grants and agency/principal
- Impact on the collection fund accounting position
- Additional allowance for non payment of debt particularly council tax and business rates
- Less certainty about estimates - particularly property, plant and equipment and pension liability.

Narrative Report

Puts the numbers into context

Articulates:

City Council's strategic objectives and achievements…

……within its available resources

……including how it has applied those resources

……and the Governance (decision making and assurance)

- Our Council
- Our City
- Our Strategy and objectives
- Our Funding and Spending 2020/21
- Our Performance (what is achieved through our investment in public services)
- Our Financial Performance
- Covid-19 Grants
- Our Risks and Outlook
- The Financial Statements
- The Basis of Preparation of the Annual Statement of Accounts

Narrative Report

Summary of performance in 2020/21

Zero Carbon Manchester

- Total provisional estimated Council emissions in 2020/21 (25,429 tonnes CO_2) were **18% below** the annual budget for 2020/21 (31,080 tonnes CO_2).
- Total Council emissions in 2019/20 (32,284 tonnes CO_2) were **10% below** the annual budget for 2019/20 (35,724 tonnes CO_2).

Growth that Benefits Everyone

- 50-64 year olds claiming out of work benefits in November 2020 was **30.7%**,Source: DWP
- The percentage of the Council's procurement spend which was spent with local suppliers in 2019/20 was **69.2%** Source: CLES.
- The numbers of enrolments on foundation courses including Literacy/Numeracy/ESOL in the period August 2019 to July 2020 was **2,861** Source: MCC (Enrolments were notably affected by COVID-19)
- There were **15 planning applications** processed by the Council with fees of **£50,000 and above** in 2020/21 . Source: MCC

Narrative Report

Summary of performance in 2020/21

Young People

- The percentage of the city's primary schools rated good or outstanding in 2020/21 was **92.5%** Source: Ofsted. (There are 135 primary schools, including academies and independents. NB: COVID-19 has impacted on inspections, staff availability and has disrupted children's learning experience.)
- The percentage of the city's secondary schools rated good or outstanding in 2020/21 was **69.2%**,Source: Ofsted. (There are 29 secondary schools, including academies and independents)
- The number of Looked After Children in Manchester in 2020/21 was **1,371 (a rate of 110.7 per 10,000 children)**, which was a desirable decrease from that of 2019/20 (1,431 Looked After Children, a rate of 117 per 10,000 children). Source: MCC.
- The provisional number of Children In Need in Manchester in 2020/21 was **5,357 (a rate of 436 per 10,000 children)**, (5,370 Children In Need, a rate of 440 per 10,000 children). Source: MCC.

Narrative Report

Summary of performance in 2020/21

TW1
IS1
CC1

Healthy cared-for people

- The number of carers receiving carers specific services in 2020/21 was **41.26 per 10,000 population**, which was an increase from that of 2019/20 (29.51). Source: NHS Digital.
- The proportion of directly provided services which have been rated "Good" or "Outstanding" by CQC in 2020/21 was **92%**, which was a desirable increase from that of 2019/20 (82%). Source: CQC.
- The number of emergency hospital admissions for Manchester in 2020/21 was **81 per 1,000 population**, which was a decrease from the 136 recorded for 2019/20. Source: Healthcare Evaluation Data (HED)/NHS
- **20%** of households moved to settled accommodation provided by registered providers in 2020/21, which was a very slight decrease from 2019/20 (21%). Source: MCC.
- The number of households moved to settled accommodation in the private sector in 2020/21 was **523**, which was a desirable increase from that of 2019/20 (408). Source: MCC.
- The number of households prevented from becoming homeless via supporting them to stay in existing or alternative accommodation in 2020/21 was **789,** which was an undesirable decrease from that of 2019/20 (1,178). Source: MCC.
- The number of households presented as homeless or threatened with homelessness and were owed a duty in 2020/21 was **5,787**, which was an undesirable increase from that of 2019/20 (5,200). Source: MCC.

Slide 8

TW1 [@Julie Hardman] really? I would have expected close to zero, can we check the figs?
Tom Wilkinson, 25/07/21

JS1 Hi Tom, this has been lifted from the Narrative report - can query if required but pretty sure its correct
Jamie Styman, 26/07/21

CC1 why is it an undesirable increase?
Carol Culley, 26/07/21

Narrative Report

Summary of performance in 2020/21

Housing

- The number of new homes completed in Manchester in 2020/21, which were defined as affordable by the government was **461**, a desirable increase of 5.2% from that of 2019/20 (437). Source: MCC.
- The number of new builds which became available for buying or renting in Manchester in 2020/21 was **4,260**, which was a desirable small increase of 1.9% from that of 2019/20 (4,180). Source: MCC.

Neighbourhoods

- The percentage of household waste recycled in 2020/21 was **40.4%**, which was a small desirable increase from that of 2019/20 (40.1%). Source: DEFRA.
- **13,658 tonnes** of waste from street cleansing was collected in 2020/21, which was an increase on the 13,347 tonnes collected in 2019/20. Source: Weighbridge data - Viridor/Suez and Redgate Holdings
- In 2020/21 the total number of recorded visits to Manchester's libraries, galleries and sports and leisure facilities was 725,593 in 2020/21, this is a reduction of 90.3% from 7.472m visits in 2019/20.

Narrative Report

Summary of performance in 2020/21

Connections

- The total amount of resurfacing work delivered in 2020/21 in m² (excluding footways) was **773,362m²**, which was a desirable increase from that of 2019/20 (538,760m²) Source: MCC.
- The percentage of journeys into Manchester city centre by bicycle in 2020/21 was **2.2%**, which was very similar to that of 2019/20 (2.3%). Source: TfGM
- The percentage of road network (excl. footways) rated as in poor condition in 2020 was **17.7%**, which was a desirable decrease from that of 2019 (19.98%). Source: MCC via GAIST.
- The percentage of residents with access to high-speed broadband (>30Mbits/s) in 2020 was **95%**, which was a desirable small increase from that of 2019 (94.2%). Source: Ofcom.

Equality

- We've been rated as 'excellent' under the Equality Framework for Local Government (EFLG). This accreditation, for the period June 2018 – 2021, indicates the delivery of excellence in the areas of: knowing our communities, leadership, partnership and organisational commitment, involving our communities, responsive services and customer care, and skilled and committed workforce.

Well-managed council

- The percentage of annual due Council Tax collected in 2020/21 was **90.15%**, which was an undesirable decrease from that of 2019/20 (92.73%). Source: MCC.
- The percentage of annual due Business Rates collected in 2020/21 was **87.91%**, which was an undesirable decrease from that of 2019/20 (97.58%). Source: MCC.
- The number of Stage 1 and 2 corporate complaints responded to within 10 working days in 2020/21 was **60.5**%, which was an undesirable decrease from that of 2019/20 (75.9%).

Narrative Report

Financial Performance Section includes:

- Net Revenue Budget 2020/21 – net revenue budget compared to outturn and key reasons for variations

- Capital Outturn 2020/21 compared to budget, details of spend for key projects and summary of how capital expenditure was funded

- Detail on Covid-19 Grant funding.

Covid-19 Grants 2020/21

During the financial year the Council has administered over **£480m** of COVID-19 grant schemes on behalf of Government to support businesses and residents during the pandemic, distributed by government in **30** different grant types.

The Council has had to determine whether it was acting as a principal or agent of government when administering the grants. Where the Council was acting as agent the following conditions applied:

- It was acting as an intermediary between the recipient and the Government Department;
- It did not have "control" of the grant conditions and there was no flexibility in determining the level of grant payable.

Where the Council acted as principal, it was able to use its own discretion when allocating the amount of grant payable.

The following tables below provide a full summary of all the COVID-19 grant schemes administered by the Council during 2020/21. They show how much of each grant was spent in year and how much will be spent in 2021/22, in line with government conditions

General Grants

TW2

	The Council Acting as Principal			The Council Acting as Agent	
	Expenditure as at 31 March 2020	Grant remaining as at 31 March 2020	Total Grant	Total Grant	Total Grants
	£,000	£,000	£,000	£,000	£,000
General Grants:					
COVID - 19 Local Authority Support Grant	46.6	0.0	46.6	0.0	46.6
Taxation Income Guarantee	0.0	19.2	19.2	0.0	19.2
Sales Fees and Charges Support Grant	12.4	0.0	12.4	0.0	12.4
COVID-19 New Burdens Funding	0.4	0.0	0.4	0.0	0.4
Total Credited to taxation and non-specific grant income	**59.4**	**19.2**	**78.6**	**0.0**	**78.6**

Slide 13

TW2 [@Julie Hardman] can we make bigger? Drop in the actual table rather than image?
Tom Wilkinson, 25/07/21

Grants Credited to Services

	The Council Acting as Principal			The Council Acting as Agent	
	Expenditure as at 31 March 2020	Grant remaining a s at 31 March 2020	Total Principal	Total Agency	Total Grant
	£,000	£,000	£,000	£,000	£,000
Credited to services:	0.0	0.0	0.0	0.0	0.0
Infection Control	1.7	0.0	1.7	4.5	6.1
Workforce Capacity Fund	1.2	0	1.2	0.0	1.2
Rapid Testing Fund	0.8	0	0.8	0.0	0.8
LA Framework / Practical Support for those Self-Isolating	0.0	0.2	0.2	0.0	0.2
Community Testing	1.2	0.0	1.2	0.0	1.2
Council Tax Hardship Grant	0.6	0.0	0.6	6.8	7.5
Contain Outbreak Management Fund	1.8	18.3	20.1	0.0	20.1
Cultural Recovery	0.9	0.0	0.9	0.0	0.9
Covid 19 - Community Champions	0.1	0.5	0.6	0.0	0.6
Local Authority Compliance and Enforcement Grant	0.5	0.0	0.5	0.0	0.5
National Leisure Recovery Fund	0.5	0.9	1.4	0.0	1.4
Domestic Violence	0.1	0.0	0.1	0.0	0.1
Local Welfare Assistance Fund	1	0.0	1	0.0	1
Clinically Extremely Vulnerable	0	1.6	1.6	0.0	1.6
Winter Grant Scheme / Easter Hardship Fund	3.5	0	3.5	0.0	3.5
Next Step Accommodation Grant	2	0.0	2	0.0	2
Emergency Support for Rough Sleepers	0.1	0.0	0.1	0.0	0.1
Test and Trace Support Payments Grant	0.2	0.8	1.1	0.8	1.8
Reopening High Streets Safely Fund	0.2	0.0	0.2	0.0	0.2

Slide 14

TW3 [@Julie Hardman] make bigger?
Tom Wilkinson, 25/07/21

Grants Supporting Businesses

	The Council Acting as Principal			The Council Acting as Agent	TW4
	Expenditure as at 31 March 2020	Grant remaining a s at 31 March 2020	Total Principal	Total Agency	Total Grant
	£,000	£,000	£,000	£,000	£,000
Support to business:	0.0	0.0	0.0	0.0	0.0
Expanded Retail Discount	0.0	148.5	148.5	0.0	148.5
Local Authority Discretionary Grant Fund	5.4	0.0	5.4	0.0	5.4
Additional Restrictions Grant	8.9	7.7	16.6	0.0	16.6
Business Support Grant (Small Business Grant Fund and Retail Hospitality and Leisure Grant Fund)	0.0	0.0	0.0	105.9	105.9
Local Restrictions Support Grant (various)	0.0	0.0	0.0	53.9	53.9
Closed Business Lockdown Payments	0.0	0.0	0.0	21.1	21.1
Christmas Support Payments	0.0	0.0	0.0	0.2	0.2
Total service specific	**30.6**	**178.5**	**209.1**	**193.2**	**402.3**
Total all grants	**90**	**197.7**	**287.7**	**193.2**	**480.9**

The accounting treatment of these grants is varied. The principal elements of £287.7m are included within note 16 (£78.6m) and note 17 (£209.1m). The amounts carried forward £197.7m are included in the Balance Sheet usable reserves Note 40.

The Agency elements of £193.2m are fully spent in 2020/21 except for the Local Restriction Support grants (£14.049m unspent) and Closed Business Lockdown Payments (£1.229m unspent). The funds remaining at 31 March are included in the Councils Balance Sheet (Short Term Creditors).

Slide 15

TW4	[@Julie Hardman] add header and make bigger font Tom Wilkinson, 25/07/21

General Fund Revenue Outturn 2020/21

- Underspend of £3.9m against latest budget.
- General Fund Reserve as at 31 March 2021 = £26.8m.
- The table below shows our year-end position compared to budget. The variance is broken down over COVID-19 related pressures and other variances
- Further details in Accounts Narrative Report and Revenue Outturn Report to 2 June Executive

TW5

			Memo: Breakdown of Variance		
	Revised Budget	Outturn	COVID	Other over / underspends	Total Variance
	£m	£m	£m	£m	£m
Total Available Resources	(871.1)	(859.5)	14.9	(3.3)	**11.6**
Total Corporate Budgets	257.4	253.6	0.0	(3.8)	**(3.8)**
Children's Services	135.7	133.9	1.0	(2.8)	**(1.8)**
Adult Social Care	235.2	239.3	8.3	(4.2)	**4.1**
Homelessness	17.8	25.2	5.2	2.3	**7.4**
Corporate Core	97.5	101.8	5.6	(1.4)	**4.2**
Neighbourhoods	114.7	127.9	16.2	(3.0)	**13.2**
Growth and Development	12.8	16.0	4.8	(1.7)	**3.1**
Total Directorate Budgets	**614**	**644**	**41.0**	**(10.7)**	**30.3**
Total Use of Resources	**871**	**898**	**41.0**	**(14.6)**	**26.5**
Total over / (under) spend	**0.0**	**38.1**	**55.9**	**(17.8)**	**38.1**
COVID 19 Government grant income (tranche 1 to 4) - Confirmed			(64.8)		**(64.8)**
COVID-19 Sales Fees and Charges grant Income - Forecast			(12.4)		**(12.4)**
Reprofile the use of reserves			35.2		**35.2**
Net over / (under) spend			**(13.9)**	**(17.8)**	**(3.9)**

Slide 16

TW5 [@Julie Hardman] can we increase the font size and remove the £3.9m in middle column and correct the £7.7m to £3.9m?
Tom Wilkinson, 25/07/21

2020/21 - Key Variations from budget

Available Resources £11.648m shortfall (overspend) – mainly due to a £14.910m loss in dividend income from the Manchester Airport Group due to the impact of COVID restrictions. The dividend loss is partly offset by an increase on the retained business rates budget due to the late announcement of notional Public Health allocations for 2020/21, increase on other specific grants and New Burdens funding and investment estate income from Arndale Centre and Manchester Central events income.

Corporate Budgets £3.815m underspend- underspend on budgets to be allocated including the pension contribution reduction, utility savings and delay to investments, contingency budget released as not required and underspend on historical pension costs.

Children's Services £1.755m underspend - The £1.755m underspend for Children's Services is 1.3% of the £135.666m budget and indicates early achievement of some of the 2021/22 savings. Our Children placements (budget £47.8m, underspend £0.473m) , Children's Safeguarding Service Areas (budget £43.805m, underspend £0.768m) , Permanence and Leaving Care placements (budget £18.345m, underspend £2.427m), Children's Strategic Management and Business Support (budget £4.785m, overspend £31k). Education Services (budget £20.931m, overspend £1.882m)

Adults Social Care £4.064m overspend - In-house Learning Disability Supported Accommodation overspend of £2.422m from ongoing and rising needs for care and support, residential and nursing overspend £5.994m, mental health services of £277k offset in part by other underspends in Reablement service of £1.531m and Homecare £477k, and by £71k underspend on services outside the MHCC pool.

2020/21 - Key Variations from budget

Homelessness £7.423m overspend - Overspend consists of £5.153m on Covid-19 response, Disbursed accommodation and Bed and Breakfast Accommodation £1.772m, bad debt provision increase £1m to capture the impact of the Universal Credit roll out which resulted in a shortfall in housing costs met by benefits, which is partly offset by an underspend on support serviced of £502k.

Corporate Core £4.220m overspend – Overspends on ICT of £3.740m project funded revenue and additional equipment to support flexible working due to Covid-19, Revenue and Benefits overspend of £1.513m due to reduced court fee income because of Covid –19 closures, offset in part by employee budget savings due to vacancies.

Neighbourhoods and Highways £13.205m overspend – Neighbourhoods Services £10.312m overspend mainly due to Manchester Markets underachievement £5.138m due to Covid-19 closures, £3.465m Parks, Leisure Youth and Events overspend due to support provided to Greenwich Leisure Limited (GLL) to cover the fixed cost of the Council's leisure and sports facilities and income loss, £1.873m Advertising income loss. Highways overspend of £2.893m made up reduced off street carparking income, increased bad debt provision and additional CCTV costs. Offset in part by underspends on Accident and Trips due to reduced numbers of claims and employee savings in Manchester Contracts through vacant posts.

Growth and Development £3.133m overspend- Overspend due to shortfall from reduced investment estate income £1.652m, £0.576m overspend in facilities management, £0.588m Income shortfalls in Taxi Licensing, Premises Licensing and Building Control being partly offset by additional Planning income.

Housing Revenue Account (HRA) Outturn 2020/21

- Includes:
  - Costs of owning and maintaining properties which are let to tenants (15,655 dwellings).
  - Rental income from Council owned houses including those managed under a Private Finance Initiative (PFI) contract.

- Outturn position is an **underspend of £8.576m**. Transfer of £1.724m to reserves against a budgeted call on reserves of £9.593m

- Main variations:

Significant slippage in the capital programme, largely due to Covid

Reduced PFI costs due to delays in anticipated capital works

Increased rental income as a result of a reduced number of Right to Buy sales due to Covid

  - Funding set aside for fire safety measures through the installation of sprinkler system within council tower blocks in 2020/21 - £13.161m
  - Reduced PFI costs - £1.518m
  - Higher depreciation - £0.828m
  - Reduced bad debt provision - £0.438m
  - Reduced insurance contribution - £0.3m

TW12
CJ1
TW15

Capital Outturn 2020/21

- 2020/21 capital expenditure included in the accounts is £335.7m

Manchester City Council programme	Capital Budget for 2020/21 £m	Capital expenditure in 2020/21 £m	Overspend or (underspend) for 2020/21 £m
Highways	53.8	46.2	(7.6)
Neighbourhoods	10.8	4.9	(5.9)
Growth and Development	87.6	72.0	(15.6)
Town Hall refurbishment	34.6	30.0	(4.6)
Housing – private sector	13.9	14.6	0.7
Housing – HRA	16.1	17.6	1.5
Children's Services	37.2	32.1	(5.1)
ICT	3.8	3.5	(0.3)
Corporate Services	115.4	114.8	(0.8)
Total	**373.3**	**335.7**	**(37.6)**

- Details can be found in:
  - Accounts Narrative Report
  - Capital outturn report – 30 June Executive
  - Note 31 to the accounts on capital expenditure and financing

Slide 20

TW12	[@Jamie Styman] [@Julie Hardman] this table does not look right but I cannot find the source, budget should be £373.3m, but the other figures are different when compared to the narrative report, can we have a look first thing please? Tom Wilkinson, 26/07/21
CJ1	Amended now, agrees with Narr. rpt cap position also. Thanks Charlotte Arrowsmith Jones, 27/07/21
TW15	thank you [@Charlotte Arrowsmith Jones] Tom Wilkinson, 27/07/21

Capital spend and financing 2020/21

The following table shows how we funded our **capital spending of £335.7m** in 2020/21 from the different types of income received.

	2020/21 £m
Borrowing	180.8
Government Grants such as Basic Need funding from the Department for Education to fund additional school places	63.3
External Contributions such as contributions from Transport for Greater Manchester to support transport initiatives	35.5
Capital Receipts from the sale of Council properties and loan repayments	21.4
HRA Major Repairs Reserve	15.9
Revenue Contributions by the Council	18.8
Total	**335.7**

Comprehensive Income and Expenditure Statement (CIES)

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

	General Fund	HRA	Total
	£m	£m	£m
Over / (Under)spend	(5.5)	(20.4)	(25.8)
Budgeted transfer (to) / from general reserves	1.6	18.6	9.8
Net transfer (to) / from general reserves	(3.9)	(1.7)	(5.6)
Transfers (to) / from earmarked reserves	(220.6)	0.0	(220.6)
Other income and expenditure classification	36.8	(36.8)	0.0
Notional accounting adjustments	149.9	22.5	172.5
Deficit / (Surplus) per CIES	**(37.7)**	**(16.0)**	**(53.7)**

Movement in Reserves Statement

- Explains the movement in the Council’s usable and unusable reserves during the year.
- Useable reserves are cash backed and are available to spend
- MCC use them to manage risk across the financial years and they are an important tool in ensuring sound financial management
- They are categorised as:
  - earmarked – for a specific purpose - includes unspent grants, risk reserves, unapplied capital receipts, PFI reserves, schools balances
  - Unearmarked – general reserves, held as contingency
- Unusable reserves – reflect accounting entries and typically are not financed and therefore not available for spending.

Usable Reserves

TW7
TW9

The reserves should be viewed in the context of the future budget position, which is extremely challenging. The reserves appear **artificially high** due to the accounting treatment of business rates reliefs and losses, and the government funding provided to reimburse such losses. Reserves for this purpose total £167.7m

In general:

- Usable reserves – Can be used to fund capital/revenue expenditure.
- The majority of the Council's reserves are earmarked for specific purposes.
- The General Fund (GF) balance is the only non earmarked reserve (c£26.8m). Fully depleting the GF reserve would leave the council in an extremely vulnerable position and unable to manage in-year risks. This was increased from £21.4m to £26.8m recognising the scale of the budget cuts being delivered and uncertainty facing the Council in the future.
- The reserves enable the Council to smooth investment, including facilitating the spread of one-off government funding to support expenditure over 2 to 3 years
- The reserves provide some resilience for future risks and budget pressures
- Overall the position on reserves over the next 5 years is forecast to reduce significantly by 1 April 2025, including £53m of reserves already committed for COVID-19 impact. The remaining useable reserves by the end 2024/25 (including Insurance and Statutory Reserves) is estimated to reduce to £98m.
- The HRA is a ring-fenced reserve with a significant commitment to future capital expenditure and cannot be used to support the Council's General Fund budget.
- School reserves are not available to the Council

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

Slide 24

TW7 [@Julie Hardman] can we have a slide on the MIRS and CFS as well?
Tom Wilkinson, 25/07/21

TW9 done this
Tom Wilkinson, 26/07/21

Usable Reserves

Type of Reserve	Re-stated 1 April 2020	31 March 2021
	£m	£m
Capital (can not be applied to revenue spend):		
Reserves held for capital purposes including capital receipts and capital grants unapplied	203.3	194.0
Sub Total	**203.3**	**194.0**
Revenue:		
Statutory reserves that have to be set aside e.g. On street parking reserve, bus lane enforcement	25.0	20.3
Reserves held for PFIs to meet contracted future costs	2.1	2.2
Reserves held to smooth risk or for assurance including the insurance reserve of £18.6m and airport dividend reserve of £50m	117.8	128.1
Business Rates Reserve	25.5	23.4
Revenue reserves held to support capital including the Capital Fund	116.8	135.2
Reserves held to encourage economic growth or for public sector reform e.g. Our Manchester reserve, Town Hall reserve	30.8	25.8
Small specific reserves	4.3	4.3
Grants and contributions held to meet expenditure commitments over more than one year	8.2	21.0
COVID-19 related Grants and contributions held to meet expenditure commitments over more than one year	18.2	197.7
Sub Total Earmarked Revenue Reserves	**348.7**	**557.9**
Housing Revenue Account reserve	109.4	111.2
General Fund reserve	21.4	26.8
Schools reserves (these belong to schools and are for their use only)	11.7	21.5
Total usable reserves	**694.6**	**911.4**
Amounts relating to the carry forward of COVID-19 related Funding	(18.2)	(197.7)
Total excluding COVID-19 carry forwards	**676.4**	**713.7**

TW10

Unusable Reserves

Unusable Reserve	Re-stated 1 April 2020 £m	31 March 2021 £m
Revaluation Reserve	1,273.1	1,367.9
Financial Instruments Revaluation Reserve	13.0	10.3
Pensions Reserve	(689.6)	(1,060.0)
Capital Adjustment Account	1 296.4	1,397.1
Deferred Capital Receipts Reserve	3.6	3.9
Financial Instruments Adjustment Account	(4.3)	(4.9)
Collection Fund Adjustment Account	15.8	(177.0)
Short-term Accumulated Absences Account	(5.8)	(6.7)
Dedicated Schools Grant Reserve	(4.3)	(2.3)
	1,898.0	**1,528.2**

Slide 26

TW10 [@Julie Hardman] i'd like a table in for completeness
Tom Wilkinson, 26/07/21

Balance Sheet

- Shows the total assets, liabilities and reserves (net worth) of the Council
- Overall, the net worth of the Council has decreased by £153m during 2020/21, made up of a decrease in unusable reserves (£369.8m) and an increase in usable reserves (£216.8m).

Assets	£000	Liabilities	£000
Council Dwellings	623,195	Borrowing	763,230
Other Property and Equipment	2,103,128	Provisions for Future Liabilities	286,711
Heritage Assets	635,802	Liability for Pension Scheme	973,598
Investment Properties	474,953	Capital Grants Received in Advance	9,420
Other Assets	54,404	Money owed by the Council	261,911
Investments	151,367		
Money owed to the Council	691,674		
Total	**4,734,524**	**Total**	**2,294,870**
	Net Worth of the Council		**2,439,653**

Financed By	
Reserves position	**£000**
Usable Reserves	911,408
Unusable Reserves	1,528,245
Total	**2,439,653**

Slide 27

TW11 [@Julie Hardman]can we show the reserves position - it will allow members to see the role reserves play in balancing the B/S
Tom Wilkinson, 26/07/21

Group Financial Statements

The Group Accounts are being finalised and incorporate the accounts of Manchester Airport Group (MAG) and Destination Manchester Ltd (Mancheste TW8 Central).

The accounts for each entity are complete, however, the local authority accounts require different valuation information from our own valuers.

Loss of capacity at MAG due to furlough and the need for them to finalised their accounts with a different valuation basis, in part to satisfy bondholders has been their priority.

It is always tight to receive this and with the restrictions in place this year it has been really difficult.

Both organisations have gone through their external audit process and accounts agreed on a going concern basis.

In 19/20 this consolidation presented an audited group balance sheet of £3,360.4m. moving from the Councils Balance sheet of £2,596.8m on consolidation.

Slide 28

TW8	[@Julie Hardman] is there a way of us presenting the group CIES /BS? Or do we have the key accounts we can present, prior to consolidation and I can then talk about how we will consolidate and the key changes re valuation? Tom Wilkinson, 25/07/21

Group Financial Statements

Headline Figures:

- Manchester Holdings Limited (MAHL) had a turnover for the year of **£179m** in year 2020/21. This represents an unfavourable movement of **£714.8m** in comparison to the **£893.4m** that was recorded at the end of 2019/20

- MAHL made a loss of **£404m** for year 2020/21. This represents an unfavourable movement of **£458.8m** in comparison to the **£54.8m** profit that was recorded at the end of 2019/20.

- Destination Manchester's turnover for the year 2020/21 is **£12.78m** compared to a turnover of **£19.49m** representing an unfavourable movement of **£6.71m**

- DML made a loss of **£0.185m** for the year 2020/21 compared to a loss of **£0.334m** in 2019/20 representing a favourable movement of **£0.149m**. TW13

Slide 29

TW13 [@Julie Hardman] do we not have the balance sheet figs? or are we stuill washing through? It wouldbe good if we could have a comparison even if not consolidated yet?

Tom Wilkinson, 26/07/21

Group Financial Statements

Headline Figures:

- Net assets/ Total Equity of MAG £998m (2020/21) £1.346bn (2019/20).

- Net assets/ Total Equity of DML £10.186m (2020/21) £19.619m (2019/20)

- **MAG - Performance**

Passenger numbers for the year were almost 90% down on the previous year. Across the Group, airports served 6.3m passengers in FY21, compared to 59.6m in FY20. This severe reduction in passenger numbers due to public health restrictions is reflected in MAG's financial performance, with revenue down by £714.8m (80.0)% at £178.6m compared to prior year (2020: £893.4m). This impact has been felt across all areas of the business. Aeronautical revenues were 79.4% lower this year compared to FY20. The majority of airport car parks have remained closed over the last year, and parking bookings have been running at only 9% of usual levels. Similarly, many retail partners have either remained closed or had extremely limited operations, resulting in revenue reductions of 80%

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